THEOLIA

REFERENCE DOCUMENT 2009

AMF | AUTORITÉ DES MARCHÉS FINANCIERS

Pursuant to Article 212-3 of the General Regulation, the Financial Markets Authority registered this Reference Document on June 4, 2010, under No. R 10-040. 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, 2008 and the audit report appearing in paragraph 20.1 of the Company’s Reference Document officially approved by the AMF on January 25, 2010 under No. R 10-003.

- The consolidated financial statements as of December 31, 2007 and the audit report appearing in paragraph 20.2 of the Company’s Reference Document officially approved by the AMF on January 25, 2010 under No. R 10-003.

Copies of the Reference Document are available, free-of-charge, at THEOLIA, 75 rue Denis Papin – 13100 Aix-en-Provence, France. The Reference Document can also be consulted onat the Internet sites of THEOLIA (www.theolia.com) and the AMF (www.amf-france.org).

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1. PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT

1.1 RESPONSIBLE FOR THE REFERENCE DOCUMENT

Mr. Eric Peugeot, Chairman (*Président*)

Mr. Fady Khallouf, Chief Executive Officer (*Directeur général*)

Mr. Jean-François Azam, Chief Operating Officer (*Directeur Général Délégué – Opérations*)

Mr. François Rivière, Chief Financial Officer (*Directeur Général Délégué – Finances*)

1.2 CERTIFICATION OF THE RESPONSIBLES

“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 bearing on the financial conditions and the accounts provided in this Reference Document and 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 paragraph 20 of said document.

The auditors' report on the consolidated financial statements as of December 31, 2008 appearing in paragraph 20.2.1 of the Company's Reference Document officially approved by the AMF on January 25, 2010 under Number R 10-003 (the "2008 Reference document") 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 2008 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.*” This paragraph is set out on page 150 of the 2008 Reference Document.

The auditors' report on the consolidated financial statements as of December 31, 2009 appearing in paragraph 20.1.2 of this Reference Document contains the following observations: "*Without calling the above expressed opinion into question, we draw your attention to:*

- The incertainty relating to the continuity of operation set ou in note 2.1 of the consolidated accounts "General principles – Continuity of operation",

- The same note 2.1 "General principles – New standards, amendments, interpretations applicable as of January 1st, 2009 – Change in method" which states the changes in accounting methods resulting from the application from January 1st, 2009 of new standards, amendments, interpretations,

- The note 5 of the consolidated accounts "Significant events during the financial year – Sale of non-wind assets and interests" mentioning the reversal on provision for a debt due by the company HESTIUN Ltd, following the full payment of this debt during the financial year.”

Mr. Eric Peugeot, Chairman

Mr. Fady Khallouf, Chief Executive Officer

Mr. Jean-François Azam, Chief Operating Officer

Mr. François Rivière, 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. Frederic 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 by letter dated July 6, 2009, 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.

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. Ernst & Young and Others

41, Rue Ybry
92576 Neuilly-sur-Seine Cedex

Following the accession of SARL Coexcom to the office of acting auditor on the date of August 31, 2009, the annual general meeting on June 1st, 2010 approved the appointment of a new deputy auditor, Ernst & Young and Others, for the remaining term of the office of SARL Coexcom, i.e. until the ordinary general meeting which shall take place in 2012 to approve the accounts ending on December 31, 2011.

3. SELECTED FINANCIAL INFORMATION

Consolidated summarized income statements for financial years ending December 31, 2009, 2008 and 2007

(in thousands of €)	12/31/2009	12/31/2008 restated[1]	12/31/2007 restated[1]	12/31/2008 published	12/31/2007 published
Revenue	**328,593**	**69,956**	**288,134**	**69,956**	**306,481**
Current operating income	27,811	(68,411)	438	(67,299)	(3,250)
Operating income	**32,180**	**(197,572)**	**(37,517)**	**(196,460)**	**(38,726)**
Net income	(21,101)	(245,210)	(48,625)	(244,098)	(48,807)

Consolidated summarized balance sheets for financial years ending December 31, 2009, 2008 and 2007

(in thousands of €)	12/31/2009	12/31/2008 restated[1]	12/31/2007 restated[1]	12/31/2008 published	12/31/2007 published
Actifs non courants	520,123	555,584	645,865	555,584	645,169
Actifs courants	206,574	343,302	509,046	343,302	514,824
Total actifs	**743,769**	**918,703**	**1,154,912**	**918,703**	**1,159,994**
Capitaux propres	148,652	168,648	404,420	169,760	403,071
Passifs non courants	406,261	470,192	480,292	469,080	477,707
Passifs courants	177,818	266,742	270,200	266,742	279,216
Total passifs et capitaux propres	**743,769**	**918,703**	**1,154,912**	**918,703**	**1,159,994**

Consolidated summarized cash flows for financial years ending December 31, 2009, 2008 et 2007

(in thousands of €)	12/31/2009	12/31/2008 restated(1)	12/31/2007 restated(1)	12/31/2008 published	12/31/2007 published
Cash from operational activities	109,233	(147,725)	30,093	(147,725)	28,885
Net flows generated by investment activities	(18,139)	(73,727)	(136,663)	(73,727)	(134,658)
Net flows generated by financing activities	(87,724)	(12,184)	369,459	(12,184)	368,663
Changes in cash	**3,361**	**(233,567)**	**262,778**	**(233,567)**	**262,779**

(1) See below "Restatements of 2008 accounts"

(2) See paragraph 9.2.1.3 related to restatements which took place by application of IAS 8 for financial information concerning financial year ending December 31, 2007. The detailed presentation of the effects on the financial statements as of December 31, 2007 is set out in note 2.1 of the annexed notes to the consolidated financial statements as of De cember 31, 2008, in paragraph 19.1 of the Company's Reference Document approved by the AMF on January 25, 2010 under No. R 10-003. Extracts from the balance sheet as of December 31, 2007 mentionned hereafter for comparison are set out in the restated form.

Restatement of 2008 accounts

In accordance with the IAS 8 standard, an error detected in the accounts of the Corseol subsidiary (wind farm) as of December 31, 2008 resulted in the restatement of these accounts in 2009. A contingency and loss provision of €1,111thousand of which the consideration was recorded in the income statement under the line "amortizations and provisions" was recorded in the corporate accounts after the closing of the consolidated statements. This correction has a negative impact on the 2008 net income of €1,111 thousand, but does not have an impact on neither the opening net position nor the financial year 2007.

Comments on the income statements as of December 31, 2009

In 2009, the Group's net consolidated income was negative €21.1 million as compared to negative of €245.2 million in 2008, a financial year that was marked by the recognition of important losses in value and the absence of sales of wind farms.

The significant increase in net income as compared to 2008 is due to five majors factors:

- Reversals of operating provisions recorded in 2008, amounting to 25 million euros relating to the debt held by the HESTIUN company (€15 million) and a turbines deposit (€10 million):
    - In December 2008, the Group sold its stake in Thenergo to the HESTIUN company. At the date of publication of financial statements, April 28, 2009, this debt had not been collected by the Group who chose to write off €15 million from its debt. In May 2009, the Group finally received the proceeds of sale. The depreciation which had been previously recognized was resumed in its entirety, generating proceeds of €15 million;
    - The total amount of the advance made by the Group for the reservation of turbines relating to a project that was eventually abandoned was provisioned at the closing of the financial year 2008. Thanks to a negociation for the reallocation of these turbines to another project, the earlier impairment was fully taken back, resulting in proceeds of €10 million;
- The resumption of projects and wind farms sales in Germany and France helped generate sufficient margins that absorbed most of the structure costs, which was not the case during the previous financial year;
- The important decrease in expenses resulting from the implementation of free share allocation plans and share warrants (IFRS 2) (€8.7 million); the expenses related to the allocations made in 2008 were more significant than the ones made in 2009 (volume of allocations and effect of the existence of performance conditions);
- Reversals on the 2008 depreciations following the testing for impairment of goodwill and the fixed assets; and

- The decrease of financial expenses, mainly due to the impact of variation in "mark to market" of the interest rate derivatives, was much more limited in 2009 than in 2008.

Comments on the state of the financial situation as of December 31, 2009

Assets

The Group's assets decreased between 2008 and 2009 due to the following factors:

- Significant transfers of wind farms accounted for under stock and under non-current assets;
- Depreciation of the stakes in the associated companies; and
- Reduction of fiscal debts (VAT).

Liabilities

The Group's liabilities also decreased between 2008 and 2009 due to the following factors:

- Decrease of financial indebtedness;
- Decrease of supplier debts (payment in 2008 and 2009 of purchases made in 2007 and 2008);
- Decrease of debt related to acquisitions of companies (primarly price supplements)

Comments on the cash flow table as of December 31, 2009

Cash from operating activities

The €109.2 million in cash generated from the Group's operating activities, is due to the good level of sales achieved during the financial year. Indeed, the transfer of projects and wind farms, representing a total of 234 MW, has reduced the working capital requirement by €54.2 million and generated a gross autofinancing margin of €59.2 million.

Cash from investment activities

During the financial year, the Group has spent €18.1 million in net cash mainly for the following purposes:

- Investments in wind projects under development and under construction;
- Repayment of advances previously made to wind projects that were transferred during the financial year; and
- Payments related to acquisitions of companies (price supplements, redemption of minority shares).

Cash from financing activities

During the financial year, the Group made a net cash outflow of €87.7 million for the rembursement of borrowings subscribed under the financing of the wind activity.

4. MAIN RISK FACTORS OF THE GROUP

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 The Group experienced a severe contraction in its liquidity. If the Restructuring of the OCEANE convertible bonds is not successfully completed, holders of OCEANEs could potentially request the early redemption of their securities. In this event, the Group believes that it would not be able to cover the total amount of the early redemption price, requiring it to seek creditor protection under French law or even to cease its business activities.

Since 2008, the Group has experienced a severe contraction in its liquidity due to the external growth strategy led by former officers (April 2006- September 2008), to the suspension of asset disposals also undertaken by these managers, and to the lack of liquidity in international credit markets since 2008. As a result, the Group experienced high cash outflow in pursuit of this acquisition-led growth, while at the same time its cash inflows from sales of operational wind farms ceased and financial markets became unable, or unwilling, to provide sufficient credit.

On January 30, 2009, the statutory auditors of the Group, Deloitte & Associés and Jean Jouve, (the "Statutory Auditors") questioned whether the Group had sufficient liquidity through a warning procedure ("*procédure d'alerte*") in accordance with Article L.234-1 of the French Commercial Code ("*code de commerce*"). The Group then provided a detailed letter dated February 18, 2009 on measures taken to improve its cash position and estimated that it had replied to the interrogations relating to the Group's sustainability in the future (see paragraph 10.4.2)). On the basis of the business plan expected to take effect and the achievement of the planned capital increase as part of the Restructuring, the Group considers that it is able to ensure continuity of its operations over the next twelve months and considers that in this context it was appropriate to apply the principle of continuity of operations with respect to the preparation of its consolidated accounts.

There is a risk of early redemption of its OCEANE convertible bonds (the "OCEANE Bonds") on January 1, 2012 which would render the Company unable to meet its obligations as they come due if the Restructuring described in paragraph 9.1.4 is not completed. The initial terms of the OCEANE Bonds allow any bondholder to request the early redemption, at his or her sole discretion, on January 1, 2012, of all or part of the bonds on he or she holds at a price of €21.94 per OCEANE. If the market price of the Company's shares continues to trade at a significant discount compared to the redemption price, the Company believes it is almost certain that bondholders will opt for the early redemption of their bonds. If bondholders were to request an early redemption on January 1, 2012, the Company believes it would currently be unable to cover the full amount of the early redemption, or €253,200,000, and would have to consider creditor protection under French law.

Although the Company announced that on December 29, 2009 it had reached agreement with 65.5% of the holders of OCEANE Bonds, and that the general bondholders' meetings and shareholders' meetings had approved the Restructuring plan, on February 18, 2010 and March 19, 2010, respectively, the Restructuring Plan remains contingent upon the successful completion of the share capital increase by August 31, 2010, at the latest. This capital increase must be carried out on the basis of a minimum amount of €60 million, for which irrevocable subscription commitments, representing €45 million, must be made. For further details on the Restructuring plan, please refer to paragraph 9.1.4.

The schedules to the Group's consolidated accounts for the 2009 financial year also confirms that:

- In order to keep on developing, the Group is currently undergoing a Restructuring of its convertible bond loan. This Restructuring is contingent upon the completion of a capital increase in the minimum amount of €45 million as of the date of finalization of these accounts;

- A failure in the Restructuring of the convertible bond loan would increase the risk of failure to secure financing for ongoing wind projects and could force the Company to consider an insolvency proceeding pursuant to French law, which would lead to a significant loss in value;

- On the basis of the business plan expected to take effect and the assumption that the Restructuring Plan described above is in fact completed, the Group believes it is able to ensure the continuity of its operation over 12 months (for further details, please refer to note 2.1 of the 2009 consolidated accounts).

In this context, and in order to improve its cash position, the Group undertook the disposal of its non-strategic assets. Several non-wind assets were sold at the end of or as from 2008 (Thenergo in December 2008, Biocarb in April 2009, the hydraulic development business in Canada and two plants capable of being dispatched in France in July 2009) and the remaining non-wind assets are in the course of disposal (the environmental subsidiary in France, Ecolutions, and a solar energy plant in Germany). The Group cannot give any assurance that this program to sell non strategic assets will be completed in 2010.

In 2009, the Group also established a program to sell more than 200 MW of wind farms and projects so as to strengthen its overall cash position, in line with the strategy introduced by the previous management team (September 2008 – February 2010) and approved by the Board of Directors. In 2009, pursuant to this program, the Group sold projects and wind farms for a total of 234 MW (146 MW in Germany and 88 MW in France).

In line with its strategy, the Group continues to focus on the completion of asset disposals and the management of costs, thereby contributing to the restoration of its cash position. In parallel, the Group must also undertake new wind projects in order to ensure its future as a business and to provide a return on the equity invested by its shareholders. The Group cannot, however, guarantee that it will be able to carry out the wind farm sales in 2010 within the planned timeframes and under adequate financial terms, or at all; nor can the Group exclude the possibility that it will fail to complete the capital increase required for the Restructuring. As of the date of this Reference Document, the Group's consolidated net working capital is not sufficient to face its obligations for the next twelve months, in particular as regards the repayment of credit lines falling due (for an aggregate amount of €64.8 million) in the case of non-completion of the capital increase within the Restructuring by August 31, 2010. In such cases, the Group could face a significant liquidity crisis and its financing capacity could be questioned, which would have a material adverse effect on the Group's financial position and could require the Group to seek creditor protection under French law or even to cease its business activities. However, subject to the completion of the capital increase planned in connection with the Restructuring, the Company's consolidated net working capital is sufficient to meet its obligations and operating cash needs over the next twelve months as provided by its business plan, it being clarified that in the case of non-completion of the disposal of certain wind farms within the timeframe set out in this business plan, the Company would have to modify the calendar of its investments, or even reduce such investments. In addition, even if the Restructuring is successful, the Group may be forced to carry out another dilutive capital increase in order to finance its development.

4.1.2 The Group’s financial and operational flexibility has been limited or may in the future be limited by its level of indebtedness. If the Group is unable to generate sufficient cash flow to satisfy its financial obligations, it may be required to review its business strategy or reduce its investment activity, or to seek creditor protection under French law or even to put an end to its business activities.

As of December 31, 2009, the Group's net consolidated debt reached €396 million, 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	12/31/2008 (restated)	12/31/2007 (restated)
Financial debts	(267,211)	(376,686)	(346,261)
Of which non-recourse project financing	(238,688)	(337,090)	(312,508)
Convertible bond	(218,729)	(204,223)	(195,953)
Other financial liabilities	(4,540)	(8,338)	(377)
Current financial assets	236	296	1,127
Cash and cash equivalents	94,187	90,823	326,197
Net financial debt	**(396,057)**	**(498,128)**	**(215,267)**

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

	12/31/2009
Project financing	(238,688)
Loan backed by letter of credit	-
Lines of credit for working capital requirements	(28,523)
Total financial debt	**(267,211)**

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

'	Less than 1 year		From 1 to 5 years		More than 5 year		TOTAL	
(in thousand euros)	Nominal	Interest	Nominal	Interest	Nominal	Interest	Nominal	Interest
Loans from credit institutions	114,961	10,860	78,381	27,394	76,469	16,879	269,811	15,133
Convertible bond	-	4,800	253,152	9,600	-	-	257,952	9,600
Debts on financing leases	-	-	-	-	-	-	-	-
Bank overdrafts and equivalents	7	-	-	-	-	-	7	-
Other financial liabilities	4,534	-	-	-	-	-	4,534	-
Total financial liabilities	**119,502**	**15,660**	**331,533**	**36,994**	**76,469**	**16,879**	**532,304**	**64,733**

In the long term, the Group is subject to the risk that it may be unable to generate sufficient cash flow, or to obtain sufficient funding, to satisfy its obligations to service or refinance its indebtedness. In particular, the Group's substantial level of indebtedness may lead to the following significant consequences:

- requiring the Group to devote a significant portion of its cash flow to service its debt obligations;
- limiting the Group's ability over the longer term to obtain additional financing in order to finance its working capital requirements, capital expenditures, acquisitions or debt service obligations, or its ability to refinance existing debt;
- limiting the Group's flexibility in planning for, or reacting to, changes in market conditions and competitive pressures;
- limiting, through restrictive financial covenants, the Group's ability to sell its assets, borrow, issue securities or engage in transactions with subsidiaries;

- placing the Group at a disadvantage compared to its competitors that are subject to fewer financial commitments;
- increasing the Group's vulnerability to general adverse economic and industry conditions, including increases in interest rates and credit spreads;
- pledging the Group's assets as a means of guarantee; and
- increasing the cost of servicing the Group's indebtedness in the event that financial covenants are renegotiated.

These and other factors may have a significant adverse impact on business activities, the financial position, and the results of the Group

4.1.3 The Group's financing agreements contain various covenants which, if not complied with, could require accelerated repayment as well as trigger cross-default provisions in other borrowings that may then also be accelerated—either or both of which would materially adversely affect the Company's liquidity, financial condition and results of operations, and the Group may be required to seek creditor protection under French law or even to cease its activities. The Group has in the past failed, and may in the future fail, to comply with such debt covenants.

Certain of the Group's financing agreements contain debt covenants requiring the Group to maintain financial ratios relating to, among other things, leverage and debt service coverage of each SSP or group of companies. These covenants are primarily based on a Debt Service Coverage Ratio (DSCR) (EBITDA/ interest expenses and amortization on principal ratio) which minimum annual value shall be superior to a threshold from 1.0x to 1.25x and a control of the debt rate (remaining principal amount due/ share capital ratio) determined according to each financing agreement.

Should it fail to comply with these and other debt covenants could result in borrowings becoming immediately due and repayable. In addition, cross-default and cross-acceleration provisions could increase the effect of a single default event. There can be no assurance the Group will be able to obtain waivers for such defaults or restructure its borrowings. Acceleration of borrowings would have a material adverse effect on the Group's liquidity, financial condition and results of operations and could force the Group to sell assets at unfavorable prices, seek creditor protection or otherwise cease its operations.

In February 2010, Südwestbank AG ("Südwestbank"), a lending bank, reduced a €10 million credit line it had granted to THEOLIA Naturenergien by an amount of €7 million, so that the maximum amount available under this facility was equal to the amount already drawn, i.e. €3 million. In accordance with the terms of the financing documentation, Südwestbank exercised its discretionary right under the financing documentation to reduce the credit line at any time and indicated that it was preoccupied by uncertainties relating to recent changes within the Company and in THEOLIA Naturenergien. Following this reduction, another lending bank of the Group, Vorarlberger Landes und Hypothekenbank AG ("Vorarlberger) subsequently declared that THEOLIA Naturenergien has suffered from a significant deterioration in its financial position (*wesentliche Verschlechterung der Vermögensverhältnisse*) and on this ground, pursuant to the terms and conditions of the credit facility, reduced a €10 million revolving credit facility granted to THEOLIA Naturenergien by an amount of €7 million, so that the maximum amount available under this facility was equal to the amount already drawn, i.e. €3 million.

The terms of both facilities with Südwestbank and Vorarlberger contain a guarantee from the Company on behalf of THEOLIA Naturenergien's undertakings for up to €7.5 million euros each.

In February 2010, Südwestbank stated in a letter that it would continue to extend the €3 million line of credit granted to THEOLIA Naturenergien until June 30, 2010 under the condition in particular that the Restructuring is approved at the shareholders' meeting (which took place during the shareholders' meeting on March 19, 2010). Südwestbank had also indicated that its decision would be influenced by whether relations between THEOLIA and its other banking partners remain stable and that Südwestbank is able to meet the new management of THEOLIA Naturenergien in April 2010. On April 15, 2010 Südwestbank and Vorarlberger indicated that they would reconsider the conditions of the lines of credit granted to THEOLIA Naturenergien to their initial amount of €10 million for each facility contingent upon in particular completion of the share capital increase associated with the Restructuring and the appointment of new experienced executive management within THEOLIA Naturenergien.

Pursuant to the terms of the Südwestbank financing agreements, Südwestbank has the discretionary right to terminate this facility and request its repayment at any time. Pursuant to the terms of the Vorarlberger financing agreement, Vorarlberger has the right to accelerate repayment of the amount drawn under this facility if the bank concludes that that THEOLIA Naturenergien remains in a state of substantial financial deterioration.

If Südwestbank and/or Vorarlberger accelerate repayment of the amounts drawn under their respective credit facilities, this could have a material adverse effect on the business, financial conditions and operations of the Group in Germany and could trigger directly or indirectly cross-defaults under the terms of most of the financing arrangements of the Group, in France, Germany and Italy. In particular, the OCEANE convertible bonds, which would trigger early redemption thereof in an aggregate amount of €253 million, would in turn further trigger cross-defaults under the terms of other financing arrangements. In such event, the Company would be forced to apply for creditor protection under French law.

The Group has failed to comply with some financial covenants in the past. In particular, in 2008 and 2009 Group companies in Germany, France and Morocco breached their leverage or interest coverage ratios, and as a consequence were in certain cases required to restructure their debt or obtain temporary waivers (see paragraph 10.3.2).

As of June 30, 2009, the Group breached the financial covenants required to be maintained under project financing arrangements for two wind farms located in France and in Morocco, i.e. for the first semester 2009 the minimum debt service coverage ratio as provided in the financing documentation (see paragraph 10.3.2). For each of these projects no formal waivers were formally obtained from the lending banks and the Group was in compliance with the relevant ratios as of December 31, 2009.

4.1.4 The terms of some of the Group companies' project financing agreements provide that the actions taken in connection with the Restructuring plan constitute events of default.

The terms of certain project financing agreements applicable to Group companies provide that actions recently taken by the Company (such as the appointment of a special purpose trustee or the renegotiation of the OCEANEs) in connection with the Restructuring plan constitute events of default (see paragraph 9.1.4). Consequently, the Group obtained waivers from the relevant lending banks in connection with outstanding debts totaling € 59.9 million as of December 31, 2009:

- Pursuant to the €17 million financing granted to Centrale Eolienne de Seglien Ar Tri Milin ("CESAM") and to Centrale Eolienne de Fonds de Fresnes ("CEFF"), the Company obtained a waiver, which is effective until July 31, 2010

- Pursuant to the €33 million financing granted to the Centrale Éolienne des Plos ("CEPLO"), the Centrale Éolienne du Moulin de Froidure ("CEMDF") and the Centrale Éolienne de Sallen ("CESAL"), the Company obtained a waiver which is effective until the earliest of the following four dates: (i) July 30, 2010 (ii) the date on which the Company does not comply with the announced timeline for the Restructuring (iii) 15 days following the payment-delivery of the capital increase to be completed in respect of the Restructuring and (iv) the end of the mandate of the special purpose trustee described in paragraph 9.1.4 of this Reference Document, and.

If the Company is unable to complete the Restructuring before July 31, 2010 and/or the special purpose trustee is still in office past this date, the relevant lending banks could request a repayment of their loans. The early repayment under such financings would require the Group to mobilize significant cash flows to meet its obligations to lenders, which could potentially have a negative impact on its financial position and impair its ability to meet its other obligations and could also potentially lead to the triggering of cross-default clauses under the terms of other financing agreements. For further details on this matter, please refer to 4.1.3. Such event could potentially have a material adverse effect on the Group's liquidity and financial position and could prevent the Group from developing or acquiring wind farm projects, force it to sell its assets under unfavorable financial terms, to apply for an insolvency proceeding or even put an end to its business activities.

4.1.5 The Group has experienced difficulties in completing certain asset disposals within the expected time periods and in accordance with its cash requirements and strategic objectives and may potentially face similar difficulties in the future.

The revenue generated from the sale of wind farms represented 71% of the Group's total revenue for the financial year ended December 31, 2009. In addition, the Group is in the process of carrying out the disposal of its non-wind assets. The Group's profitability and liquidity depends, in particular, on the completion of these disposals. However, the Group may be unable to identify buyers to purchase its assets under acceptable financial conditions. In addition, a recent trend toward a depreciation of asset values in the renewable energy sector has been observed by some analysts.

The sale of a wind farm could be subject to conditions precedent requiring the buyer to confirm its ability to secure the necessary financing. Since the financial crisis, some prospective buyers' ability to secure financing has been significantly impaired. As such, in 2008, the Group was forced to cancel two sales concluded at the end of 2007 due to buyers' inability to secure the necessary financing. If the financial crisis is prolonged, the Group may continue to experience difficulties completing its asset disposals within the expected timeframes and under the conditions necessary.

The Group may experience other difficulties in carrying out planned asset disposals. Fluctuations in the valuations of wind farms, competition with other wind farm developers (including certain of the Group's shareholders) for potential buyers of wind farms, or difficulties associated with the auditing of buyers, could cause delays in the completion of sales or result in their cancellation. The cancellation of the sale of a wind farm could have a material adverse effect on the the Group's business activities, financial position, and cash flows, and on its cash available for financing working capital requirements and its future development. This is particularly the case since the Group does not have any cash reserves, access to line of credits or to a shareholder business lessor, and therefore may be, in case of significant or repeated delays or cancellations of important transfers, in a situation of cessation of payment.

4.1.6 Material weaknesses in the Group's internal control procedures and financial reporting have been identified. If the Group is unable to implement the necessary measures to remedy such weaknesses, it may potentially encounter difficulties in monitoring its cash flow position in the very short term.

The Group has restated some of the information contained in its financial statements for the financial years ended on 2007 and 2008 (please refer to 9.2.1.3 for further details) and these restatements revealed problems pertaining to the accuracy of the Group's financial reporting.

However, since the end of the 2008 financial year, the reasons for these restatements were analyzed by the Group and closing procedures were amended accordingly. In particular, the Company now requires that the corporate accounts of its key subsidiaries be finalized by the Board of Directors of those subsidiaries before the closing date of the Group's consolidated accounts by the Board of Directors of the Company.

In addition, the Group received a letter from Deloitte & Associés ("Deloitte"), one of its Statutory Auditors, dated February 2, 2010, stating that the accounting information necessary for its audit of the Group's cash position was not received from prior management (in office from September 2008 to February 9, 2010).

Subsequent to the aforementioned letter received from Deloitte & Associés, the Board of Directors commissioned Grant Thornton LLP ("Grant Thornton") to act as independent expert for the purposes of evaluating the Group's cash reporting procedures and confirm its exact cash position as of December 31, 2009. The resulting report, dated March 31, 2010, concluded that there are weaknesses in the Group's internal control over financial reporting as regards liquidity. These weaknesses include, yet are not limited to:

- insufficient procedures implemented by the Company for the collection of financial information from foreign subsidiaries and, in particular, from Germany, rendering it difficult to reconstruct and verify financial data provided by subsidiaries and, therefore, to obtain reliable cash position forecasts. As for example, the disclosure by the German subsidiary of a more detailed information would have probably allowed to identify earlier the sum of €2.5

million, considered mistakenly as cash and restated following the report as "Other receivables" (see paragraph 9.2.4.2);

- the difficulty of obtaining an early relevant estimate of the cash position due to weaknesses in the cash projection process used by subsidiaries in the very short term;
- the faulty nature of financial information provided to the Board of Directors with regard to the amount of available cash (both projected and real); and
- the lack of a centralized process to optimize the Group's cash resources.

It should however be mentioned that reporting errors related to cash did not have any impact, as of December 31, 2009, on the calculation of all the Group's covenants (see paragraph 10.3.2). The cash level or its classification as cash available or cash blocked has indeed no effect on the calculation of the financial covenants, since the cash balance is not part of the ratio calculation.

Due to these weaknesses, detailed studies have been undertaken by the Group with a view to render reliable and to validate the information relating to cash flow as of December 31, 2009 as it appears in the annual and consolidated accounts and this Reference Document, as well as the cash flow forecasts used to justify the application of the principle of continuity of operations, based on the assumption that the Restructuring plan will be completed.

The Company is in the process of defining measures aimed at rectifying these weaknesses. If the Group does not implement such measures and if, under that assumption, it decided not to continue the rectification measures discussed in the preceding paragraph, this could have a significant adverse effect on the Group's ability to ensure the monitoring of its immediate cash position and its liquidity risk, which could potentially have a negative effect on the management of its activities

4.1.7 The Group was subject to sanctions imposed by the AMF, as a result of material weaknesses in the Group's internal control procedures over the assessment of asset depreciation. If the Group fails to address these weaknesses, the relevance of the Group's financial statements could potentially be affected.

The Group was subject to a sanction procedure initiated by the AMF. This procedure resulted in a fine of €300,000 against the Company (for further details, please refer to 20.8.1) as a result of the following inaccurate statements (contained in some of its public communications):

- faulty information regarding the potential wind power generation capacity of THEOLIA contained in the prospectus for the transfer of its listing from Alternext to Euronext dated July 26, 2006, relating in particular to the existence of a building permit application under review with respect to the Assérac project site;
- faulty information regarding the results published in the consolidated financial statements established as of June 30, 2005, December 31, 2006 and June 30, 2007 caused by the absence of information relating to depreciation of the assets of certain wind projects;
- faulty information regarding the amount of the contribution of its environment business line to Granit SA, as set out in the prospectus for the transfer of listing and a press release dated March 8, 2006;
- delayed communication by THEOLIA of privileged information concerning the Group and relative to the cancellation of the sale of its environmental business line to Granit SA; and
- misleading information regarding the sale of its environmental business line, as it appears in the press release dated December 27, 2006.

In addition to the changes made to the management team of the Group that was in power at the time of occurrence of the events denounced by the AMF, the Group has defined and implemented a structured process for the validation and possible provisioning of its wind power potential and its projects under development. If the the Group were to decide to discontinue the application of this procedure, it may be unable to assess the asset depreciation to be accounted for in relation to its wind projects and, therefore, so provide periodic information and reliable financial statements . In this case, it could potentially be subject to further AMF sanctions, to disputes with its shareholders, or could experience a loss of confidence, which could potentially affect its business activities and its financial position.

4.1.8 The Group issued several types of financial instruments (share subscription warrants, free shares, OCEANEs), if exercised could lead to a dilution for shareholders.

As of May 31, 2010:

- 3,922,650 BSAs (share subscription warrants) were in circulation enabling the issue of 3,922,650 new shares in the Company ;
- 2,280,611 free shares were allocated enabling in the future the maximum issue of 2,280,611 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 (before modification of the share allocation ratio set out within the Restructuring).

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

As of May 31, 2010, if all the transferable securities giving access to the capital had been exercised (before modification of the share allocation ratio set within the Restructuring), a shareholder holding 1% of the capital before their exercising would have seen its holding change to 0.697% of the capital of THEOLIA:

	Number of shares	Holding of a shareholder holding 1% of the capital
Situation as of 05.31.10	40,308,707	1.00
Situation after exercise of the 3,922,650 BSAs in circulation	44,231,357	0.911
Situation after issuance of the 2,070,611 free shares	46,511,968	0.867
Situation after issuance of the 11,538,462 shares by conversion of the OCEANEs	58,050,430	0.694

<u>Impact of the capital increase and of the modification of theOCEANEs' conversion set out within the Restructuring for the Company's shareholders</u>

The Restructuring, described in paragraph 9.1.4 will be the subject of a securities note submitted to the AMF visa. 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*	*99.74*	*100.8*
N1	9.05	8.66	7.97	6.59	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%	0.29%	0.29%
After capital increase and after conversion of the OCEANEs (*)	0.21%	0.20%	0.19%	0.19%	0.19%
After capital increase, conversion of the OCEANEs, exercise of the warrants and vesting of the free 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 in existence as of May 31, 2010 (i.e. 40,308,707 shares) and without taking into account other instruments giving rights to capital (existing warrants and free shares).

(**) Calculated on the basis of (i) the exercise of all BSAs in circulation as of May 31, 2010 (even when the exercise price is way out of the money), (ii) the definitive vesting of all free shares allotted as of May 31, 2010 (even though most of them are subject to attendance and performance conditions – which the Group considers that for some free shares allocated to the prior management these conditions have not been fulfilled as this management ceased), (iii) the implementation of the adjustment mechanisms applicable to the free 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 BSAs 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*	*99.74*	*100.8*
N1	9.05	8.66	7.97	6.59	6.59
	Shareholders' 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%	0.65%	0.65%
After capital increase, conversion of the OCEANEs, exercise of the warrants and vesting of the free shares allotted (**)	0.43%	0.48%	0.53%	0.62%	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 in existence as of May 31, 2010 (i.e. 40,308,707 shares) and without taking into account other instruments giving rights to capital (existing warrants and free shares).

(**) Calculated on the basis of (i) the exercise of all BSAs in circulation as of May 31, 2010 (even when the exercise price is way out of the money), (ii) the definitive vesting of all free shares allotted as of May 31, 2010 (even though most of them are subject to attendance and performance conditions – which the Group considers that for some free shares allocated to the prior management these conditions have note been fulfilled as this management ceased), (iii) the implementation of the adjustment mechanisms applicable to the free 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 BSAs following the capital increase, adjustments which will be made under the conditions stipulated by the applicable legal and regulatory provisions.

4.1.9 The Company and its Moroccan subsidiary, THEOLIA Emerging Markets, believe that the former CEO, Jean-Marie Santander, did not act in their corporate interests. They have filed certain civil and criminal suits against the latter, who in turn also filed a claim against certain directors and the CEO of the Company on April 21, 2009.

As part of the Board of Directors' review of the Group's business activities, the Company identified certain management decisions taken by Mr. Jean Marie Santander that it believes did not comply with its corporate interest, particularly with regard to certain decisions associated with the Moroccan subsidiary THEOLIA Emerging Markets ("TEM"). The Company and TEM initiated two civil proceedings in France and in Morocco and criminal proceedings in France against Mr. Santander and certain parties related to him, under the conditions described below in paragraph 20.8.2

On March 13, 2009, the Company filed a civil claim with the Commercial Court of Marseille against Mr. Santander (and the companies Athanor Equities and Global Ecopower). The Company has to date, claimed a total amount of approximately € 5.95 million (subject to adjustement) to Mr. Santander and the companies Athanor Equities and Global Ecopower for the loss suffered. The claim alleges that Mr. Santander (a) established and operated a competing group while he was still managing the Company, (b) used Company employees to further his personal interests and recruited Company employees, (c) traded on the image and reputation of the Company while pursuing non-Company projects, (d) engaged in competitive acts in the wind sector, with the complicity of Global Ecopower and (e) committed acts that resulted in the AMF imposing a fine on October 1, 2009 (see paragraph 20.8.1 below). In addition, on April 22, 2009 TEM initiated civil legal proceedings at the Commercial Court of Casablanca against Mr. Santander for the repayment of 1,300,000 MAD (1 MAD = €0.0898 as of April 8, 2010), which corresponds to the compensation the Company considers to have been wrongfully received by Mr. Santander when he was chairman and CEO of TEM. TEM also requested Mr. Santander reimburse 2,000,000 MAD (i.e. €183.013.47) excluding taxes, paid to Faracha (a Luxembourg company of which Mr. Santander is the sole director) given the absence of a tangible service provided by Faracha to TEM.

Finally, on December 29, 2010 the Company and TEM filed a criminal complaint with the Public Prosecutor of the Court of first instance of Marseille against Mr. Santander. This complaint, the review of which is currently underway, contains allegations that could be qualified as fraudulent use of corporate assets and abuse of trust.

On April 21, 2009 Mr. Santander disputed the aforementioned claims and, acting as a shareholder of the Company, initiated a claim on behalf of the Company (claim *ut singuli*) against certain directors of the Company (Eric Peugeot, Stéphane Garino, Georgius Hersbach, Louis Ferran and the company Sofinan Sprl) and the CEO of the Company from September 2008 to February 2010 (Mr. Marc van't Noordende). This claim seeks to hold such parties jointly and severally liable:

- to reimburse the Company for any sums the Commercial Court of Marseille may order it to pay as damages: to Mr. Santander (evaluated at €200,000), Athanor Equities and Global Ecopower (evaluated at €150,000 for each of these companies) as a result of the proceedings engaged by the Company, and to Mr. Santander as a result of the non allocation by the board of directors of certain free shares, which are evaluated at €574,714; and

- to compensate the Company for the alleged damage to have been caused by "the brutal eviction of Jean-Marie Santander and by the catastrophic management of the Company that resulted therefrom", which Mr. Santander alleges to be €520 million—an amount corresponding to the decrease in the Company's market capitalization since September 2008

Despite the diligence exercised by the Group prior to the aforementioned legal proceedings, there may be pre-existing instances of possible misconducts that have yet to be discovered and could have an adverse effect on the Group's business activities, financial position and results of operations.

4.1.10 The litigation initiated by former officers in February 2010 could have a material adverse effect on the Group.

In February, 2010, the Board of Directors dismissed CEO Marc van't Noordende and CFO Olivier Dubois from their management positions (for further details, please refer to paragraph 12.1.1). On March 19, 2010 the general shareholders' meeting dismissed Mr. van't Noordende from his position on the Board of Directors.

These two former officers challenge the conditions and financial consequences of their dismissal and on May 2010 summoned the Company before the Tribunal of Commerce of Aix-en-Provence in order to obtain from the Company:

- The payment of a total amount of approximately €3.02 million (plus interests) as for damages for brutal and persecutory dismissal, damages for dismissal without fair ground, compensation for non-competition, variable compensation for 2009 financial year and article 700 of the French Civil procedure code (i.e. approximately €2.06 million for Mr. van't Noordende and €0.96 million for Mr. Dubois); and

- The definitive allocation on December 17, 2011 (under constraint) of 998,278 free shares (i.e. 598,278 shares for Mr. van't Noordende and 400,000 shares for Mr. Dubois), amount to be increased due to the application of the anti-dilution mechanism described in paragraph 15.1.5.

This summons has been notified within a short time frame and the hearing before the Tribunal of Commerce of Aix-en-Provence shall take place within the coming weeks.

Although the Company intends to assert the legal grounds at its disposal to dispute these claims, the litigation initiated by Mr. van't Noordende and Mr. Dubois may lead to the payment of significant amounts by the Company and to a significant complementary dilution for the Company's shareholders. This litigation may also negatively affect the reputation or the image of the Group (see paragraph 4.1.11)

This could have a material adverse effect on the liquidity and financial position of the Group.

4.1.11 The Group's reputation may be damaged as a result, in particular, of public statements relating to its financial position and changes in management.

The Group's reputation may be damaged as a result, in particular, of public statements relating to the Group's financial position and to the changes in management it has carried out. Since 2008, the Group has been managed by three different CEOs. The Group has filed civil claims against one former CEO, Mr. Santander, who has in turn filed a claim against certain managers of the Company (see paragraph 4.1.9 above) and certain former officers dismissed in February 2010 initiated a litigation against the Company (see paragraph 4.1.10).

In addition, the Group has disclosed information about the significant contraction in its liquidity and its inability to meet the likely early redemption requests for OCEANEs as of January 1, 2012 (please refer to paragraph 4.1.1).

These negative public statements could reduce the public's confidence in the Group's business and damage the Group's reputation vis-à-vis its customers and suppliers, who could refuse to continue doing business with the Group, and affect or limit the Group's sources of financing. Lastly, such statements could affect the forecasts of investors and analysts in the wind energy sector and, consequently, lead to the decline in the share price of the Company.

4.1.12 The Group has signed agreements, and continues in its pursuit of agreements with a significant shareholder and one of its directors in connection with the sale of wind farms.

The Group has already signed and, in the future, could potentially enter into agreements with Willi Balz, a shareholder who directly and indirectly owns approximately 9% of the share capital of THEOLIA, and who holds substantial equity interests in the German wind power market. In October 2006, the Group purchased THEOLIA Naturenergien GmbH (formerly named Natenco GmbH) from Windreich AG GmbH, a company held by Willi Balz. Since 2007, THEOLIA Naturenergien has been party to a non-exclusive service agreement with Windreich AG for the acquisition and sale of wind farms by THEOLIA Naturenergien (it being however specified that this agreement was subject to an amendment providing exclusivity to Windreich AG for financial year 2008). Pursuant to the terms of this agreement, over the course of the 2007, 2008 and 2009 financial years, Windreich AG received approximately €6.3 million, €2.2 million and €0.2 million in commissions, respectively. Also, in 2009, Windreich AG acquired a wind farm located in Germany from the Group for €43.9 million. There have been disagreements in the past between the Group and Mr. Balz, which caused Mr. Balz to threaten legal action (alleging, in particular, that there were agreements between him and the Group, other than the ones in paragraph 19.1 particularly relating to exclusivity arrangements). There can be no assurance that there will not be disputes in the future between the Group and Mr. Balz.

In 2009, the Group has also entered into a services agreement with Heartstream Corporate Finance B.V. ("Heartstream"), a company controlled and managed by Mr. Georgius Hersbach. Pursuant to the terms of this (non-exclusive) services agreement, Heartstream receives a commission in exchange for acting as an intermediary in the sale of a wind farm in Germany. under the terms set out in paragraph 19.1.

As a result of its relationship with Mr. Balz and Mr. Hersbach, the Group may face situations of conflicts of interests. Although the Group has established internal control and governance procedures with regard to the approval of related party transactions, there is no guarantee that such procedures will be effective.

4.1.13 Certain key shareholders whose interests differ from those of other shareholders could take an active approach in order to influence the management of the Group.

In December 2009, the Company announced its Restructuring plan, in order to avoid liquidity contraction (for further detail on this, please refer to paragraph 4.1.1 above).

On January 29, 2010, a group of shareholders, including Willi Balz and controlling approximately 18% of the Company's voting rights, declared that they were acting in concert (the " Initial Concert") with the intention of "supporting the promotion of new company strategies with the management team, its Board of Directors, the shareholders and the public". On February 24, 2010, Mr. Michel Meeus (member of the Initial Concert), a shareholder representing approximately 3% of the share capital of the Company, requested the removal of four members of the Board of Directors and the appointment of three new directors (Fady Khallouf, Gérard Creuzet and Michel Meeus) at the shareholders' meeting dated March 19, 2010. This action was taken by one member of the Initial Concert acting alone (and not on behalf of the Initial Concert).

Mr. Balz subsequently withdrew from the Initial Concert and, following discussions with the Company, the remaining members of the Concert, controlling approximately 9% of the Company's share capital (the "New Concert"), decided to support the Restructuring plan on March 11, 2010. The New Concert also withdrew the draft resolution calling for the removal of four directors from the agenda of the shareholders' meeting dated March 19, 2010. As a result, the Board of Directors agreed to support the appointment of the three additional directors proposed by Mr. Michel Meeus (Fady Khallouf, Gérard Creuzet and Michel Meeus) and the expansion of the Board of Directors to include three new members appointed from among the main shareholders in the Company (other than the members of the New Concert) at the ordinary general shareholders' meeting is held to approve the accounts of the financial year ended December 31, 2009. In this context, the shareholders' meeting dated March 19, 2010 did not deliberate upon the removal of the four directors and appointed three additional directors (see paragraph 14.1 below).

The New Concert and/or its members may have interests that differ from the interests of other shareholders, and therefore attempt to influence the management of the Group. It cannot be guaranteed that the interests of the New Concert and/or of its members do not differ from the interests of the Group or of other shareholders. For further details on this matter, please refer to paragraph 4.1.12 above.

4.1.14 The Group's businesses may continue to be significantly affected by the disruption of the international credit markets and by market uncertainty.

The recent disruption in international credit markets, the revaluation of credit risk and the deterioration of the financial and real estate markets in general, particularly in the United States and Europe, have contributed to a reduction in consumer spending and a contraction in global economic growth. Although initially impacting the housing, financial and insurance sectors, this deterioration further expanded into a significant recession affecting, among others, the European economy and, through other sectors, the wind power market. The recession had negative effects on demand for renewable sources of energy and consequently for electricity produced by wind farms developed by the Group. In addition, the international economic recovery observed in late 2009 might only be short-lived and not impact the industries or markets in which the Group operates. Any deterioration in economic conditions could have a material adverse effect on the Group's business activities in a number of ways including, in particular, through a reduction in revenue generated by the sale of electricity or by wind farms, and reduced access to financing for wind projects, and could potentially have a material adverse effect on the Group's liquidity, its financial position, and its results of operations.

4.1.15 The limited number of suppliers of technical equipment necessary to the construction of wind farms, particularly wind turbines and masts, combined with the rapid development of the industry, may generate high demand and sharp increases in the prices of this equipment. The Group's failure to secure long-term agreements renders it more exposed than those competitors who have secured these types of agreements.

The construction of a wind farm requires the delivery and assembly of a number of technical elements, such as wind turbines and masts, which only a limited number of suppliers are able to supply to the Group. In 2009, for example, the ten major suppliers of wind turbines represented a total of 78.7% of the world market share (Source: BTM Consult ApS March 2010 report). The major suppliers of turbines are described in paragraph 6.2.3 of this Reference Document.

Due to the rapid development of the wind energy industry, to high demand from operators and a limited number of suppliers, the prices of the technical equipment required for the construction of a wind farm, particularly wind turbines, could potentially face significant increases.

Producers of wind turbines are confronted with growing demands from operators. Since the Group does not have a long-term supply agreement in place, it is exposed to risks associated with price increases and the lack of supply. In this case, certain suppliers may no longer be able to offer contracts to the Group and decide to prioritize their relationships with those clients who benefit from long term supply agreements, in particular the Group's competitors. Due to the increase in the size of wind farm projects, which are at times held by large electricity distributors, the Group may be forced to compete for the supply of turbines with groups that have greater financial resources.

The Group estimates that approximately 75% of the cost of a wind project is attributable to wind turbines. Accordingly, any increase in wind turbine prices could potentially have a significant direct and negative impact on the operating expenses of the Group. Rising prices for wind turbines also translate into a higher cost basis of assets, requiring the Group to increase its amount of debt financing, which could have a material adverse effect on the Group's business activities, financial position, and results of operations. In countries like France or Germany, in which the Group is bound by a system of fixed prices and purchase obligations for the wind farms it operates for own account, the Group cannot pass on higher wind turbine prices to its own customers in the form of higher electricity purchase prices. In sum, the increase in the price of technical equipment could have a material adverse effect on the Group's operating expenses, its level of indebtedness, its ability to secure its supply of equiment, and development timeframes.

For the development of its 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 December 31, 2009, purchases from the ten largest suppliers of the Group (in monetary purchase value) amounted to €56.3 million for the Group as a whole, representing 43.5% of all purchases made during the financial year. The largest supplier represents €12.7 million in purchases and 9.9% of all purchases made. The Group's five largest suppliers represent €41.4 million in purchases and 32.1% of all purchases made. The Company does not have any framework agreement in place for its supply of turbines and, therefore, is not constrained by significant commercial and financial commitments over the long term. The Group therefore benefits from great latitude in the selection of its suppliers for each of its wind farm projects. This approach favors the use of a wide range of suppliers by the Group, and reduces the risk of dependence on any one supplier. It does, however, expose the Group to two main risks:

- The risk linked to increased prices for the supply of turbines: in a context of the rising demand associated with market growth, and taking into account 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. Depending on the future evolution of the market, a risk of price inflation relative to these elements persists. An increase in the price of turbines could potentially harm the profitability of certain wind projects under development. However, as of the date of this Reference Document, this risk did not result in a real and significant increase in prices;

- The risk linked to the availability of necessary equipment: depending on the level of demand observed on the market, some suppliers may no longer be able to meet the needs of the Group or may prioritize their relationships with the market's most financially powerful participants. It is not possible to guarantee that the main suppliers of the

Group will be able to meet their commitments within the periods agreed to, or that the Group will not experience delays in the delivery of supplies.

An increase in the cost of supplies or the intensification of the risk linked to the availability of the equipment required for the construction of wind farms, or any suppliers' inability to meet its obligations, particularly with regard to maintenance, for all projects and wind farms of the Group, could have a significant adverse impact on the business activities, the financial position, or the Group's result of operations, or on its ability to achieve its objectives (in particular in respect of financings in place, for which the occurrence of such events could lead to a request for early payment).

4.1.16 The development of the Group's wind projects requires substantial capital investments. The Group may face difficulties in financing these investments within acceptable timeframes, and it cannot be guaranteed that the Group's business operations will generate cash flows in an amount sufficient enough to repay its debt.

The wind power industry is characterized by a high demand for investment. The Group's success depends, to a large extent, on its ability to expand its portfolio of wind projects intended for sale or for the production of electricity. This "Develop, Operate, and Sell" strategy requires substantial investments. The main investments made during the financial year ended December 31, 2009 are related to the continuation of investments in wind projects under development (see paragraph 5.2.1.3 below) and to the increase of the stake in THEOLIA Emerging Markets (for a total amount of approximately €1 million). During the same financial year, the Group sold wind projects for a total amount of €177.3 million (see paragraph 6.5.3.1 below).

In the course of its business activities, the Group must initiate investments in projects (especially as regards the purchase of wind turbines) even though the financing for these projects might not yet be secured.

Historically, debt financing has provided approximately 65% to 90% of the total value of the investment in a project. Recently, however, the international financial markets crisis has significantly diminished the amount and increased the cost of these financings.

The Group has experienced the negative consequences of credit contraction, of the deterioration of financing conditions, and of longer timeframes for structuring project financing applications and the need to use "club deal" structures which take more time to implement. In addition, the uncertainties linked to a possible early redemption of the OCEANE bonds, as from January 1, 2012, in the event of a failure of the Restructuring plan (see paragraph 9.1.4 above), has placed an additional risk on the Group's ability to preserve its access to project financing. Given the current global economic turmoil and the Group's financial position, the Group cannot guarantee that it will be in a position to secure the financing necessary for its development and allowing it to meet its commitments, in particular wth respect to the purchase of wind turbines.

This may force the Group to continue its investments in self-financed projects, to suspend or stop the development or the construction of its projects, or to sell them to third parties or to stock its wind turbines. This may have a material adverse effect on the business activities, financial position, and the results of operations of the Group, or on its ability to reach its objectives. The Company could also be forced to apply for creditor protection under French law, or put an end to its business activities.

For further discussion of the Group's current indebtedness, see paragraph 10.3.

4.1.17 The revenue of the Group resulting from sales of wind farms have fluctuated and will continue to fluctuate from one financial year to the next

In the countries where it is active, the revenue of the Group fluctuates from one financial year to another, particularly in relation to the commissioned wind farms or wind farms sold. However, the Group cannot guarantee that it will be able to sell all of the wind farms that it intends to sell in accordance with its "Develop, Operate, and Sell" strategy, within the expected timeframes and at the expected sales prices. Moreover, the Group's strategy could potentially evolve as has been the case in the past.

Thus, the Group's revenue in 2009 totalled €328 million, as opposed to €70 million in 2008 and €288 million in 2007. For the financial year ended December 31, 2009, the accumulated revenue realized with the first ten clients accounted for 80.6% of total Group's revenue and accumulated revenue realized with the first five clients accounted for 71.02% of total

Group's revenue. Accumulated revenue realized as of December 31, 2009 with the first client accounted for 40.13% of the total Group's revenue.

Consequently, the Group's revenue and income can vary significantly from one financial year to the next. As a result the Group's revenue in a given financial year may not necessarily reflect the evolution of its long-term business activities and may not provide a relevant indication of its future results. It cannot be guaranteed that the Group's future earnings will be consistent with investors' forecasts.

4.1.18 Various setbacks during the construction phase of wind farms could result in substantial delays in their construction and commissioning.

During the construction phase of wind farms, the Group may encounter various setbacks, including adverse weather conditions, difficulties in connecting to the electricial grid, construction defects, delivery delays or failed deliveries by suppliers, delays or unexpected events associated with obtaining permits and authorizations, unforeseen technical delays, or legal proceedings initiated by third parties.

Such events could result in substantial delays in the construction and commissioning of wind farms, which could have a significant adverse impact on cash flows, operating results, and the financial position of the Group. In addition, some of these events might cause the Group to face the payment of lateness penalties or other additional costs, depending on the underlying contractual obligations in place.

The Group frequently uses turnkey contracts, leaving the risks associated with cost and timing to the supplier. As a consequence, to a certain degree, surcharges are borne by the supplier and commissioning delays are compensated through the payment of indemnities. In cases where a turnkey structure is not possible, the Group has substantial experience in drawing up contractual construction schemes and seeks to allocate each risk to the party most capable of dealing with it. However, the Group cannot guarantee that these measures will be sufficient to avoid or compensate for significant delays. In particular, if a delay is caused by a supplier, the indemnity that the latter could be forced to pay would probably not be paid until much later.

4.1.19 The installation of a wind farm requires a connection to the national power grid in order to transport and distribute electricity. The Group cannot guarantee that it will obtain sufficient network connections for future projects within the expected timeframes and at expected prices.

The installation of a wind farm requires a connection to the national power grid in order to transport and distribute electricity. Given the distance, at times significant, between the installation site of the future plant and the transportation and distribution network, as well as the waiting lines of developers at the connection points, the Group cannot guarantee that it will obtain sufficient network connections within the expected timeframes and at expected prices. Delays in the projects, the transmission, and the distribution of networks could delay the operational starting date of new wind farms, which could have a material adverse effect on the Group's cash flows and results of operations.

4.1.20 The Group carries out acquisitions or investments within the framework of its "Develop, Operate, and Sell" strategy. If the Group pays for these acquisitions or investments in shares, existing holders of securities could experience substantial dilution. Such transactions carry various risks, and may not be profitable, which could have a material adverse effect on the Group's results of operations and financial position.

The Group carries out and may in the future carry out acquisitions or financial investments within the framework of its "Develop, Operate, and Sell" strategy (for further details, please refer to paragraph 6.1. The Group may also carry out new acquisitions or investments in pursuit of growth opportunities. Some of these acquisitions or investments may be paid for in shares, which could have a diluting effect on the securities of existing holders, in particular on shareholders.

Such transactions carry risks related to the integration of businesses and transferred employees, to the inability to achieve projected synergies, the difficulty of maintaining uniform standards, controls, policies and procedures, advent of unexpected liabilities or costs, or regulations applicable to these types of transactions. Also, the conditions applicable to the financing of projects could adversely affect the Group's financial position, particularly if debt financing is used. These risks could, more generally, have a material adverse effect on the Group's business activities, results of operations or financial position, or on its ability to achieve its objectives.

In addition, in Germany, the Group generally acquires wind projects toward the end of the development phase. The Group may be unable to successfully complete the construction and operational stages of these projects, thereby limiting the cash flows expected to be generated from these acquisitions or investments and, potentially, suffering substantial losses on these acquistions or investments. This could have a material adverse effect on the Group's liquidity, financial position, and business activities

4.1.21 In several countries, the Group conducts its business in cooperation with a local partner. If there is a disagreement between the Group and one or more these partners, one or more projects could potentially be affected, which could have a material adverse impact on the Group's business activities, financial position, and results of operations, or on its ability to achieve objectives.

In emerging countries, particularly in India and Brazil, the Group aims to develop its business activities through partnerships with local players who know the local wind power market. The partner is, in particular, in responsible for the research and the completion of new projects, in particular regarding relations with local authorities. When these partnerships are implemented by the creation of joint entities, the Group does not always exercise full control, both economically and legally.

In addition, in Germany and in Italy, the Group might choose to co-develop certain projects in partnership with its local developers. The occurrence of disagreements with one or several partners of the Group could have an adverse impact on the Group's projects and could also have a material adverse impact on its business activities, financial position and results of operations, or on its ability to achieve its objectives.

4.1.22 Under the long-term sales contract for electricity generated by the Group's operating wind farm in Tangier (Morocco), the Office National de l'Electricité holds the unilateral right to terminate the contract by paying an indemnity, which is substantially lower than the price paid by the Group to acquire the wind farm.

The Group's operating wind farm in Tangier, Morocco has a long-term sales contract for electricity at a fixed tariff with the Office National de l'Electricité ("ONE"), which is the sole distributor and regulatory authority for electrical power in Morocco. Without such a sales contract with ONE, an operating wind farm in Morocco has no means of distributing and selling the electricity it generates.

Pursuant to the agreements entered into with ONE, the latter can, at any time as from August 30, 2010, decide to terminate this sale agreement through the payment of a contractually established indemnity in the amount of approximately US$17 million, provided the termination is carried out by ONE in 2010, it being specified that the amount of this indemnity then decreases as the years go by, as provided for under the terms of the agreement. This contractual indemnity is substantially lower than the initial acquisition price of €45 million paid by the Group for the acquisition of the Tangier wind farm. However, such termination would render the Tangier farm unable to distribute and sell the electricity it generates, which would have a material adverse effect on the cash flows and results of operations of the Group's Moroccan subsidiary. In particular, ONE's termination of the agreements in 2010 would result in a net loss of €9.2 million (on the basis of the euro/dollar conversion rate as of April 12, 2010) in the consolidated accounts of the Group for the financial year ended December 31, 2010.

To this day, ONE has not manifested its intention to exercise its termination right. Consequently, the company evaluated the assets of CED in its accounts at their book value (i.e. €23.8 million as of December 31, 2009) as opposed to their disposal value.

Furthermore, the Group is currently studying, in detail, the optimization opportunities related to this exceptional windy site: the Group wishes to negotiate the "repowering" and significant expansion of this wind farm with ONE.

The failure of these negotiations and termination of the contract by ONE could have a material adverse effect on the business activities, financial position and results of operations of the Group.

4.1.23 The Group is confronted with competitors that may benefit from greater resources.

The Group faces competition from other participants in the wind energy sector that may benefit from greater financial, human, and technical resources, and from more highly developed networks within this sector. In the renewable energy sectors, competition focuses mainly on access to available sites, on the performance of production sites, the quality of the technologies used, and the price invoiced. Certain competitors of the Group, while seeking to develop themselves in the renewable energies sector, including electricity producers established in Europe and large international groups, benefit from greater financial resources than THEOLIA, which enables them to acquire new projects and increase their market shares in this sector. This risk is heightened by the financial fragility of the Group.

4.1.24 Fluctuations in interest rates could significantly increase the Group's financing and hedging costs, which could have material adverse effects on the Group's business activities, financial position and results of operations.

As of December 31, 2009, the Group had indebtedness of €490 million, of which 26.5% were subject to variable interest rates. For the financial year ended December 31, 2009, the Group paid interest expenses totaling €14.9 million. The Group is subject to the risk associated with fluctuations in interest rates, which could increase its interest expenses given, in particular, its level of indebtedness in the current economic climate. If the increase in interest rates is significant, the Group may be unable to generate sufficient cash flows to service its financing obligations to holders of OCEANE Bonds or to other lenders.

The table below presents the net indebtedness exposed to interest rates of the Group as of December 31, 2009 (in thousands of €):

12/31/09	Financial assets (according to balance sheet)		Financial liabilities		Net exposure before hedging		Rate hedging instruments		Net exposure after hedging	
	Fixed rate	Variable rate	Fixed rate	Variable rate	Fixed rate	Variable rate	Fixed rate	Variable rate	Fixed rate	Variable rate
< 1 year	129	107	32,101	87,127	(31,972)	(87,020)	(4,318)	0	(36,290)	(87,020)
Between 1-5 years	403	5,206	268,932	25,619	(268,529)	(20,413)	0	0	(268,529)	(20,413)
Beyond 5 years	8	4,250	59,406	17,295	(59,398)	(13,045)	0	0	(59,398)	(13,045)
Total	**540**	**9,563**	**360,439**	**130,042**	**(359,899)**	**(120,479)**	**(4,318)**	**0**	**(364,217)**	**(120,479)**

4.1.25 The Group's expansion strategy exposes it, in particular, to social, economic and political risks inherent to emerging markets.

The Group's international expansion strategy focuses on the development of wind projects in Brazil, India and Morocco. The Group's current operations are concentrated in the German, French and Italian markets, which are highly regulated in comparison to emerging markets. As the Group increases its presence in Brazil, India and Morocco, it will be exposed to a greater range and degree of risks than those associated with more developed markets, including, in some cases, higher political, economic or legal risks.

The emerging markets currently sought after by the Group, or in which the Group could potentially develop a presence in the future, can be characterized according to the following risks:

- Difficulties or delays in obtaining required permits and authorizations;
- Deficiencies in infrastructure, which could have a negative impact the on construction of wind farms, or the transmission and distribution of the electricity produced;

- Difficulties associated with the staffing and employee management necessary in these different countries;
- Political, social or economic instability, terrorism, and acts of warfare;
- Difficulties associated with ensuring that the Group's contractual and other rights are respected;
- State intervention and arbitrary or inconsistent governmental or judicial actions ;
- Cultural differences which could limit the Group's ability to compete with local companies or international companies with greater experience regarding the establishment of a presence in emerging markets;
- Currency exchange rate risk associated with the accounting of assets and liabilities in a foreign currency;
- Legal and/or tax constraints associated with transferring earnings generated to other States;
- Longer payment delays and difficulties in collecting receivables; and
- The risk that accounting, audit and financial disclosure standards do not always comply with IFRS standards and are not equivalent to the ones applicable in most developed market economies.

Emerging market economies are more dynamic and generally experience greater volatility than higher developed economies. The Moroccan, Indian and Brazilian markets may grow at rates slower than the Group anticipates. The Group's success in these countries depends, in part, on its ability to adapt to their rapidly changing economic, cultural, social, legal and political frameworks. If the Group is unable to manage the risks associated with this expansion in emerging markets, its business activities, financial position, and revenue could be significantly affected.

4.1.26 The risk of litigation is inherent in the Company's business activities.

The Group is exposed to a risk of litigation with its customers, suppliers, employees and other third parties alleging claims pertaining to health, the environment, safety or operational concerns, nuisance, negligence, or failure to comply with a contractual, regulatory, or legal obligation, any of which could have a material adverse impact on the Group's business activities, financial position, and revenue. In the consolidated accounts as of December 31, 2009, the Group made privisions for a total amount of approximately €3 million in respect of these litigations.

In addition, building permits and operating authorizations for the construction of wind projects are at times subject to legal recourse due to community opposition to wind power or other land use objections. There can be no guarantee that the Group will always prevail in such proceedings, which could have a material adverse effect on the development of its projects.

These and other risk associated with litigation could have a material adverse impact on the business activities, financial position, and the revenue of the Group.

4.1.27 If the Group's subsidiaries were to default on obligations guaranteed by the Company under off-balance sheet arrangements, counterparties could request that the Company meet such obligations

As of December 31, 2009, the total amount of off-balance sheet commitments was €166.7 million.

Within the framework of its business activities, the Group makes certain off-balance sheet commitments to obtain financing and support its direct and indirect subsidiaries. The Group's main off-balance sheet arrangements are described in paragraph 9.5. By granting pledges to guarantee certain commitments made by its subsidiaries, the Group could be forced to repay the lenders for their financing of certain projects, or to pay the amounts owed to trade creditors (such as suppliers of equipment) or to customers if a wind project were to fail to reach completion or a wind farm were to become insolvent. If such an event were to occur, creditors might exercise their right to the pledges and guarantees granted by the Group. The corresponding payments made by the Group could have a material adverse effect on its liquidity, financial position or results of operations.

4.1.28 The short term development plan of the Group could lead to a concentration of its activities in Italy.

Given its current projects pipeline, and particularly the segment of its projects in advanced stages of development (permits obtained), the Group may incur a significant proportion of its capital expenditures to Italy (for further details see paragraph 6.1). As a result, the Group would increase the share of the business activities it undertakes in Italy, which is a country that presents uncertainties with regard to repurchase tariffs and the risk of disputes, as set out in paragraphs 4.2.4 and 4.2.7, respectively, of this Reference Document. In order to limit the weight of its investments in Italy, the Group intends to sell its minority stakes in certain of its projects or companies in Italy. The concentration of the Group's business activities in Italy could have a material adverse effect on the liquidity, financial position, and results of operations of the Group.

4.1.29 The Group recently appointed a CEO and CFO, who may be unfamiliar with certain aspects of the Group's business.

Mr. Fady Khallouf was appointed CEO on May 20, 2010, he was a member of the Company's Board of Directors since March 19, 2010. He previously held the position of CEO of Tecnimont where he led the industrial and financial restructuring of the group. Prior to that, he took part in the restructuring of Edison, transforming the holding company into an operational company, improving the group's profitability and assuring the monitoring of its investments. Fady Khallouf had beforehand held various management positions, notably specialized in the fields of investments and business development, at EDF, Suez, SITA/ Novergie and Lyonnaise des Eaux-Dumez.

Mr. Fady Khallouf replaces Mr. Eric Peugeot who held temporarily the position of CEO (in addition to his position as Chairman of the Board of Directors) from February 9, 2010 and May 20, 2010.

Mr. Francois Rivière was appointed CFO of the Group on February 9, 2010. He has more than 20 years of experience working in financial management, and was, in particular, CFO of companies such as Saint-Gobain Desjonquères, Oberthur Card Systems, Wilson Gestion and Groupe Prouvost.

As a result of their recent appointments, Mr. Fady Khallouf and Mr. François Rivière may be unfamiliar with certain aspects of the Group's business. However, they benefit from the experience of Mr. Jean-François Azam (who was appointed COO on February 9, 2010 and who, before that, was CEO in charge of the Group's French business activities since 2006) and from the Group's staff.

4.1.30 The Group may not be able to retain senior managers and key employees and to attract new qualified employees.

The Group's success depends, to a significant extent, on the continued services of its CEO and COO, the CEO of the Italian subsidiary Maestrale (see paragraph 6.1.2.2 for further details regarding the Maestrale acquisition) and certain other senior managers who have substantial experience in the wind power industry. There is no guarantee that any of the senior managers will remain employed with the Group, in particular the CEO of Maestrale after the payment of the additional earn-out agreed during the acquisition of Maestrale, which should be entirely paid on November, 2010. If members of the senior management or other key personnel depart, the Group may not be able to hire or retain experienced replacements in a timely manner with experienced people. For example, the individual in charge of the Group's activities in Germany left the German subsidiary on March 31, 2010 and as of that date, his successor had not yet been appointed. This successor, now identified, is expected to join the German subsidiary in the coming weeks. In the meantime, COO, Mr. Jean François Azam has responsibility for the management of this subsidiary.

In addition, the successful implementation of the Group's business strategy depends on management's extensive knowledge of the wind energy sector. The departure of senior managers or the inability of management to capitalize on their knowledge in the wind energy sector in order to implement the Group's strategy could have a material adverse effect on its business, financial condition and results of operations.

4.1.31 The business activities of the Group are exposed to risks inherent in the construction and operation of power plants, such as breakdowns, manufacturing defects and natural disasters. The Group cannot guarantee that its insurance policies are or will be sufficient to cover any potential losses that may result from such events.

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

The Group has established a policy for recovering 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 the sum of €1,580 thousand in insurance premiums during the 2009 financial period, compared to €1,295 thousand during the 2008 period.

The Group carries an insurance policy from AIG Europe (Chartis), which applies to projects under construction, as well as a civil liability insurance policy in France that insures the Group’s companies in France against the financial consequences associated with civil liability matters that could arise as a result of bodily injury, property damage and consequential losses. This insurance, in particular, also covers the event of damages caused to others due to the activities of the companies covered by the policy, or due to the actions of persons it employs or things in their care.

In addition, the Group carries a directors' and officers' liability insurance policy with the company CNA.

The Group maintains insurance policies to the benefit of wind farms during their construction phase on the one hand, and during their operation on the other hand.

As such, when the construction phase of its wind projects is launched, the Group carries the following insurance:

- an insurance policy covering th various onsite risks known as “All Risks Onsite”: from the construction period until the official acknowledgement that construction has completed, this insurance covers all of the participants in the construction, including the financing body, as the case may be, and covers property damage, including fire, machine breakdown, and explosions at the site (applicable to both property and civil engineering), and the financial losses arising from property damage or breakdowns;

- “Transportation” insurance: in certain cases, the Group also decides to carry a “Transportation” insurance policy, which provides for the coverage of property damage to transported goods (and the financial losses associated with it) that are of “strategic” importance to the construction of a project;

- A "Building Defects" insurance policy (“dommages ouvrage”).

In addition, the Group subscribes to new insurance policies when the operational phase of a wind farm begins. These policies cover fire and associated risks, machine breakdowns, operating losses, civil liability for operations and natural disasters.

The Group is protected by the contractual guarantees provided by its sub-contractors that cover any interruptions and damage incurred during construction, for which the builders are liable.

In addition, the Group is protected by contractual guarantees provided by the wind turbine suppliers, covering damages incurred in the event of the defective functioning of such turbines (including, in particular, operating losses related to equipment malfunction as well as to the replacement of defective components).

However, these insurance policies may be subject to high deductibles, and there can be no guarantee that the Group’s insurance policies are or will be sufficient enough to cover possible losses resulting from certain events. In addition, the Group has not subscribed any "key employees" insurance and the Group's insurance policies are subject to annual review by insurers and the Group may be unable to renew them or to maintain them at a reasonable cost. Similarly, the contractual guarantees granted by sub-contractors and suppliers may be insufficient, difficult to enforce, or ineffective in the event that such guarantors refuse or are unable to honor their guarantees. If the Group were to incur a significant partially insured or uninsured loss, or a loss that is not covered by contractual guarantees, the resulting costs could have a material adverse effect on its cash flows, financial position or its results of operations.

4.1.32 The Group may not be able to protect its intellectual and industrial property rights.

The Group owns or is validly entitled to rights of use concerning intellectual and industrial property rights and, in particular, certain brands and domain names that it uses in the context of its business activities. The Group maintains a systematic policy of defending its intellectual and industrial property rights but there can be no assurance that the measures that have been taken to protect its 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's brands, any fraud or misappropriation of this type could have an adverse effect on the Group's business activities, results of operation, financial position, or its ability to achieve its objectives.

4.1.33 The implementation of IFRS standards related to the valuation of the recoverable value of the Company's assets is complex and could lead to a certain variation in reported income.

The Company applies the IFRS standards (IAS 36), which require certain of the Group's assets to be tested and/or valued according to their recoverable value, based on profitability assumptions.

The determination of such valuations involves valuation methods that are partially subjective and complex and that could result in significant positive or negative variations in reported income and asset values in the balance sheet.

Although these valuations are subject to review by the Audit Committee and the Board of Directors, there can be no guarantee that valuations made with respect to profitability will be realized in practice.

4.2 RISKS LINKED TO THE WIND POWER INDUSTRY SECTOR

4.2.1 Wind power is highly dependent on weather conditions. Adverse weather conditions, particularly a decline in wind conditions, could lead to a reduction in the volume of electricity produced and sold by the Group, and could affect the sale price of wind farms as well as the profitability of its operating activities on behalf of third parties.

The Group operates electricity generating wind farms, for own account and on behalf of third parties. As of December 31, 2009, revenue from electricity sales for own account represented 15.80% of consolidated revenue and revenue from the operating activity on behalf of third parties represented 11.71% of consolidated revenue.

The profitability of a wind farm depends not only on observed wind conditions at the site, but also on whether observed wind conditions are consistent with assumptions made during the project development phase. Prior to the construction of a wind farm, a wind deposit survey is conducted at the proposed site and an independent research firm prepares a report on probable wind conditions at the site. The core assumptions made by the Group with respect to the selection of sites and positioning of wind turbines are based on the findings of this report. The Group cannot guarantee that observed weather conditions, particularly wind conditions, will conform to assumptions made during the wind project development phase.

The Group has implemented daily monitoring and permanent reporting to measure the performances of its wind farms, thus enabling it to evaluate the change in operating conditions and to draw up a tangible statement for budgetary forecasts. This remote supervision of the functioning of the installations also makes it possible to limit the frequency and the duration of incidents, and thus achieve better rates of availability.

A sustained decline in wind conditions at the Group's wind farms could lead to a reduction in the volume of electricity produced by the Group, and consequently a decrease in the sale prices of wind farms. Such decline in the electricity production could have a material adverse effect on the Group's cash flows.

A sustained decline in wind conditions would also have an impact on the Group's revenue resulting from its "Operation" business activity (operating wind farms on behalf of third parties and selling of the electricity produced by wind farms managed for third parties), insofar as the latter is largely dependent on the volume of the electricity produced by the relevant wind farms (the commissions received by the Group from third parties are generally being calculated on the basis of a percentage of the revenue of these wind farms, which in some cases applies only above a specified minimum amount of revenue.)

The Group is particularly exposed to this risk due to a relative lack of geographical diversification of its operational wind farms compared to other players in the business sector and due to its heavier reliance on the wind markets in France and Germany, in particular. For example, in the first quarter of 2009, poor wind conditions in France and Germany led to a decrease in sales of electricity for the Group's own account and for the account of third parties, which resulted in a failure to comply with financial covenants in France (for further information, please refer to paragraph 4.1.3 above).

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

The development of renewable energy sources such as wind power is significantly dependent on government incentive measures in support of wind power. In many countries in which the Group is currently, or intends to become established, wind power would not be commercially viable without government incentive policies. Indeed, the cost of generating electricity from wind power currently exceeds the cost of generating electricity from conventional energy sources and, according to the Group, will continue to exceed these costs in the short term.

In particular, the European Union and its founding member States – currently the Group's principal operating markets – have been pursuing policies of active support for renewable energies for several years. These policies include renewable energy purchase obligations (such as minimum feed-in tariffs under the Renewable Energies Act in Germany) or mandatory quotas imposed on established power producers and distributors (such as EDF in France), privileged tariffs (such as the designated Wind Power Development Zones in France) and programs for green certificates that are tradable on organized or informal markets as well as tax incentives to support investment in this sector.

Though policies in support of renewable energies sources have been a constant in the past several years and that, in particular, the European Union regularly reaffirms its desire to continue strengthening such support, the Group cannot guarantee that support will be maintained nor, in particular, that the electricity generated by its future production sites will benefit from statutory purchase obligations imposed on well-established producers and distributors, or from tax incentives in support of the production of electricity from renewable energy sources. The Company can offer no guarantee as to whether or not such support will be reduced in the future.

If international institutions (particularly the European Union) and national governments (particularly France and Germany) were to abandon or reduce their support for the development of renewable energy sources – for example, owing to the cost of the support measures or in order to avoid harming the market for other renewable energy sources – these actions could have a material adverse effect on the Group's cash flows from sales of electricity, the profitability of its operating wind farms, its ability to secure financing for the development of wind projects, and its cash flows from sales of wind farms.

4.2.3 The selection of future sites for the installation of wind farms is subject to various constraints. The Group's inability to find appropriate sites for the installation of wind projects could have a material adverse effect on the business activities, financial position, and results of operations of the Group.

The selection of future sites for the installation of the Group’s wind farms is subject to various criteria. First, the site must benefit from favorable wind conditions. Next, the site must face a number of constraints, including topographic constraints, environmental constraints (associated with, in particular, the proximity to residential areas or to sensitive or protected sites), various easements (particularly site access easements), and how easy it is to connect to the local electrical grid. Accordingly, the number of sites available for these projects is necessarily limited.

Specifically with regard to wind turbines, growth in the number of installed wind farms has a tendency to restrict the number of sites available for such projects, while at the same time the growth in the number of operators in the wind power market intensifies competition for available sites. The high growth experienced by the wind farm installed in Germany, which is a market in which the Group is very active, tends to reduce the number of potential installation sites. France, which is also one of the main markets for the Group's business, a wind farm must be located within a designated Wind Power Development Zone in order to be eligible for purchase obligations at favorable prices for electricity generated from wind power.

If these constraints on the installation of wind farms were to intensify or if the Group is unable to find appropriate sites for its development, there could be a material adverse effect on the Group's ability to develop wind projects. Such limitation or decline could have a material adverse effect on the Group's business activities, financial position and results of operations, or on its ability to achieve its objectives.

4.2.4 The construction of a wind farm requires building permits and operating authorizations. The Group may not obtain such permits or authorizations for projects under development, and third parties may initiate legal recourse proceedings against permits or authorizations that have already been granted.

In order to construct and operate a wind farm, the Group must obtain building permits and operating authorizations from various national and local authorities. Due to the large number of administrative entities involved, the process of obtaining these building permits and operating authorizations is often long and complex. In certain cases, third parties may initiate legal recourse proceedings against certain building permits or authorization applications. The Group cannot guarantee that operating and building permits will be obtained for projects currently under development. In addition, for operating wind farms, the renewal or extension of necessary authorizations coud potentially be refused if the Group does not comply with the conditions applicable to such authorizations, with the provisions contained in electricity sales contracts, or with other applicable regulations. Lastly, in certain jurisdictions, more particularly Italy, negotiations with local residents and communities that might be responsible for granting the authorizations to operate or on the land of which wind farms are built, could prove difficult and lead, in certain cases, to the payment of financial compensation to such authorities.

As of March 31, 2010, the Group's pipeline of wind projects under development amounted to 268 MW having been granted a permit, of which 2 projects in France representing 33 MW definitely authorized and free of any claims, 2 projects in Italy representing 75 MW free of any claims, 3 projects in Germany representing 8 MW definitely granted and free of any claims and 9 projects in India representing 33 MW authorized.

In France, since 2008, the wind power energy sector has faced a growing number of rejected building permit applications and admistrative recourse proceedings brought against building permits that have already been granted. To date, none of the building permits obtained by the Group in France are being challenged through administrative proceedings.

In 2008 and 2009, no new building permits authorizing the construction of wind farms were granted to the Group in France, with the exception of one project in which proceedings partially succeeded regarding 11 out of 29 planned windmills. In Italy, environmental organizations and activists opposed the development of wind farms and may continue to dispute building permits once they are granted.

On the other hand, the Company has filed various appeals against refusals to grant building permits to the Group. In addition, in Italy, where recourse proceedings against certain building permits can be initiated beyond typical deadlines (two months), two projects representing a total of 34 MW were subject to recourse proceedings initiated by third parties and the ensuing litigation is, as of the date of this Reference Document, still ongoing. The difficulties involved in securing permits could cause a material adverse impact on the Group's ability to develop and operate wind farms in France and in Italy, which could in turn affect its revenue, results of operations, and financial position, and could also result in an increased concentration of the Company's business activities in Germany.

Still in France, the professional tax reform appearing in the 2010 finance law could reduce the attractiveness of wind farms to elected members of some territorial communities.

The Group develops its projects with the greatest care, in cooperation with governmental agencies and the local authorities concerned, as well as with the local political actors and organizations, and hires the services of qualified experts. In Germany, the Group seeks to acquire projects benefiting from building permits that are free from any third party claims from developers whose role is, inter alia, to carry out all the studies and formalities and to obtain the necessary authorizations. However, the Group cannot guarantee that these measures will be sufficient to rapidly secure the building permits necessary for the development of the Group's projects.

If the Group were to fail to obtain building permits or receive authorizations to operate one or more of its wind projects, or if recourse proceedings were initiated, the values of the assets on the Group's balance sheet could be subject to significant depreciation, and the Group's ability to generate cash flows.

In addition, in France, a parliamentary report that is hostile to wind power was presented to the National Assembly (*Assemblée Nationale*) on March 30, 2010. The draft of the Grenelle II law following this report (in its version adopted by the National Assembly on May 11, 2010) could significantly slow down the installation of wind farms if definitely adopted. Indeed, this draft sets out, in addition to the existing documents (Local Urbanism Plan (*Plan Local d'Urbanisme*) or Wind Power Development Zone (*Zone de Développement Eolien*)), the creation of two new planification instruments for onshore wind power: the Regional Climate, Air and Energy Scheme (*Schéma Régional du Climat, de l'Air et de l'Energie*) and the Regional Wind Power Scheme (*Schéma Régional Eolien*) which constitutes a component. This multiplication of players and instruments of planification would make the installation procedures more complex and would increase the risk of timeframe extension of the development cycle of wind projects. Moreover, according to this draft law, windmills shall be subject not only to a building permit but also to an authorization pursuant to the regime of Classified Installations for the Protection of the Environment (*Installations Classées pour la Protection de l'Environnement - ICPE*), which is also likely to extend the development cycle of wind projects and lead to possible claims before the administrative courts. The Company has no visibility as for the scheduling of these various authorizations. Eventually, this draft would submit any installation to the construction of a minimum of five masts per wind farm and would prohibit from buiding wind farms at less than 500 meters from residential zones, this last restriction would have no impact on the Group's projects since its internal development practices recommend greater distances.

4.2.5 The Group's activities could damage the natural and human environment of the operated sites. The Group could incur substantial costs associated with violations of legal or regulatory provisions concerning environmental, health, and safety matters.

The Group operates energy production sites, which may result cause discomfort and nuisance to the surrounding human population, fauna, flora and, more generally the surrounding nature (natural farming, forested of offshore areas etc…) These sites may also be a source of bodily injury, industrial accidents, environmental damage, or negative impacts on health. For example, a windmill blade may break off and land on the ground. The Group cannot guarantee that its wind farms will not be a source of pollution, nuisance, environmental damage or bodily injury.

An act of sabotage or of malicious nature committed on the Group production sites could have similar consequences to those described above: bodily injury and property damage, pollution or the interruption of business operations.

In the event of occurrence of such events, the Group could be held financially liable for damages or violations it has caused through its power production sites, which could have a material adverse effect on the cash flows, financial position, and reputation and public image of the Group.

4.2.6 Certain individuals, associations and groups of people oppose wind power projects. The wind power industry may become less accepted by local populations, and the Group’s wind projects could face increasing legal challenges and lead to negative consequences.

Certain individuals, associations and groups of people oppose the installation of wind power projects, on the basis that wind farms visually pollute the landscape, cause noise pollution, are harmful to birds and, more generally, are harmful to the environment.

Although the development of a wind farm generally requires an environmental impact study and, in France, a public hearing prior to issuance of a building permit, the Group cannot guarantee that a wind farm under development or currently in operation will be authorized or accepted by the affected population.

If a portion of the population opposes the construction of a wind farm, it may be more difficult to secure the required building permits. In France and in Italy, in particular, an increasing number of groups actively oppose wind farms. This can have consequences on the securing of a building permit or on the timeframes set for the development of wind projects (for further details, please refer to paragraph 4.2.4 of this Reference Document). These actions can also result in the cancellation of a permit or, in certain cases, the dismantling of an existing wind farm. To date, the Group is not subject to any actions from third parties in Germany and France. In Italy, however, third parties initiated proceedings against building permits granted with respect to two projects. This anti-wind energy activism manifests itself through numerous administrative oppositions to permits already granted. In France, a decision released by the Tribunal de Grande Instance of Montpellier dated February 4, 2010, officially acknowledged the auditory and visual nuisance caused by windmills and ordered the wind farm operator to uninstall four wind generators out of twenty and one windmill and to pay €500,000 in damages to a resident considering their unusual proximity to the latter's residence. The wind farm operator appealed this decision.

In addition, the opposition of local populations can cause the adoption of new and more restrictive regulations governing the installation of wind farms and, in particular, their proximity to residential areas.

In order to limit this risk, the Group takes various actions throughout the development process: close interaction with representative bodies of the population during the early stages of prospecting and research in order to control these all of these factors, along with technical studies, regular meetings with the population and government services in order to inform the residents concerned and to promote the acceptance of the project; far-reaching discussions and consultations during the development stage concerning the impact of the project on the environment; close relationships with local and national elected officials to promote their acceptance of new wind projects in their respective jurisdictions.

In Germany, this risk is less significant insofar as the Group generally acquires projects that have secured building permits free of any third party claims.

Opposition from local populations, an increase in the number of legal proceedings initiated, or a ruling unfavorable to the Group following such proceedings could have a material adverse effect on the Group's legal and regulatory compliance costs, the production of electricity generated by wind farms, and the Group’s ability to develop and sell wind farms. Each of these elements could have a material adverse effect on the Group's business activities, financial position, and results of operations.

4.2.7 The Group's revenue from the sale of electricity depends significantly on the sale price of electricity generated from wind. Guaranteed prices set by regulatory authorities, market prices and/or prices of green certificates could fail to secure sufficient levels of income to achieve forecasted profit margins for the Group's operating wind farms and could also affect completion of projects under development.

As of December 31, 2009, sales of electricity generated from wind farms operated for the Group's own account represented 15.5% of consolidated revenue, and revenue generated from operating activities carried out on behalf of third parties represented 11.6% of consolidated revenue. In addition, the proceeds from the sale of wind farms represent 71% of consolidated revenue as of December 31, 2009. Group revenue originating from both the sale of electricity generated by its wind farms and from the sale of wind farms depend, in particular, on the sale price at which that electricity can be sold. Depending on the country, sale prices are set either in whole or in part by regulatory authorities in the form of guaranteed prices, or by the market. When prices are set in the form of guaranteed prices, sales are generally governed by long-term contracts. Price-setting can result in administrative disputes or lawsuits that can delay implementation of modified prices or overturn them entirely. In France, the Commission de Régulation de l'Énergie (Energy Regulatory Commission) issued unfavorable opinions in 2001 and 2006 regarding the prices set for electricity generated from wind power, expressing the view that these prices provided producers with undue income streams. These opinions were of an advisory nature and did not prevent the relevant prices from coming into force.

In France and in Germany, where the Group carries out the large majority of its electricity sales, the Group benefits from long-term contracts for the sale of electricity from its operational wind farms at prices set by the regulatory authorities. Any decision by these authorities to change such set prices could have a material adverse effect on cash flows and results of operations of the Group's existing wind farms, on the financial parameters and the ability to complete projects under development, as well as on the sales prices of wind farms. Moreover, these set purchase prices fluctuate according to pre-determined indexes. Thus, in France for example, the purchase price in €/MWh was 86.1 in 2009 and to 81.6 in 2010.

The Group cannot guarantee that regulated prices and market prices applicable in each of the countries in which it operates or intends to operate, will remain high enough to enable the Group to achieve profit margins estimated at the time a project was financed. Such fluctuations in electricity prices could have a material adverse effect on the liquidity and results of operations of the Group's wind farms, on the financial position and the Group's ability to complete its projects under development, on the sales price of wind farms sold to third parties, and on the Group's ability to meet its financing obligations.

In the other countries in which the Group develops wind projects benefiting from prices set by the local regulatory authorities (Italy, India and Brazil), a drop in market sales prices for electricity and/or for green certificates could modify the financial parameters of the Group's wind projects under development. In this respect, given that the price of 18c€/kWh was set by the 2008 Financial Law for a period of three years, prices in Italy are expected to be revised in the 2012 financial year. A downward adjustment is expected, according to market estimates.

4.2.8 The demand for power plants that generate electricity from renewable energy sources such as wind depends in part on the cost of producing energy from renewable sources relative to the cost of electricity from conventional energy sources.

The demand for power plants that generate electricity from renewable sources such as wind depends, in part, on the cost of producing energy from renewable sources relative to the cost of generating it from other energy sources. The cost of wind-generated electricity varies primarily based on construction, financing, and maintenance costs associated with the sites concerned, as well as on weather conditions. The conditions governing the access to petroleum, coal, natural gas and other fossil fuels, as well as uranium, represent key factors that determine the attractiveness of generating energy from other sources rather than renewable sources of energy and, in particular, wind power. This explains why the cost of generating electricity from wind power currently exceeds the production costs of generating electricity from conventional energy sources.

Additionally, a decline in the competitiveness of electricity generated from wind power in terms of production costs, the advent of technological progress associated other renewable energy sources, the discovery of new large sources of oil, gas or coal, or a decline in the prices of oil, gas, coal, or other renewable energies, could slow down or decrease the demand for electricity produced from wind power, which could have a material adverse effect on the Group's business activities, its financial position, results of operations, as well as on its ability to achieve its objectives.

4.2.9 The Group is subject to strict international, national and local rules governing the development and operation of wind farms. Under these conditions, the Group faces significant regulatory compliance costs.

The Group conducts its business in a highly regulated environment. The Group, its operating wind farms and its projects under development must comply with numerous laws and regulations that differ from one State to the next. In particular, the Group, its wind farms and its projects are subject to strict international, national and local rules relating to:

- environmental protection (including landscape conservation and noise regulation);
- the development of wind projects requires the Group, in particular, to secure rights or easements for land use, construction permits and other authorizations to operate; and
- the operation of wind farms, which requires the Group to comply with rules applicable to producers of electricity and to connections to network distribution grids.

The Group incurs significant costs associated with securing and complying with various permits and authorizations. In light of the growing importance of the renewable energy industry within the European Union, legal and regulatory requirements governing the development of wind farms could intensify. In addition, the conditions applicable to granting these permits and authorizations could become more stringent and the costs of compliance with legal or regulatory provisions could increase. Consequently, the Group's cash flows from operations could decrease and require a higher level of profitability in order to guarantee a return on its investments.

The intensification of regulations or of their conditions of application could lead to new constraints on the Group's business activities, which could potentially increase its capital expenditures or its compliance costs (for example, through the implementation of additional inspection and monitoring procedures), or even delay the expansion of the development of the Group's projects (see in particular paragraph 4.2.4 relating to the draft law "Grenelle II" in France).

Any changes in applicable regulations could have an adverse effect on the Group and there can be no assurance that it will be able to continue to comply with these new obligations. However, if the Group or its projects were to fail to comply with these obligations, the Group's building or distribution network connections rights could be annulled. In addition, regulatory authorities could impose financial penalties or other penalties on the Group, which could affect the profitability of the Group or harm its reputation. If all cases, this could have a material adverse impact on the business activities, financial position, and results of operations of the Group, or on its ability to achieve its objectives.

5. INFORMATION CONCERNING THE ISSUER

5.1 INFORMATION RELATED TO THE COMPANY

5.1.1 Corporate name

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 6420Z (business activities of holding companies) and its SIRET number is 423 127 281 00057.

5.1.3 Date of incorporation and term

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

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

5.1.4 Registered office, legal form and applicable law

The registered office of the Company is situated at 75 rue Denis Papin, Aix-en-Provence, 13 100 FRANCE.

THEOLIA is constituted in the form of a French *société anonyme* (limited liability company) 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	Signing of the first project financing contract for an amount of €66 million from the Royal Bank of Scotland
January 2006	First acquisition outside of 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 (Energo becomes THEOLIA Benelux Thenergo and then Thenergo)
	THEOLIA contributes its environmental business (comprised of the companies Sodetrex, Ecoval 30 and A+O), which deals in the triple-composting of household waste and the design/building of treatment units used for the treatment of residual urban and industrial water, to Granit, a company governed by Swiss law
April 2006	Appointment of Jean- Marie Santander as Chairman 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 THEOLIA's sale of the Granit shares it held and to the discharge of the current account held by THEOLIA in the Granit accounts. Once again, THEOLIA gains ownership of its environmental business line
December 2006	Acquisition of Natenco (currently known as THEOLIA Naturenergien GmbH) which has wind farm projects in Germany, India, Brazil and 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 financed by way of shares of the Company
June 2007	Listing of Thenergo on Alternext, followed by a capital increase in the amount of €65 million
July 2007	Completion of the transactions planned by the agreement signed 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 on the SBF 120 index
October 2007	Issuance of bonds convertible to and/or exchangeable for new or existing shares (OCEANEs) in the amount of €240 million
November 2007	Acquisition of the Maestrale Green Energy Group, developer of wind projects in Italy, with a portfolio of projects totaling 500 MW
	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 ("CED") which holds the right of use for a 50.4 MW operating wind farm in Morocco until the end of 2019
	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 the 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 on the CAC MID100 index of NYSE Euronext
December 2008	Sale of THEOLIA's stake (27.21%) in Thenergo
January 2009	Announcement of the implementation of a program with a view to sell more than 200 MW of wind projects and wind farms 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
	Announcement of the "Develop, Operate and Sell" strategy
October 2009	Sale of a wind project of 9.2 MW in France
December 2009	Announcement of the signing of agreements with the principal holders of OCEANEs for the purpose of carrying out out a financial restructuring of the Company ("Restructuring")
	Sale of a 47 MW portfolio in France
February 9, 2010	Appointment of Eric Peugeot Chairman of the Board of Directors as Chief Executive

	Officer ("CEO")
	Appointment of François Rivière as Chief Financial Officer ("CFO") and Jean-François Azam as Chief Operating Officer ("COO")
February 18, 2010	Approval of the financial restructuring by the OCEANE bondholders' meeting
March 19, 2010	Approval of the financial restructuring by the shareholders' meeting
May 20, 2010	Appointment of Fady Khallouf as CEO

5.2 INVESTMENTS

5.2.1 Main Group investments made over the last three financial year

5.2.1.1 Main investments made during financial year ended December 31, 2007

In 2007 the Group acquired operational wind farms representing a total installed capacity of 283 MW as of 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 shareholders' meeting dated June 29, 2007 and completed on July 2, 2007.

This strategic partnership agreement related to 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 compensation for its contributions.

GE Energy Financial Services also subscribed to a reserved capital increase of €20 million 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 per share. In addition, THEOLIA issued 3,000,000 equity warrants in favor of GE Energy Financial Services, divided into two tranches of 1,500,000 BSAs ("*bons de souscription d'actions*"), with one tranche benefiting from an exercise price of €16.50 per warrant and the other from an exercise price of €17.50 per warrant.

As of July 2, 2007, which corresponds to the date of completion of the strategic partnership, GE Energy Financial Services had a 17.03% equity stake in THEOLIA's share capital.

Pursuant to this agreement, GE Energy Financial Services gained two seats on the Board of Directors of THEOLIA. The general meeting of THEOLIA shareholders dated June 29, 2007 approved the appointment of the two directors nominated by GE Energy Financial Services.

It is hereby stated that on December 19, 2008, GE Energy Financial Services transferred its THEOLIA shares to Gama Enerji, one of its subsidiaries held as a joint-venture with the Turkish company Gama Holding. As a result, 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 wind farm developer, the Maestrale Green Energy company, at a purchase price of €5 million. The purchase price does not include earn out payments to be made incrementally as and when certain stages of the projects are achieved. Under the terms of the acquisition agreement, the Group is responsible for paying additional compensation to the sellers of Maestrale corresponding to (i) €500,000 for each additional megawatt authorized and ready for construction, minus any development costs already invoiced by the developer, capped at 100 MW, it being specified that this additional compensation does not apply to the Martignano project and projects developed by the Group or one of its other subsidiaries for a period of three years starting on

November 22, 2007, and (ii) an additional €1,500,000 to be paid in the event that (a) the construction of the Martignano project begins within three years as from November 22, 2007 and (b) the Martignano project earns a 15% internal rate of return and has at least 16.8 MW of installed capacity. Furthermore, Carlo Durante, one of the founding members of Maestrale and former owner of approximately 20% of the share capital of Maestrale, is to remain one of the managers of the company and, therefore, is still involved in the day-to-day management of the company. Finally, pursuant to an unrelated discretionary profit-sharing agreement (a French *accord d'intéressement*) dated November 22, 2007, an additional sum amounting to €70,000 per MW authorized and ready for construction must be paid, minus any development costs already invoiced by the developer, beyond 100 MW authorized and ready for construction, excluding the Martignano project and projects contributed by the Group or one of its other subsidiaries for a period of three years starting on November 22, 2007. This additional discretionary profit-sharing incentive is allocated as follows: 50% to certain sellers of Maestrale and 50% for the benefit of Maestrale employees. This part of the incentive is accounted for as an expense.

As of December 31, 2009, the entire amount of the two earn-out schemes owed to the sellers of Maestrale Green Energy (as described in items (i) and (ii) above, as well as part of the additional profit–sharing incentive) are accounted for by the Group. They represent a total amount of €22.97 million of which €5.3 million has yet to be paid (please see Note 8 in the schedules to the Group's consolidated financial statements for the financial year ended December 31, 2009).

As of the acquisition date, the Maestrale Green Energy pipeline represented a potential installed capacity of 500 MW, located exclusively in Italy. The acquisition was financed through shareholders' equity.

Acquisition of equity interest in Ecolutions, a German company

On November 16, 2007, through its subsidiary THEOLIA Emerging Markets (TEM), the Group acquired a 35.21% equity stake in the capital of the German company Ecolutions, specializing in the trading of carbon credits. The acquisition was financed through shareholders' equity. The amount of the investment has not been publicly disclosed, pursuant to the contractual commitments made with the sellers. The Group's stake in TEM is held directly by the Company since January 2010.

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

Acquisitions made by THEOLIA Naturalenergien GmbH (Natenco GmbH) in Germany

Within the framework of its wind farm purchase and sale activities, THEOLIA Naturalenergien GmbH (formerly Natenco GmbH) has acquired a number of wind farms. The installed capacity acquired under this framework amounts to 20.5 MW in the year 2007.

The wind farms are located, in particular, in Brandenburg and Rhineland-Palatinate.

Commissioning of wind farms in France

During the year ended December 31, 2007, Ventura, a subsidiary of THEOLIA specializing in the development and construction of wind farms, completed the construction of three wind farms with a total output of 23.5 MW:

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

The overall investment in these wind farms amounted to €44.4 million. The wind farms are financed at approximately 80% through bank debt and 20% by the Group's shareholders' equity.

In 2007, the Group acquired 185.5 MW in operation in Germany and commissioned 33.5 MW in France, thereby increasing its total installed capacity to 283.1 MW.

5.2.1.2 Main investments made during the financial year ended on December 31, 2008

Acquisition of the Compagnie Eolienne du Détroit in Morocco

On January 4, 2008 the Company directly acquired 100% of the shares of the Compagnie Eolienne du Detroit (CED) in Morocco for €45 million, which was financed through shareholders' equity. CED operates a wind farm comprising 84 windmills for a total installed capacity of 50.4 MW.

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

After August 30, 2010, ONE has the right to terminate the electricity supply and sales agreement at any time through the payment of an indemnity. This indemnity amounts to approximately US$17 million if the termination right is exercised by ONE in 2010, and then is progressively reduced each year pursuant to the terms of the agreement. The early termination of the electricity supply and sales agreement would automatically lead to the termination of the transfer of use agreement held by CED. As of the date of this report, ONE has not informed the Group of its intent to exercise this clause (see paragraph 4.1.22 for more details).

The Group is currently considering optimization opportunities in detail at this exceptionally windy site: indeed, it intends to start negotiations with ONE for the "re-powering" and expansion of this wind farm.

Commissioning of a 8 MW wind farm in France

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

Acquisition of two wind farms in France

During the first quarter of 2008, pursuant to the terms of a transactional agreement protocol entered into with the former partners and founders of its subsidiary Natenco SAS, THEOLIA completed the acquisition of two wind farms in the north of France: Bel Air and Plateau. Each wind farm 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 capital to service current loans. The Group therefore acquired ownership of the wind farms from these third party developers at a price equal to the amount of their current accounts, which corresponded to the amounts invested in the wind farms by the developers. This acquisition was financed through the Group's shareholders' equity in an amount equivalent to the equity capital required for their financial structuring.

As from the second half of 2008, the Group experienced a severe pressure on its liquidity position, resulting from an overly ambitious external growth strategy, the absence of sales of wind farms in Germany, and the financial crisis. As a result, the Group limited its investments in the second half of 2008. The investments made during this period primarily relate to the advancement of wind projects under development in France and Italy, as well as the acquisition of two projects in France and three projects in Italy.

5.2.1.3 Main investments made during the financial year ended on December 31, 2009

Increase of the stake in THEOLIA Emerging Markets

THEOLIA SA repurchased the securities in THEOLIA Emerging Markets held by Jean-Marie Santander. This transaction was carried out based on the par value of the securities, corresponding to 10 million Dirhams, which were financed through shareholders' equity.

The conditions precedent to the sale 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 securities of THEOLIA Emerging Markets, as compared with 47.62% prior to the repurchase.

As announced in its press release dated November 17, 2008, the proposed listing of THEOLIA Emerging Markets on the Alternext NYSE Euronext stock exchange was abandoned, as was a strategic reorganization which would have pooled the activities of the Group's subsidiaries in emerging countries under the control of a holding company located in Morocco.

Continuation of investments in wind projects under development

Since October 2008, the Group has taken action to increase its available cash resources, including the resumption of sales of operational wind farms in Germany, the disposal of certain subsidiaries engaged in non-wind activities, sales of wind farms and projects in France and Germany, and the reduction of staff and structural costs.

At the same time, the Group's efforts allow it to continue investing in new wind farm development projects pursuant to its new business strategy in order to secure its future development and to provide a return on the equity invested by its shareholders. Such investments have mainly been made in the advancement of wind projects under development in France and in Italy. The distribution of projects under development as of December 31, 2009 appears in paragraph 6.1.1 below.

5.2.1.4 Main investments made since January 1, 2010

None

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

During the 2009 financial year, the majority of the Group’s investments were made in Italy. These investments represent €19.97 million or 64.21% of the investments made during the 2009 financial year. The Group intends to continue this policy of focusing investment on Italy during the 2010 financial year.

Where appropriate and within its financial constraints, the Group may also pursue carefully selected external growth opportunities, principally relating to the acquisition of projects that would contribute to the acceleration of its development as a business.

6. SUMMARY OF ACTIVITES

6.1 GENERAL COMPANY PRESENTATION

6.1.1 Group's activities

THEOLIA is an independent international developer and operator of wind energy projects.

In a rapidly growing market, supported by a long-term trend in the reinforcement of environmental protection policies and the promotion of renewable energy, the Group decided to concentrate exclusively on the wind energy sector and consequently to promptly divest from any activity or participation in the non-wind sector (see paragraph 6.5.3.2).

In line with the "Develop, Operate and Sell" strategy announced by the Group on August 31, 2009, the Group's activities are now mainly focused on:

- the development of wind farm projects and construction of installations that generate wind power for the benefit of the Group and third parties;
- the operation of wind farms for the benefit of the Group and third parties; and
- the systematic sale of wind farms after a holding period of two to four years (except for trading activities).

The Group's areas of expertise and activities apply to the entire value chain of the wind energy sector ranging from the identification of sites to the operation of commissioned wind farms and including the process by which authorization for construction and operation is obtained, the selection of turbines and blueprint studies, research and raising of financing capital, and the construction and sale of farms in operation.

Great care is taken when developing the Group's projects in collaboration with local elected representatives, national and local authorities and in cooperation with local residents. Given the rules and regulations in force in every jurisdiction and the technical constraints existing at each site, the Group believes that it may take from 3 to 10 years from the initial prospecting of a development site to the commissioning of a wind farm. Each development stage is decisive and involves risks, especially with regards to receiving the various authorizations from the relevant authorities and to raising financing capital.

Current national and international policies support the development of non-polluting energy sources and THEOLIA believes that the favorable regulatory context will continue in the years to come. The Group therefore benefits from certain measures and aid granted to the wind energy sector. In its main markets, these measures take the form of fixed repurchase prices over long periods of up to 15 or 20 years and certain tax and financial incentives, see paragraph 6.3.

As of March 31, 2010, THEOLIA's wind portfolio stood at 2,924 megawatts ("MW"). Of these, THEOLIA operated 319 MW for own account, managed 463 MW for the account of third parties, and had 2,142 MW of projects under development (which include 215 MW under claims).

Operating projects

THEOLIA currently operates wind farms in France, Germany and Morocco. As of March 31, 2010, the total installed capacity managed by the Group amounts to 782 MW, of which 319 MW are for own account and 463 MW are for the account of third parties, distributed as follows:

(in MW)	MW held for own account (1)	MW managed for third parties	Total
France	73	35	108
Germany	196	427	623
Morocco	50	-	50
Total	319	463	782

(1) MW held for the Group's own account are expressed in net capacity to reflect THEOLIA's interest in each PSC

Projects under development

As of March 31, 2010, the Group's pipeline of wind projects under development amounted to 268 MW having been granted a permit, of which 2 projects in France representing 33 MW definitely authorized and free of any claims, 2 projects in Italy representing 75 MW free of any claims, 3 projects in Germany representing 8 MW definitely granted and free of any claims and 9 projects in India representing 33 MW authorized. As of the date of this Reference Document, the projects under construction (27 MW in Italy and 3 MW in Germany) are financed through shareholders'equity and the Group's banks.

This pipeline of projects under development is broken down as follows:

(in MW)	Prospecting	Development	Permits applied	Under claims	Permits obtained	Under construction	Total	
Europe								
France	778	292	62	171	33*	-	1,336	62%
Italy	85	90	171	34	75*	27	482	23%
Germany	48	9	24	10	8*	3	102	5%
Total Europe	911	391	257	215	116	30	1,920	
	48%	20%	13%	11%	6%	2%		
Rest of the world								
India (1)			119		33 (2)		152	7%

(in MW)	Prospecting	Development	Permits applied	Under claims	Permits obtained	Under construction	Total	
Brazil	70						70	3%
TOTAL	981	391	376	215	149	30	2,142	
	46%	18%	18%	10%	7%	1%		

(1) Restated information compared to information previously announced by the Company (in particular in its Annual Financial Report 2009 and its presentation of annual financial results published on April 16, 2010) which mentioned 152 MW of projects for which permits were obtained in India.
(2) 50:50 joint venture with THEOLIA Mauritius and Aldene Ltd; figures shown on the basis of 50%.
** Permits free of third party claims.*

6.1.2 Group's geographical positions

The Group carries out its activities in Europe and in certain emerging countries.

In Europe, the Group has chosen to concentrate its efforts on three of the four most dynamic wind markets in Western Europe, namely those where the projected increase in onshore installed wind capacity between 2010 and 2014 is the most significant (source: BTM Consult ApS, March 2010 report): France, Germany and Italy. According to the BTM Consult ApS March 2010 report on world wind energy markets, France, Germany and Italy had an aggregate installed wind energy capacity of 35,433 MW at the end of 2009, of which 4,135 MW were installed in 2009. Development prospects are particularly significant in these countries. According to the report, BTM Consult ApS estimates that an additional 32,600 MW will be installed in these countries between 2010 and the end of 2014. As a result, at the beginning of 2009 the Group announced its decision to either close or sell its activities in Spain, Greece, the Czech Republic, Croatia and Poland.

In France and in Italy the Group positions itself as a significant player in the development of wind farms that are to be sold a few years after they are commissioned, once the operating and financial performances have been established, whereas in Germany, the Group acquires projects towards the end of their development in order to sell them to third parties immediately after they are commissioned.

In addition, the Group is present in certain targeted emerging countries (Morocco, India and Brazil), considered as potential future growth areas.

6.1.2.1 THEOLIA Germany

Germany is the largest and most mature wind market in Europe, with the largest aggregate installed capacity. For several years now, this country has offered tax incentives designed to benefit private individuals investing in small and medium sized enterprises, or SMEs (including those operating in the wind energy sector) (see paragraph 6.3.3).). Therefore, a large number of players are active at different stages of the entire wind energy value chain in Germany.

The Group became a significant player in the German market in December 2006 with the acquisition of Natenco GmbH (subsequently renamed THEOLIA Naturenergien GmbH on January 1, 2010). As of December 31, 2009 the installed capacity of the Group in Germany represented 622 MW of which 199 MW was held for own account (distributed among 24 wind farms of which 1 is held in partnership) and 423 MW was held for the account of third parties (distributed among 110 farms spread across the German territory).

Traditional trading activity of recently installed capacities in Germany

Given the maturity of the German market in which numerous turbine developers are active, the model applied in Germany differs on a number of key points from that applied in the rest of the Group’s markets. In particular, the Group is not involved in the initial development phases of a project (it relies on local developers) and concentrates on the resale of operating wind farms (which was temporarily suspended in 2008).

Thus, in Germany, the Group generally acquires wind energy projects nearing the end of their development; it completes such projects, connects them to the electricity grid and then sells them once they are commissioned. Once in THEOLIA's pipeline, the short development phase of 12 to 18 months, compared to the normal development phase of up to 5 years in France and Italy, allows capital expended to be turned around quickly. The projects are typically financed through a combination of credit lines and project finance debt offering limited recourse against the parent company (see paragraphs 10.3.2 and 9.5.1).

In 2008, THEOLIA decided to suspend the sale of wind farms to third parties and to produce electricity for own account and as a consequence no wind farms were sold during the financial year. Following the change in management in September 2008, the new management decided to resume the activity of selling wind farms.

During the financial year 2009, inIn Germany, during the 2009 financial year, THEOLIA sold projects and operational wind farms representing a total of 142.8 MW (including 133.8 MW of installed capacity).

As of December 31, 2009, revenue from wind farms in Germany represented approximately 82.3% of the total consolidated revenue of the Group. The Group expects Germany to continue to represent a significant portion of the Group's activities in the upcoming financial years, due to the maturity of the German market, the political support for renewable energies and the favorable public opinion towards wind energy as compared to France and Italy.

As of December 31, 2009, THEOLIA Naturenergien had 199 MW of installed capacity for own account, 4 MW under construction, and had obtained permits for 6 MW. Applications for 6 wind projects (totaling 27 MW) had been submitted.

The following table sets out the pipeline of projects carried out by THEOLIA Naturenergien for own account as of December 31, 2009 (it being specified that THEOLIA intends to sell such projects immediately after they have been commissioned):

	Number of Projects	MW
Prospecting	4	48
Development	2	9
Permits applied for	6	27
Permits obtained	3	6
Under construction	2	4
In operation	23	199

Historically, the sale of farms has been carried out through a partnership with FC Holding (subsequently renamed Windreich AG) which is owned by Willi Balz, a German entrepreneur and one of THEOLIA's largest shareholders. These sales are concluded with private individuals who benefit from tax incentives when investing in SMEs. More recently, THEOLIA has explored other sale channels. In August 2009, it directly sold a portfolio of 100.6 MW of assets and projects to the German state-owned company RheinEnergie. Insofar as the margins realized by the Group are more significant when sales are made to individual purchasers who benefit from tax advantages, the Group intends to favor these types of sales, in particular through its partnership with Windreich AG (see paragraph 19.1 of this Reference Document).

Management for the benefit of third parties

Within the context of the sale of wind farms, in order to generate additional recurrent revenue the Group regularly offers purchasers its services with respect to the ongoing operation and maintenance of the farms for the duration of their operational existence. These operational management activities have the following advantages as they:

- create a stable revenue stream;
- enable client portfolio management for potential future sales;
- provide clients with a service (operation and maintenance) without which they would probably not complete the acquisition;
- permanently improve the Group's technical know-how of wind turbines on the basis of return on experience; and,
- allow for economies of scale requiring relatively little additional capital.

Bolstered by the management experience of the 780 MW that it operates (for own account or for the account of third parties), THEOLIA plans to offer this service to owners of wind farms that the Company has not developed and/or built in order to generate economies of scale.

Perspectives

In Germany, the Group intends to continue its normal activity of trading projects and wind farms while examining other alternative or complementary strategies.

Indeed, THEOLIA considers that the German market is reaching its full maturity and is thus thinking of initiating other activities in Germany such as, particularly at this stage, the improvement of the production capacity of existing wind farms ("repowering"). In this respect, THEOLIA intends to examine all opportunities enabling it to build relationships with strategic partners including, in particular, with Mr. Willi Balz.

Non audited key figures of the 26 operating wind farms in Germany (as of December 31, 2010)

Commissioning	2010 purchase tariff (cent €/kWh)	MW	Production in 2009 (kWh)
2005	8.47	54.0	97,622,530
2007	8.19	1.5	2,971,096
2004	8.70	12.0	24,989,123
2001	9.03	24.0	41,109,899
2009	9.20	0.8	903,000
2001	9.10	9.0	21,004,993
2000	9.10	3.0	3,387,357
2003	8.79	27.0	39,756,535
2005	8.53	12.0	19,832,945
2005	8.53	2.0	2,138,712
2005	8.53	2.0	2,138,712
2005	8.53	2.0	2,138,712
2002	9.00	2.0	2,678,904
2001	9.10	1.5	2,360,182
2009	9.20	0.9	1,030,000
2003	8.90	6.0	9,400,000
2002	9.00	3.6	3,232,000
2005	8.53	3.0	5,053,794
2006	8.36	3.0	3,666,688
2003	8.90	1.0	1,546,000
2006	8.36	8.0	9,235,019
2006	8.36	1.5	1,712,216
2006	8.36	1.5	2,282,000
2009	9.20	3.2	3,666,000
2007	8.36	6.0	12,825,534

Commissioning	2010 purchase tariff (cent €/kWh)	MW	Production in 2009 (kWh)
2003	8.90	9.0	13,340,180

6.1.2.2 THEOLIA in France and in Italy

Develop, operate and sell wind projects in France and Italy

In France and in Italy, THEOLIA focuses its efforts on developing, operating and then selling wind projects once they have established a record of operational and financial performance. The Group has specialized teams responsible for initiating and completing all stages of development. Financing is supplied by a combination of equity capital from THEOLIA and debt financing in the form of project financing without recourse or with limited recourse against the parent company (see paragraphs 10.3.2 and 9.5.1), except in the case of guarantees, security deposits, or other off-balance sheet commitments described in paragraph 9.5. Once the financing is in place, the Group carries out the construction, then operates the wind farm for two to four years before it is sold. Once an operational and financial performance history is established, the farm will then be sold at an optimized price. As such, the Group aims to maximize its return on investment.

The main advantages of this strategy, guided by current market conditions and the financial position of the Group, are the following:

- optimization of equity capital through the reinvestment of sale revenue (equity + margins) into new projects under development;
- high expected sales margins, thereby compensating for the cost of a relatively long development phase;
- high visibility into availability rates observed on the site and projected future cash flows at the time of sale as calculated on the basis of recorded operational performance and the repurchase price of electricity guaranteed by a long-term contract;
- low level of risk with respect to assets up for sale due to their operating history over 2 to 4 years, which is expected to appeal to a wide range of potential purchasers (electricity producers, industrial groups, pension funds, financial groups and high net worth individuals), thereby increasing competition among buyers; and
- possible continuation of the operation and maintenance for the duration of the farm's operational existence, thereby offering the Group the potential for recurrent additional cash flows.

THEOLIA in France

The Group became a significant player in the French market with the acquisition of Ventura SA in May 2005 and Natenco SAS in December 2006. All assets and liabilities of both companies were transferred by a universal asset transfer to THEOLIA France SAS on January 1st, 2010.

As of today, THEOLIA France SAS aims to act as a fully integrated player in the French wind energy market, covering the entire value chain from prospection to development and from the construction to the operation of wind farms. As in Germany, after selling the operational wind farms, THEOLIA France provides operation and maintenance management services for the duration of the farms' operations.

As of December 31, 2009, THEOLIA France had 8 wind farms in operation (totaling an installed capacity of 73 MW) for own account, and 5 wind farms (totaling an installed capacity of 35 MW) for the account of third parties. It had 4 projects totaling 58 MW under construction for the account of third parties but had no projects under construction for own account.

The following table sets out the pipeline of projects and wind farms of THEOLIA France that are in operation and held for own account as of December 31, 2009:

	Number of projects	MW

	Number of projects	MW
Prospecting	55	841
Development	13	270
Permits applied for	4	62
Permits obtained	2	33
Under construction	0	0
In operation	8	73

In France, the Group also develops and operates projects for the account of third parties. The following table sets out statistics regarding the pipeline of projects under development and wind farms in operation that are managed by THEOLIA France for the account of third parties, as of December 31, 2009:

	Number of projects	MW
Permits applied for	1	10
Permits obtained	2	31
Under construction	4	58
In operation	5	35

Since 2008, the conditions relating to the granting of building permits have become more stringent, which led to THEOLIA France being denied numerous building permits applied for these past two years. THEOLIA France has systematically filed lawsuits against such denied building permits and hopes to obtain favorable decisions regarding a significant number of these permits. However, as of today, none of the building permits granted to the Group in France is subject to lawsuits initiated by third parties. For further details regarding the risk associated with the failure to obtain building permits and the arguments presented by organizations opposed to wind farms, see paragraphs 4.2.4 and 4.2.6.

Non audited key figures of the eight operating wind farms in France (as of December 31, 2010)

Commissioning	2010 purchase tariff (cent €/kWh)	MW	Production in 2009 (kWh)
2007	8.43	11.5	25,254,484
2003	9.88	6.0	11,559,550
2006	8.66	10.0	20,350,478
2007	8.43	12.0	23,311,014
2007	8.58	10.0	19,362,447
2006	8.59	9.0	16,072,341
2008	8.20	8.0	13,275,807
2006	8.58	6.9	11,338,486

THEOLIA in Italy

The Group entered the Italian wind energy market in November 2007 with the acquisition of an Italian developer, Maestrale Green Energy s.r.l., at a price of €5 million, to which further payments ("earn-outs") will be added incrementally as certain steps in this company's projects are achieved (see paragraph 5.2.1.1). The purchase was financed by equity capital. Carlo Durante, one of the founders of Maestrale, remains a manager of the company and therefore continues to play an active role in the daily management of Maestrale.

As of the date upon which it was acquired, the pipeline of Maestrale Green Energy's projects amounted to 500 MW, located exclusively in Italy.

Maestrale's project pipeline was built through the purchase of early-stage wind energy development projects and the prospecting of new projects ("greenfield") in cooperation with local developers. As a result, the current pipeline includes both projects developed by third parties and repurchased by the Group, and projects developed by Maestrale from the greenfield stage. Maestrale intends to continue its co-development of projects from the greenfield stage in cooperation with local developers.

As of December 31, 2009, Maestrale had a pipeline of 27 MW under construction and 2 wind farms (totaling 75 MW) for which building permits have been obtained, thus representing 66% of the MW from projects for which permits have been obtained by the Group in Europe. Applications for permits have been submitted with respect to 5 projects (totaling 171 MW), and 2 projects (totaling 34 MW) are facing lawsuits initiated by third parties.

The following table sets out the distribution of Maestrale's pipeline, for own account, as of December 31, 2009:

	Number of projects	MW
Prospecting	2	85
Development	2	90
Permits applied for	5	171
Permits obtained	2	75
Under construction	1	27
In operation	0	0

In Italy, there is significant community opposition against wind farms, which makes it more difficult to obtain building permits for the Group’s wind projects, and increases the number of lawsuits filed against the Group once the permit is obtained.

Due to the significant proportion of the Group's wind projects that are at an advanced stage of development in Italy, the Group expects to complete a substantial portion of its capital investments in Italy. In addition, the cost of earn-outs related to the structure of the acquisition of Maestrale Green Energy s.r.l, the impact of which is limited in time and volume, (see paragraph 5.2.1.1increases the development costs of the Group's Italian wind projects. Consequently, the Group plans to sell minority interests in its Italian projects (up to 49 %) once the relevant authorization is obtained and, at the latest, during the construction phase, in order to lessen the financial impact on its capital expenditure in Italy and allow it to balance its investments in the different countries in which it operates.

6.1.2.3 THEOLIA in emerging countries

THEOLIA in Morocco

In Morocco, on January 4, 2008, the Group acquired 100% of the securities of the Compagnie Eolienne du Détroit (CED) for €45 million financed by shareholders' equity. CED operates a wind farm located in Tétouan, which had been commissioned in 2000, comprising 84 windmills for a total installed power of 50.4 MW. The purchase tariff of the electricity produced by this wind farm is fixed at €4.23 cents per kWh in 2010 and the production wass 170,558,050 kWh in 2009.

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

After August 30, 2010, ONE has the right to terminate the electricity supply and sales agreement at any time through the payment of an indemnity. This indemnity amounts to approximately US$17 million if the termination right is exercised by ONE in 2010, and then is progressively reduced each year pursuant to the terms of the agreement. The early termination of the electricity supply and sales agreement would automatically lead to the termination of the transfer of use agreement held by CED. As of the date of this report, ONE has not informed the Group of its intent to exercise this clause (see paragraph 4.1.22 for more details).

The Group is currently considering optimization opportunities in detail at this exceptionally windy site: indeed, it intends to start negotiations with ONE for the "re-powering" and expansion of this wind farm.

THEOLIA in India

As of December 31, 2009, the Group had a pipeline of wind energy projects under development in India totaling 165 MW, of which 152 MW were in the development stage (and another 13 MW were in the construction phase but were abandoned by the Company as of December 31, 2009 due to the absence of clear visibility on its joint venture with its local partner).

The Company is currently in negotiations with its local partner regarding the reorganization of its activities and the restructuring of its joint venture in this country. Such restructuring is necessary due to the maturity of projects under development and the significant additional investments that are required for further development. As of December 31, 2009, the Group had invested approximately €3 million in the joint venture for the development of projects in India.

The Group intends to adapt its strategy relative to the result of the ongoing renegotiation of its joint venture with its local partner in this country. Depending on the outcome of such negotiations, the Group may commit significant funds to the completion of projects or, conversely, decide not to further develop its activities in India at all.

THEOLIA in Brazil

Since the acquisition of Natenco in 2006, THEOLIA has had a development team in Brazil. Brazil has a wind market with very strong potential for growth, but one that lacks a regulatory framework for wind power.

As of December 31, 2009 the Company's pipeline in Brazil contained 100 MW, allocated among four projects, all of which were in the prospecting phase.

The Group's strategy in the Brazilian market, as discussed in a public release dated January 19, 2010, is to offer development services to third parties with respect to a significant portion of its portfolio (75%). This strategy is designed to enable THEOLIA to maintain its low-cost presence in Brazil, while gaining a better understanding of the market, pending the implementation of a clear and incentivized regulatory regime for wind power in Brazil, which could lead the Group to increase its investments in this country.

Other countries

In the longer run, the Group may also seek to establish itself in other markets demonstrating strong wind energy potential, subject to criteria of stability, growth and regulatory visibility.

6.2 MARKET AND COMPETITIVE POSITION

6.2.1 The global wing energy market

6.2.1.1 Competitive Strengths

Positioned in a rapidly growing market, THEOLIA is an independent developer focused exclusively on wind energy projects. The Group has established recognized technical expertise over the entire wind farm value chain. Its large pipeline of projects spans five countries possessing significant wind energy potential.

A presence in a rapidly growing market with attractive prospects

The growth observed in the wind energy market over the last five years has been particularly significant and prospects for development are significant as well.

Growth is partly driven by the contribution of renewable energies to the reduction of greenhouse gas emissions and therefore the protection of the environment. An increase in awareness among the public and public authorities with regards to environmental issues has resulted in an increase in the political drive for change. This political drive has enabled the creation of a favorable legislative and regulatory environment for renewable energies, such as electricity generated from wind farms.

Exclusive focus on the wind energy sector

Many of the Group's competitors handle operations across several segments of renewable energy production. The majority of market participants focus on wind and solar photovoltaic power, but others are involved in hydro, biomass, thermal generation and cogeneration from fossil fuels, biofuels, biogas, wave energy, and other renewable energies.

THEOLIA concentrates its activity exclusively on wind energy. The Company believes that the wind sector is the most mature of the renewable energies (excluding the hydro sector).

Expertise present across the wind energy sector value chain

Since its creation, the Group has continuously aimed at strengthening its expertise across the entire wind power value chain. It has, in particular, been able to acquire experienced teams possessing an established operational know-how in the development and commissioning of wind farms. The quality and experience of its human resources are constantly improving and enable the Group to strengthen its skills, which are essential to the successful completion of projects within the set timeframes and budgetary constraints, and to anticipate technical changes in a constantly evolving sector.

The Group's employees, the key to success

THEOLIA has invested and capitalized on its employees, who represent the real value of the Group. The employee base is comprised of individuals who are highly competent within each of the Group's major areas of expertise (technical, financial and legal) and who possess an experienced view of the wind market, thereby allowing the Company to take advantage of human resources that enable it to anticipate changes in a sector that is constantly evolving.

6.2.1.2 Market and competitive position

The Global Wind Energy Market

The global wind energy market is in full expansion. Between 2004 and 2009, the number of MW installed each year grew on average by 27.30%. A positive environment, a favorable regulatory framework, and technological improvements are contributing factors to the market's growth.

The following table shows the evolution of the aggregate installed capacity and the annual installed capacity worldwide since 2004:

Year	MW installed globally over course of year	Annual growth (in %)	Aggregate worldwide installed capacity at year-end	Annual growth (in %)
2004	8,154	N/A	47,912	N/A
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
2009	38,103	35	160,084	31

Source: BTM Consult ApS, March 2010 report

In its 2010 report on the worldwide wind energy market, BTM Consult ApS noted that it expects total wind energy capacity to exceed 200,000 MW in 2010.

The following table shows the top ten countries in the world in terms of installed wind energy capacity in the last three years, as well as their growth rates over the last year (the countries in which THEOLIA has established a presence are highlighted in grey):

Country	Total capacity end 2009 (MW)	Added Capacity 2009 (MW)	Growth rate 2009 (%)	Total capacity end 2008 (MW)	Total capacity end 2007 (MW)
United States	35,159	9,922	39.3	25,237.0	16,879

Country	Total capacity end 2009 (MW)	Added Capacity 2009 (MW)	Growth rate 2009 (%)	Total capacity end 2008 (MW)	Total capacity end 2007 (MW)
People's Republic of China	25,853	13,750	113.3	12,121.0	5,875
Germany	25,813	1,917	7.9	23,933	22,277
Spain	18,784	2,331	14.2	16,453	14,714
India	10,827	1,172	12.1	9,655	7,845
Italy	4,845	1,114	23.9	3,731	2,721
France	4,775	1,104	30.1	3,671	2,471
United Kingdom	4,340	1,077	33	3,263	2,394
Portugal	3,474	645	22.8	2,829	2,150
Denmark	3,408	334	7.9	3,159	3,088
TOTAL	137,278	33,366	-	104,052	80,414
% of the installed capacity worldwide	86%	88%	-	85.2%	85.5%

Source: BTM Consult ApS, March 2010 report

As of December 31, 2009, the United States, China, Germany, Spain, India, Italy and France accounted for 72% of installed capacity worldwide and 78.8% of new capacity worldwide.

In 2009, 21.6% of turbines installed worldwide were in Europe although that number continues to drop as other regions increase capacity. Germany and Spain are Europe's largest markets, with total capacities of 25,813 MW and 18,784 MW, respectively, and 1,917 MW and 2,331 MW in newly installed capacity, respectively, in 2009.

Italy, France and the United Kingdom were the medium-size European markets boasting strong growth of approximately 30%. In 2009 Italy had a total capacity of 4,845 MW and 1,114 MW in newly installed capacity; France had a total capacity of 4,775 MW and 1,104 MW in newly installed capacity; and the United Kingdom had a total capacity of 4,340 MW and 1,077 MW in newly installed capacity. According to the European Wind Energy Association, in 2009, for the second year running, more wind power was installed in Europe than any other electricity-generating technology.

The markets in which the Company is most active are Germany, Italy and France. These markets represented an installed capacity of 35,433 MW, or 22.1 % of installed capacity worldwide at year-end 2009.

Finally, the Indian market, where the Group also has projects under development, represented an installed capacity of almost 11,000 MW, or 7% of installed capacity worldwide at year-end 2009.

6.2.2 Growth prospects

The worldwide wind energy market shows attractive growth prospects. The need for various countries to secure their energy supplies and address environmental concerns, together with significant technological improvements, support this expected growth. The potential for development of the wind energy sector in the world for the years 2010 to 2014 is illustrated in the following table (the countries in which the Company has established a presence are highlighted in grey):

	Aggregate installed capacity at year-end 2009	Capacity installed in 2009	Forecasts 2010-2014 (including offshore)					Capacity installed between 2010 and 2014	Aggregate installed capacity at year-end 2014
			2010	2011	2012	2013	2014		
United States	35,159	9,922	8,000	10,000	15,000	15,000	17,000	65,000	100,159
Canada	3,321	950	1,200	1,500	2,000	2,500	3,000	10,200	13,521

	Aggregate installed capacity at year-end 2009	Capacity installed in 2009	Forecasts 2010-2014 (including offshore)					Capacity installed between 2010 and 2014	Aggregate installed capacity at year-end 2014
			2010	2011	2012	2013	2014		
Rest of the Americas	1,871	561	800	1,100	1,400	1,400	2,100	6,800	8,671
Total Americas	40,351	11,433	10,000	12,600	18,400	18,900	22,100	82,000	122,351
Germany	25,813	1,917	2,000	2,400	2,500	3,000	3,500	13,400	39,213
Spain	18,784	2,331	2,000	2,500	2,000	2,500	2,000	11,000	29,784
France	4,775	1,104	1,600	2,100	2,500	2,700	3,000	11,900	16,675
United Kingdom	4,340	1,077	1,600	2,200	2,500	3,000	2,500	11,800	16,140
Italy	4,845	1,114	1,300	1,500	1,500	1,500	1,500	7,300	12,145
Portugal	3,474	645	1,000	1,000	1,000	1,200	1,000	5,200	8,674
Denmark	3,408	334	350	100	500	150	150	1,250	4,658
Netherlands	2,226	39	300	250	400	400	500	1,850	4,076
Rest of Europe	8,795	2,167	3,155	3,950	5,125	6,500	7,300	25,380	35,517
Total Europe	76,553	10,738	13,305	16,000	18,025	20,500	21,250	89,080	165,633
People's Republic of China	25,853	13,750	14,000	15,000	15,500	16,500	18,000	79,000	104,853
India	10,827	1,172	2,500	2,500	3,500	4,000	4,000	16,500	27,327
Rest of Asia	467	69	200	350	600	800	1,100	3,050	3,517
Total Asia	37,147	14,991	16,700	17,850	19,600	21,300	23,100	98,550	135,697
Total OECD - Pacific	4,873	620	1,200	1,500	1,850	2,350	2,450	9,350	14,223
Rest of the world	1,161	321	825	1 100	1 600	2 350	2 750	8 625	9 786
New capacity installed per year		38,103	42,030	49,050	59,475	65,400	71,650	287,605	447,690
Aggregate installed capacity at year-end	160,084								447,689

Source: BTM Consult ApS March 2010 report.

The aggregate installed capacity worldwide should exceed 447,689 MW by the end of 2014, i.e. nearly three times the capacity as of the end of 2009. The capacity installed annually in the world is also expected to grow at a rapid rate, with significant differences among the regions and countries.

Europe, the key market for THEOLIA, is expected to maintain its significant market position, with more than 165,000 MW installed as of year-end 2014.

6.2.3 Principal competitors

The market for the development and operation of wind farms is split up among numerous operators. Key success factors for this market are the ability operators have with respect to identifying and securing the most highly-performing wind sites and, more importantly, their ability to obtain the necessary financing for their development and later for their commissioning.

The fifteen largest wind energy operators in the world (as of December 31, 2009) are distributed as follows:

	Total installed capacity at year-end 2009 (in MW)	Rank	Market share
Iberdrola Renovables (Spain)	10,350	1	18.6%
NextEra Energy Resources (United States)	7,544	2	13.6%
Acciona Energy (Spain)	6,230	3	11.2%
EDP Renovaveis (Portugal)	6,227	4	11.2%
China Longyuan (China)	4,842	5	8.7 %
Datang Corporation (China)	3,023	6	5.4%
E.ON Climate and Renewables (Germany)	2,873	7	5.2%
EDF Energies Nouvelles (France)	2,650	8	4.8 %
Invenergy (United States)	2,018	9	3.6 %
Eurus Energy (Japan)	1,903	10	3.4 %
Infigen Energy (formerly Babcock Brown Windpartners (Australia)	1,739	11	3.1 %
RWE Innogy (Germany)	1,568	12	2.8%
Huaneng New Energy (China)	1,550	13	2.8%
Enel (Italy)	1,510	14	2.7%
GDF Suez (France)	1,492	15	2.7%
TOTAL	55,519		34.7%

Source: BTM Consult ApS March 2010 report.

The principal competitors of the Group are mainly project development companies, most of which are subsidiaries of established European electricity producers and/or distributors such as, in particular, Iberdrola Renovables, Acciona Energy, EDF Energies Nouvelles, Endesa or EDP Renovaveis, as well as American companies such as NextEra Energy Resources (formerly FPL Energy) and Chinese companies. These competitors are much larger than the Company and, unlike the Company, belong to groups with a non-exclusive focus on the wind energy sector.

6.3 LEGISLATIVE AND REGULATORY ENVIRONMENT

The Group is subject to various laws and regulations relating to the development of wind projects and, in certain cases, the sale of wind energy. The Group's success is particularly dependent on the continued existence of a favorable regulatory environment.

6.3.1 Internationally

The protection of the environment and the reduction of greenhouse gases have become political issues and several treaties dealing with environmental issues have been ratified. The United Nations Framework Convention on Climate Change (UNFCCC) was adopted in 1992. It took effect in 1994 and has been ratified by 189 countries. Though not legally binding the treaty encourages developed countries to stabilize their greenhouse gas emissions.

The Kyoto Protocol ("the Protocol") was adopted in December 1997 and took effect in February 2005. To date, 184 parties to the UNFCCC have ratified the Protocol, including all of the countries in which the Group has established a presence. The main accomplishment achieved by the Protocol is that it sets binding targets for the reduction of greenhouse gas emissions with respect to 37 industrialized countries and the European community, whereas the UNFCCC "encourages" industrialized nations to stabilize their greenhouse gas emissions. Reduction objectives are set out by, on average, 5% against 1990 levels over the five-year period 2008-2012. The Protocol sets the promotion of electricity from renewable energies among its top priorities.

The Copenhagen Conference held in December 2009 did not extend the Kyoto commitments. A proposal annexed to the Copenhagen Agreement called on the international community to conclude a binding treaty by the end of 2010.

6.3.2 EU 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 Protocol assigned the European Union a target of an 8% decrease in greenhouse gas emissions between 2008 and 2012, based on 1990 levels.

Hoping to assert itself as the most environmentally respectful industrialized economy, the European Union exceeded the international objectives by adopting the Climate and Energy Package in December 2008. Under the Climate and Energy Package, prior to year 2020 the Member States have undertaken to reduce greenhouse gas emissions by 20% in relation to 1990 levels, to raise the share of energy consumption from renewable sources of energy to 20%, and to increase energy efficiency by 20% (triple 20).

In addition, the Climate and Energy package includes the European Directive 2009/28/EC dated April 23, 2009, through which the goal of raising the share of energy consumption from renewable sources of energy by 2020 is part of the national binding objectives. This Directive modifies and will then repeal the provisions of Directive 2001/77/EC as of January 1, 2012. As such, the objectives of the 2001 Directive, which lay out, in particular, the European Union's goal of increasing the share of gross domestic energy consumption from renewable sources of energy to 12%, and of producing 21% of its electricity consumption from renewable energy sources in 2010, will nevertheless remain in force until December 31, 2011, at which point they will then be replaced by the 2009/28/EC Directive.

The binding objectives to be achieved for France, Germany and Italy, as set by Directive 2009/28/EC, are as follows:

	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 %
France	10.3%	23 %
Italy	5.2%	17 %

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

6.3.3 National legislation

Legislation in France

The law relating to the modernization and development of the public electricity service dated February 10, 2000 and its related decree dated December 6, 2000 set forth that Electricité de France (or other private distributors) are required to purchase electricity generated by power plants using renewable energy sources, at a price fixed by decree. Installations using renewable energy or implementing efficient energy saving technologies, such as cogeneration, can benefit from this purchase obligation. Wind turbines can therefore benefit from an agreement containing a purchase obligation (15-year non renewable contract). A decree signed on June 8, 2001 determines the conditions of the purchase agreement.

Law n° 2005—781 dated July 13, 2005, known as "POPE law", sets forth the necessary conditions applicable to Wind Power Development Zones (*Zone de Développement de l'Eolien*) (ZDE). The POPE law defines the minimum and maximum installed capacity of installations producing electricity from wind turbines. The latter are fixed by the regional commissioner (*Préfet de Région*) pursuant to proposals made by the locality or the community of localities. ZDEs are thus established as part of the regional wind power scheme with regard to local development.

Power thresholds are fixed for each ZDE, the parameters of which depend on the wind energy potential, the ease of connection to the electricity gridenvironmental concerns and the presence of environmentally sensitive or protected sites.

A circular dated June 19, 2006 provides for a dispensatory period. Between July 14, 2005 and July 14, 2007, the purchase obligation extends to wind turbines located outside a ZDE provided that before July 14, 2007 such turbines are in possession of:

- a purchase obligation certificate confirming that the production site meets a 12 MW threshhold and is located at least 1,500 meters from another production site; and

- a notification from authorities of the timeframe required for the review of a building permit application, demonstrating that a complete application has been filed.

Developed wind energy projects that have obtained their notification of review of a building permit application after July 15, 2007 may benefit from the purchase obligation at a preferential price only if they are located within a ZDE. Consequently, the Company no longer applies for permits outside of the ZDEs.

The repurchase price for onshore installations operates under two different regimes, specifically:

- the price set out in the by-law dated June 8, 2001 applies a basic tariff set at 8.38 cts€/kWh for the first 5 years and for the next ten years ranges from 8.38 cts€/kWh to 3.05 cts€/kWh depending on the number of production hours of the wind farm; and,

- the price set out in the by-law that took effect on July 10, 2006 (with no retroactive effect), which applies a basic tariff set at 8.20 cts€/kWh for the first 10 years and ranges from 8.2 cts€/kWh to 2.8 cts€/kWh for the next five years. The tariff by-law that took effect on December 29, 2008 (with no retroactive effect) applies a basic tariff set at 8.36 cts€/kWh for the first 10 years and ranges from 8.36 cts€/kWh to 2.85 cts€/kWh for the next five years, depending on the number of production hours of the wind farm.

These price levels are applicable for a period of 15 years from the farm commissioning date. They will be reevaluated on an annual basis according to applicable indexes. In 2008, the price was 8.36 cts€/kWh for the first 10 years. In 2009, the price was 8.61 cts€/kWh for the first 10 years (by-law dated November 17, 2008). And in 2010, the estimated price level is 8.16 cts€/kWh for the first 10 years, and then the basic tariff will be adjusted for the next five years, depending on the number of production hours of the wind farm. This decrease can be explained by the fall of economic indexes following the ongoing financial crisis.

The administrative authorizations necessary to the operation of and grid connections for wind power plants are the certificate granting the right to a purchase obligation (CODOA), the operating authorization and certain administrative authorizations with Electricité de France (or other private distributors) as formalized by various contracts (e.g. connection agreement, contract for access to the distribution and injection network, purchase contract, agreement for drawing electricity).

Legislation in Italy

Building and operation permits

The construction and operation of power plants using renewable energy sources are subject to a single authorization, granted on the basis of objective and transparent criteria, issued by the relevant Region (or the Province as delegated by the Region), which supersedes - and incorporates the substance - of any other authorization, concession, licence or opinion under the relevant regulations (the “Single Authorization”). The Single Authorization is issued on the basis of the applicable environmental authorizations and the approval of the project by a Steering Committee (*Conferenza di Servizi*) composed of representatives of the public bodies involved. The duration of the authorization procedure cannot exceed 180 days, subject to the time necessary for the issuance of the applicable environmental approvals (this 180-day term is not mandatory; nonetheless, in case of unjustified delays, the promoter may file a claim before the competent Administrative Court to obtain a decision ordering the public entities to release their decision).

The sale of electricity

The producers of wind energy in Italy can choose between three regimes for the sale of the electricity produced: (1) sale to third parties on the open market electricity exchange operated by Gestore del Mercato Elettrico S.p.A ("GSME"), which is a wholly owned subsidiary of the national electricity grid, known as the Gestore dei Servizi Energetic ("GSE"); (2) sale to a broker or a wholesaler through a bilateral agreement, or (3) sale to GSE under an annual bilateral convention under which the GSE is obliged to repurchase the total produced electricity over the relevant contractual period. In the third case, the purchase price is determined by weighting of market prices established by supply and demand by regional zone, on an hourly basis.

The market 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.

Example of sale market prices 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

Green certificates

The Legislative Decree dated March 16, 1999 requires operators who produce or import more than 100 GWh of electrical energy per year 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 and will be further increased by 0.75% per year between 2008 and 2011. The quota was 3.85% for 2008, 4.6% in 2009 and 5.35% in 2010. These operators can discharge of their obligation by directly producing renewable energy or by purchasing green certificates from the producers of renewable energy.

Green certificates are issued by the GSE and awarded to authorized renewable energy electricity production units. Farms with over 0.2 MW capacity have a right to one green certificate for each MWh supplying the grid. Since the enactment of the Finance Law of 2008, installations commissioned after January 1, 2008 can request that green certificates be awarded for their first 15 years of operation, as compared to 12 years for those commissioned earlier. The term of validity of each green certificate is three years. The transfer or sale of the green certificates can take place by bilateral contracts or by means of the electricity exchange managed by the GSME. The prices are freely determined, according to supply and demand.

However, in the event that demand exceeds supply, thus preventing producers or importers of fossil energy from meeting their renewable energy quotas, the GSE can issue green certificates for its own account and sell them to these operators. If supply exceeds demand, green certificates can be returned to the GSE, which must repurchase them at the average price observed over the last three years.

The sale price, also referred to as the reference price of the green certificates, is determined by law and is equal to the difference between a pre-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, because the AAEG had established the average value of sale price of electricity for 2008 at 9.1 c€/kWh, the reference price of the green certificates in 2009 was 8.8 c€/kWh. In 2010, the green certificates issued in the previous year will be sold at 8.89 c€/kWh.

As from the date of commissioning of its wind farms in Italy, the Company will begin the sale of its green certificates.

Legislation in Germany

For a number of years, Germany has benefited from legislation designed to create incentives to develop wind energy and, in particular, from a policy requiring the repurchase of electricity produced from renewable energies for a period of 20 years.

In order to further strengthen its commitment towards renewable energies and to adapt the price levels to market conditions and technological progress, in June 2008 the German parliament revised the legislation in order to further encourage production of wind energy. In particular the law significantly increased the fixed price applicable to the repurchase of electricity produced. Thus, on January 1, 2009, the repurchase price rose from 8.03 c€/kWh to 9.2 c€/kWh for electricity generated by onshore wind farms. The repurchase obligation is in place for 20 years, with an annual 1% decrease for new installations connected to the grid (as opposed to the previous 2% decrease). Specific provisions also exist in favor of the projects for re-powering existing farms or for offshore development.

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

Finally, tax incentives favoring investments in SMEs (in particular those in the wind energy industry) allow individual investors to benefit from income tax relief. In addition, companies in the wind energy industry are eligible for an accelerated fiscal amortization of their tangible operating assets (e.g., turbines).

Legislation in Brazil

In 2002, the Brazilian government launched the ProInfa program for the promotion of renewable energies (of all types, including wind energy and, in particular, hydroelectric energy) with the objective of achieving 1,100 MW of installed wind energy capacity at year-end 2006. This goal was not met and the objective was reset to 1,400 MW by 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 installed wind energy capacity at only 341 MW, the Brazilian government decided to accelerate the sector's development by launching, in late November 2009, the first substantial call for tenders specifically for the installation of wind farms for an aggregate capacity capable of achieving 1,000 MW. This call for tenders is expected to be 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 a significant wind energy potential, with many high quality sites. However, the wind energy sector remains limited in Brazil because the government has only recently adopted incentives for development and no favorable pricing framework has yet been implemented, with the exception of the previously described calls for tenders.

Legislation in India

India has rapidly shown its willingness to diversify its energy supply sources. In 1992 the Indian government established the Ministry for Non-conventional Energies ("MNES"), which in 2006 became the Ministry for New and Renewable Energies ("MNRE"). The MNRE has put in place support measures adapted to the different energy sectors, including tax advantages for the wind energy sector that include accelerated first-year amortization of 80%.

The electricity agencies of the various Indian states also contribute to MNRE policy. They have established incentive tariffs of their own for the repurchase of the electricity produced by the wind turbines for terms ranging from 10 to 20 years.

The Indian government's goal is for renewable energies to represent 10% of the total electrical production capacity by 2012. In March 2009, the installed capacity was more than 10 GW and its potential is estimated at 45 GW.

Legislation in Morocco

The electricity sector in Morocco is controlled by a single operator, the ONE. While production can be conferred to private operators, ONE retains the monopoly for the transport as well as the sale of electricity.

With respect to renewable energy, Morocco has set an objective of deriving 12 % of its energy supply from renewable energies by 2012.

The development of wind energy is currently based on two programs:

(1) Calls for tenders: ONE invites independent producers to tender for the development, financing, conception, engineering, supply, construction and commissioning of wind farms and their subsequent operation and

maintenance. The producer that is selected signs a contract for a term of 20 years with a guaranteed repurchase price;

(2) Self-production: industrials can produce up to 50 MW of electricity for their own account through the Energi Pro program. The principles of the Energi Pro program are as follows:

- the location of electricity production and the location of electricity consumption may differ;
- transport of the electricity will be handled by ONE via its existing transport network and other constructions that ONE puts in place exclusively for delocalized self-production. Transport is ensured in consideration of a fee of 6 cDH/kWh until year-end 2011 and of 8 cDH/kWh as from 2012;
- when production is less than the industrial manufacturer's consumption, ONE guarantees a contribution; and
- where production exceeds the industrial manufacturer's consumption, ONE will buy back the electricity at a price that is 20% higher than the industrial price of electricity.

In addition, a bill was adopted on March 12, 2009 by the government and approved early 2010 by Parliament. It provides in particular for:

- an authorization regime for wind farm installations with a capacity equal to or greater than 2 MW;
- a policy of a simple prior declaration for electrical energy installations from renewable sources with a total capacity of under 2 MW;
- rules governing national production and export of electricity to the European Union; and
- a specific framework for wind energy that will include planned development zones allocated for wind farms..

6.4 DESCRIPTION OF THE GROUP'S MAIN ACTIVITES

After the change in management in September 2008, the Group began a complete review of its activities and its strategy. The Group decided, in particular, to concentrate its efforts 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 Group's wind activities are divided into three categories:

(a) the development, construction and sale of projects and wind farms;

(b) the sale of electricity for own account; and

(c) the operation and maintenance of wind farms on behalf of third parties or for the Group’s own account.

A wind farm is comprised of several wind turbines, each of which features a support tower on which a wind generator is installed. This generator converts the mechanical energy produced by the wind into electric energy: the wind sets the rotor in motion, which transfers the received energy, through a gearbox (or not) to an alternator that produces electric energy.

The tower of a wind turbine installed in the ground (onshore) generally rises to a height of 80 to 100 meters, which allows a wind generator capacity in the range of 850KW to 3 MW and blades of 26 to over 50 meters long. The towers are fixed to the ground by concrete structures and are interconnected by electric cables, thereby establishing the inter-wind electrical grid. A structure called a “delivery station” connects the grid and houses the devices necessary for the off-site monitoring and control of the wind energy plant. It also serves as the interface with the public distribution network.

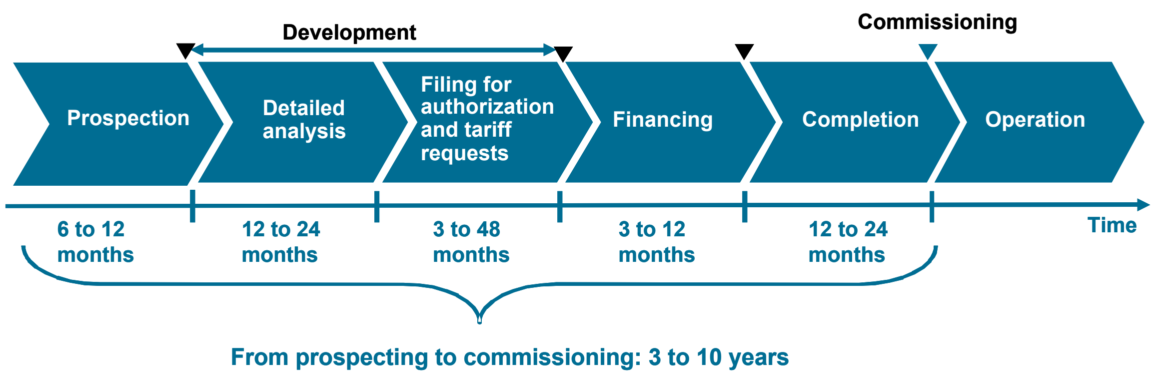
The average annual production of each MW of installed capacity varies from 1.6 to 3.7 GWh, depending on the characteristics of the site (wind conditions) and on the type of machines (power curve and availability).

When the Group develops a project, it generally sets up an ad hoc structure known as a "*Société Support de Projet*" (project support company, or "PSC") responsible for managing assets and financing.

A guarantee is typically granted to lenders covering the PSC's assets and the PSC bank accounts that are assigned receivables and any insurance indemnities generated by the project. Among other things, the financing agreements require that the PSC comply with a certain number of financial ratios, as well as provide certain information related to the operation of the project on a regular basis. The main cases constituting a default include: non-compliance with financial ratios, the failure to make a payment, the sale of all or part of the assets, a change in control, a change in regulations that renders the project illegal, cross-default and default or insolvency of a counterparty considered essential to the project (in general, this is the third party purchasing the produced electricity).

The process for bringing a wind energy plant into operation is a long one (on average from 3 to 10 years), during which one can identify at least five stages, of which the development stage is divided into 2 phases.

Life cycle of a wind farm project



The timeline above illustrates the various phases of the life cycle of a wind farm. The duration of each phase mentioned in this picture are only an illustration and the actual time required in each phase can vary significantly depending on a number of important factors, including the duration of applicable administrative proceedings, the availability of turbine materials, and the securing of financing, which includes, in particular, a phase associated with detailed audits of the project (technical, legal and insurance aspects).

First stage: Prospecting

Prospecting consists of identifying, approving and securing a site that meets the requisite conditions for installing a wind energy plant. In order to secure the site, a lease contract is signed with the site's owners that covers a period that is sufficiently long to ensure completion of the development stage, with a definitive lease option if the project is authorized.

Second stage: Development

The development of a wind energy site can be broken down into two phases: the completion of detailed analyses, and the review and receipt of required administrative authorizations (construction, operation, connection to the grid, injection into the network, purchase).

The first phase of development consists primarily of completing an impact study to assess a proposed site's actual state and potential impacts related to the installation of the wind farm. The studies take into account a certain number of elements such as topographic constraints, easements, ability to connect to the local grid, environmental constraints, plant and animal life, and the proximity of residential areas, historical monuments, or other sensitive or protected sites. The Group also conducts a site survey to measure and determine wind conditions of the site by installing one or more measuring masts to collect data over a period of at least 12 to 18 months. Wind quality is measured not only by the wind's strength and consistency but equally by the frequency and intensity of wind gusts that can cause premature wear of the machinery.

Detailed technical studies (access to the site, installation of machines, soil studies, determination of road access and transport areas, inter-wind grid…), allowing the construction of the site by sub-contractors, are also carried out.

Parallel to these technical studies, public meetings are regularly organized in order to educate the local populace and to promote the acceptance of the project. The frequency of these meetings depends on the level of the project's acceptance by the local residents. Thus, during the development phase, each wind project is subject to overarching discussions and consultations regarding the environmental impact and, in particular, the impact on the landscape and fauna.

The second phase of development covers the review of all authorizations requests and tender agreement requests necessary for the site to be built and operated, and for the electricity generated to be injected into the network and sold.

By the end of this process, and prior to launching the financing phase, THEOLIA must also select a the manufacturer and the turbine model best suited for the site. THEOLIA does not wish to negotiate framework agreements with any manufacturers; in the absence of such agreement, it may freely choose the turbines that are most suitable for every site and introduce competition among manufacturers for the Group's business. However, this policy exposes the Group to the risk of shortage in wind turbines supply, as was the case in 2006 and 2007. For further details regarding this subject, please refer toto paragraph 4.1.15.

Third stage: Financing

During the third phase, the Group must also structure the financing of the construction of the plant. This financing is subject to negotiations with the lending banks pertaining to the proportion of shareholders' equity to be contributed to the PSC, the terms and conditions of the contracted debt (especially as regards the term, interest rates, debt ratios to be complied with and guarantees). Independent audits are also conducted by external providers in accordance with the requirements of the lending banks. Such audits typically include:

- An audit of the site's wind energy potential (provisional number of working hours on the basis of anemometric and meteorological measurements made on site over a minimum period in the range of 12 to 18 months and relative to the wind generator chosen);

- An audit of the economic model (financial and economic simulation of the operation on the basis of the investment amounts, of the operating costs associated with the wind farm, of the purchase agreements and debt parameters);

- A legal audit (audit of all the legal documents arising in such an operation: leases, easements, various constraints, administrative authorizations, turnkey contract, contracts with the suppliers but also drafting of the contracts between the Group and the bank);

- An insurance audit (audit of insurance contracts relating to the building and operation of the wind farm and, in particular, deductibles and the allocation of compensation caps between the PSC and its sub-contractors).

Fourth stage: Completion

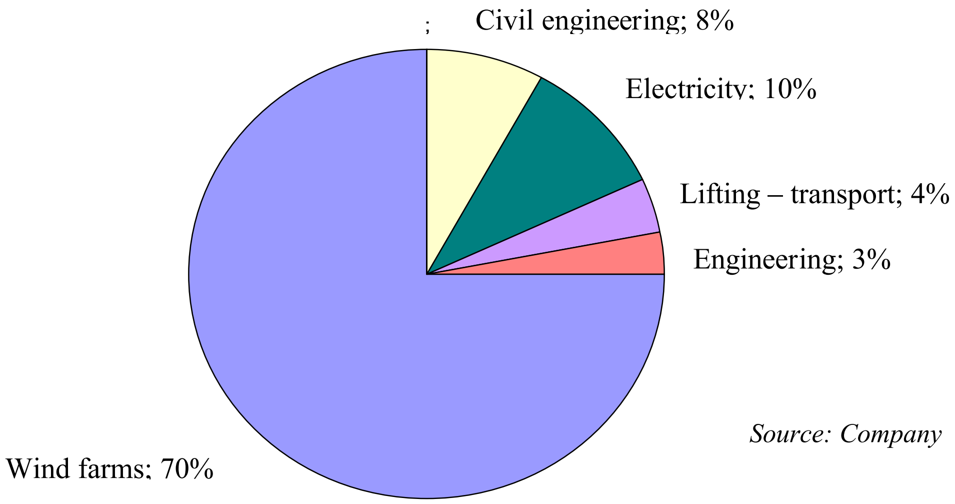
The construction phase of a wind farm typically takes one to two years and represents the achievement of what is usually a long process fraught with pitfalls and structured according to internal validation milestones marked with a ▼ in the diagram illustrating the life cycle of a wind farm project, as presented above.

At the end of certain phases of a wind project life cycle, it is necessary to formally mark the validation of a given milestone in order to take on the following milestone. As such, these milestones constitute important incremental steps in order to size up the investment that is needed in the next phase. At the end of the prospecting stage, a phase that on average costs only a few tens of thousands of Euros, the decision to proceed with the development stage now involves the decision to commit a budget that is measured in hundreds of thousands of Euros. Within the Group, the decision to take a project from the prospecting phase to the development phase is made at the level of the subsidiary overseeing that territory. Such subsidiary is responsible for taking the development initiatives of the Group within the budget limits allocated by the Board of Directors.

The decision to take a project beyond this development phase and into the financing and completion phases, which typically involves committing tens of millions of Euros, is taken at the level of the Group's holding company. Next, when the financing structure is negotiated with a bank, it is also the Group's holding company that validates the financing agreements (in particular financing conditions and guarantees granted to the lender).

The completion phase begins with the signing of the agreement with the turbine manufacturer during the turbine provisioning phase. Next, calls for tenders for other divisions are made and feasibility studies are prepared before the beginning work on the site, which begins three to six months before the arrival of the turbines, in order to lay down access pathways, common areas, foundations and an internal electric grid.

The following chart is an estimate of the average distribution of the construction costs of a wind energy project:



Source: Company

It is during this completion stage that the Group enters into agreements with electricity operators in relation to establishing connections to the grid and repurchasing electricity.

Fifth stage: Operation

Once construction is complete, the testing period begins. The turbine manufacturer carries out various adjustments to optimize operation of the plant and demonstrate that the windmills meet the contractually-required level of performance (availability/ power curve). The electricity purchase contract takes effect once the power plant is connected to the electricity grid, the test period is validated, all major issues are solved and industrial commissioning is achieved. Its operation can then begin.

For each wind farm, the operator negotiates a long-term maintenance contract with the turbine supplier that will guarantee the execution of all turbines maintenance operations on site, including the power curve, the availability of machinery and the quality of power. Under such contract, the turbine supplier could be required pay an indemnity in the event of failure to comply with its obligations. The commercial operation and the technical maintenance of the wind farm are provided by the Group.

As of December 31, 2009, THEOLIA operated 780 MW of wind farms in France, in Germany and in Morocco, for own account and that of third parties. For its own account and that of third parties, the Group developed real-time production surveillance systems for its currently active, large German wind farm operation. These tools enable it to optimize its operational use and, as such, to achieve high rates of wind turbine availability**.**

In Morocco, for the Compagnie Eolienne du Detroit (CED) it acquired in January 2008, the Group itself carries out the maintenance of a power plant that includes 84 wind turbines (for a total installed power of 50.4 MW) producing approximately 160 GWh per year, with no help from turbine suppliers. As such, the acquisition of CED has therefore enabled the Group to equip itself with the technical skills required for undertaking on-site operations, maintenance work and for operating the turbines in a tough physical environment (wind conditions).

6.4.2 Non-wind activities

Historically, THEOLIA carried out its business in different sectors of energy production (aside from wind energy) and environmental activities. The contribution of these activities to the Group's revenue has become minimal as of today.

At the end of 2008, the Group decided to concentrate exclusively on the wind business, and therefore launched a plan for the disposal of all its non-wind equity interests and assets. As a result, as further described below, it has disposed of a number of assets and is currently in the process of disposing of others.

Equity 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 since 2006, sold the full amount of its equity stake in Thenergo (27.21%) at the end of December 2008 for €15 million (see paragraph 20.8.3 hereunder).

- Biocarb

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

- Hydro development activity in Canada

In July 2009, THEOLIA sold its equity interests in the companies THEOLIA Canada (99.98%) and THEOLIA Premieres Nations Inc. (99.98%), particularly active in the domain of hydroelectric development in Canada, for one symbolic Euro.

- Assets of the companies SAEE and SAPE

In July 2009, the Group sold its two dispatchable power plants located in France for €0.38 million. These plants represented the assets of the companies SAEE and SAPE, the holding company of which is CS2M. These three companies will be shut down during the 2010 financial year.

Equity Interests in the process of being sold

- **France Environmental Business Line**

The France Environmental Business Line is currently composed of the structures described below. As of the date of publication of this Report, the Group has carried out the disposal of the breathalyzer activities of Seres Environnement in November 2009 for an amount of €0.4 million and signed a letter of intent for the disposal of the activities of the Nemeau SAS group. The Group is negotiating with possible buyers regarding the disposal of certain companies of the Environmental Business Line.

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Seres Environnement	Seres Environnement, established on June 13, 2006 following THEOLIA's acquisition of Seres SA at the *Tribunal de commerce* of Aix-en-Provence (French Commercial Court located in Aix-en-Provence), specializes in the field of developing measurement instruments for the water, air, prevention and security of persons, and breathalyzer markets. Seres Environment had revenue totaling approximately €4.8 million in 2009.
Ecoval Technology SAS	Ecoval Technology, established in December 2004, following THEOLIA's acquisition of “A+O” at the *Tribunal de commerce* of Nanterre (French Commercial Court located in Nanterre), specializes in the field of design, partial or total project completion, turnkey construction and the sale of units offering environmental solutions on behalf of local communities and industrial companies. The company is dormant.
Therbio	Therbio (previously Sodetrex) is the controlling holding company of Ecoval 30.
Ecoval 30 SA	Ecoval 30, a company established in 2001, specializes in the treatment of liquid and solid waste. Its factory based in Beaucaire, France receives waste collected by other companies,

	separates it and isolates the target fermented matter in order to compost it for resale. Its revenue amounted to approximately €4.2 million in 2009.
Nemeau SAS	Nemeau, established in December 2004, following the acquisition of the company Naturem Environnement at the *Tribunal de commerce* of Marseille (French Commercial Court located in Marseille). The company specializes in the design and sale of industrial installations used in the environmental field. The company therefore owns patents for a sludge treatment system.

- Ecolutions

The Group holds a 33.53% equity stake in the capital of the private German company Ecolutions specializing in the carbon emissions market in certain emerging countries (in India and China, in particular). During the course of the 2009 financial year, the management of this company decided to adjust the business of the company to the development of projects in the renewable energy sector, in particular solar energy. In 2009, this Company posted a loss amounting to €7.6 million, while generating nearly no revenue.

- Solar park in Germany

The Group developed a solar park in Germany representing approximately 2.98 MW. Its sale had been agreed to in 2007, but since the purchaser failed to secure financing, the Group recovered the park at the end of 2008. The solar park generated revenue of approximately €1.49 million in 2009.

6.5 STRATEGY

6.5.1 Cash position

Since 2008, the Group has experienced a liquidity crisis as a result of internal and external factors.

- The internal factors stem from the implementation by the former management in 2008 of an uncertain investment strategy and of an exclusive strategy of operating wind farms for the Group's own account which required substantial expenditures to pursue an overly ambitious expansion strategy, while halting sales of operational wind farms in Germany, thereby preventing the Group from recovering the working capital requirements invested in wind farms built in Germany in 2008 and also from achieving sales margins.

- The external factors arose from the lack of liquidity in international credit markets, due to the deepening financial crisis and deteriorating conditions in the global and euro zone economies from late 2008.

As a result of these factors, the Group experienced significant cash outflows due to its investments in pursuit of acquisition-led growth, while its cash inflows from sales of operational wind farms ceased and financial markets became unable, or unwilling, to provide sufficient credit.

The adverse impact of these internal and external factors on the Group's liquidity has been magnified by the risk that holders of bonds convertible into and/or exchangeable for new or existing shares issued in October 2007 (the "OCEANEs") have the right, pursuant to the issuance agreement, to request early redemption of their OCEANEs on January 1, 2012, that the full amount of which the Company believes it would not be able to satisfy (see paragraph 9.1.4). This risk restricted the Company's ability to raise new project financing, particularly in France.

6.5.2 Management's priorities

The Group's objective during the current period of disruption is to stabilize the business, in order to position the Group for recovery and future development.

The Group's immediate priorities remain:

- to strengthen the Group's balance sheet and accelerate debt reduction via the restructuring plan (see paragraph 9.1.4);
- to secure access to financing necessary for the development of the Group's pipeline and wind activities;
- to actively manage the Group's liquidity and other market risks;

- to improve the Group's performances regarding investments policy, Operation and Maintenance (O&M) and financing in order to increase its competitivity;
- to continue to improve its costs reduction policy and optimization of resources allocation,
- to concentrate the Group's development efforts on transactions with high profitability; and
- to share the expertise knowledge share between the different countries where the Group operates.

6.5.3 Actions to position the Group for recovery

In response to a challenging environment, management has taken action to position the Group with a view to re-establish its financial position and improve its prospects for future development.

As a result of these actions, the Group has been able to reduce its net debt by €102,065 million (representing a decrease of 20.5%) from €498,426 million as of December 31, 2008 to €396,063 million as of December 31, 2009. The Group also increased its cash position by €3,361 million, (representing an increase of 3.7%) from €90,823 million as of December 31, 2008 to €94,187 million as of December 31, 2009.

Management has in particular, implemented the following initiatives:

- reactivation of the development of projects and sales of wind farms;
- implementation of a new strategy;
- sale of non strategic activities (non-wind activities);
- measures for improvement of productivity; and
- disinvestment from certain markets.

6.5.3.1 Sale of projects and wind farms

In 2009, the Group sold approximately 234 MW of wind farms and projects in France and Germany, exceeding its sales target of 200 MW for the year 2009. These sales generated €231 million in revenue in the year ended December 31, 2009 and resulted in an increase of €90.3 million in cash, which was primarily applied to meet capital expenditures for projects in France, Germany and Italy. Because the acquirers took on debt obligations (where these existed) related to the wind farms sold, such sales have allowed a reduction of the Group's consolidated debt by €42.5 million. Some of these sales (in particular those concerning projects and not operational wind farms) were carried out on an exceptional basis in order to address the Group's liquidity crisis.

The principal sales of wind projects and assets, in the year ended December 31, 2009 are set forth below:

- In June 2009, the Group sold a portfolio comprising 3 wind farm projects in France with a capacity of 32 MW to Energiequelle, generating revenue of €3.3 million.
- In August 2009, the Group sold a portfolio comprising 19 operational wind farms and projects in Germany with a capacity of 100.6 MW to RheinEnergie AG, generating revenue of €141.6 million.
- In October 2009, the Group sold a wind farm project in France with a capacity of 9.2 MW to Boralex, generating revenue of €3.9 million in France.
- In December 2009, the Group sold a portfolio of wind farms and projects in France with a capacity of 47 MW to Boralex, generating revenue of €28.5 million.

The Group intends to continue to concentrate on the realization of planned sales in line with the Group’s operational and financial requirements, and on the management of its wind portfolio and its business strategy.

6.5.3.2 Divestment of non strategic activities

In line with its strategic focus on the wind energy business and its efforts to maximize cash generation, the Group has decided to divest non strategic activities and assets. Since December 2008, the Group has completed the sales set forth in paragraph 6.4.2, enabling the Company to generate revenue of €15.3 million, which was primarily applied to meet capital expenditures on projects in France, Germany and Italy.

The Group intends to complete the sale of its remaining non-wind companies and assets. The sale of these assets had been recognized in the Group's audited consolidated financial statements pursuant to IFRS 5 "Non-current assets held for sale and discontinued operations". The application of IFRS 5 also led the Group to restate €18.3 million in revenue from sales of certain non-wind companies in 2007. For further details, see note 18 to the Group's audited consolidated financial statements as of and for the year ended December 31, 2008, which can be found in the 2008 Reference Document.

6.5.3.3 Improvement of operating efficiency

In order to conserve cash, in 2009 the Group implemented a number of measures to improve operating efficiency:

- continued rigorous cash management at the Group level;
- cost-cutting at the Company level, which the Group intends to continue in the year ending December 31, 2010;
- cost-cutting at THEOLIA Morocco and THEOLIA Brazil (completed);
- organizational streamlining (at the holding company level, THEOLIA France) with optimized visibility;
- sharing of know-how between subsidiaries; and
- introduction of centralized pipeline monitoring.

These measures led to total savings of €5.4 million for the financial year ended December 31, 2009, resulting mainly from cost-cutting programs at the holding company level, THEOLIA Morocco and THEOLIA Brazil.

6.5.3.4 Group's divestment from some markets

The Group now focuses its activities on "emerging markets" in Morocco, India and Brazil which present greater development prospects and has pulled out from Croatia, Spain, Greece, Poland and the Czech Republic.

6.6 ENVIRONMENTAL INFORMATION

THEOLIA assesses, in strict compliance with all legal and regulatory standards, the environmental impact of its wind projects as from the moment the building permits of each wind turbine installation project are granted.

The installation of each wind project requires the completion of multiple studies analyzing the project interaction with the local environment, including studies on acoustics, topography, proximity to residential homes and the project's impact on fauna and flora. The goal is to achieve the best possible integration of the project into its local environment in consultation with the local authorities and populations.

Over the last few years, technological progress regarding wind farm equipment has enabled a significant reduction in noise pollution. The turbine manufacturers are also working on the design and colors of the machines in order to limit their visual impact to the greatest extent possible.

Specific actions are also carried out in support 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, in accordance with applicable regulations, at the start of every wind project THEOLIA plans for the restoration of sites at the end of operations, both in terms of technical and financial resources required.

The THEOLIA Group aims to be a major player in sustainable development. As of December 31, 2009, the Group produced approximately 632 GWh of "green" electricity, enough to meet the annual electricity needs of approximately 240,000 homes (excluding heating) and avoid the emission of 270,000 tons of CO_2.

THEOLIA conducts its business activities within a framework of values shared by all of its employees. The Group's approach complies with the rules of conduct based on ethical, founding principles based on which THEOLIA was created.

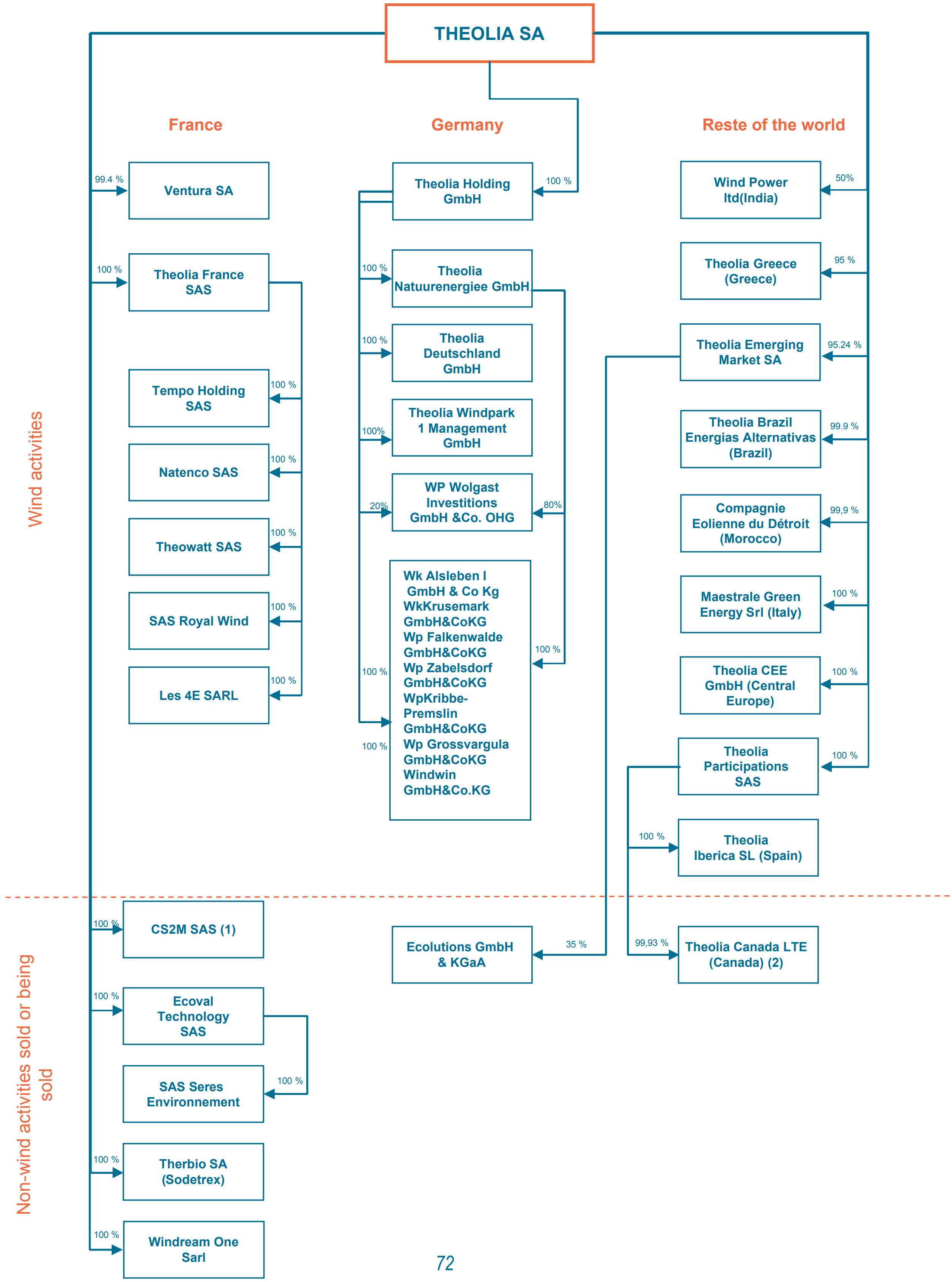
THEOLIA has recently put in place an ethical charter through which each employee and each corportate officer undertakes to respect the rules of good conduct when performing his or her duties.

6.7 DEPENDENCE FACTORS

Information related to dependence factors of the Group are in paragraph 4 "Main risk factors of the Group" 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 December 31, 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 is set up and owned either directly or via a holding company. However, all of these ad hoc companies do not appear in this organizational chart.



The list below is the list of the Group's subsidiaries and interests as of December 31, 2009.

Companies	% interest	% control	Methods of consolidation	Country	Activity
SA THEOLIA	100.00%	100.00%	Full consolidation	Parent	Holding
THEOLIA DEUTSCHLAND GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
THEOLIA DEUTSCHLAND VERWALTUNGS GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
THEOLIA WINDPARK WERBIG GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
DRITTE BUSMANN WIND GmbH & Co. BETRIEBS KG (LADBERGEN I)	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
ZWANZIGSTE (20) UPEG GmbH & Co. KG (LADBERGEN II)	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
NEUNZEHNTE (19) UPEG GmbH & Co. KG (LADBERGEN III)	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
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
CENT EOL DE FRUGES LA PALETTE	99.94%	99.94%	Full consolidation	France	Development Construction Sale
WP SAERBECK GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
CENT EOL AQUEDUC	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE SORBIERE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
THEOLIA FRANCE	100.00%	100.00%	Full consolidation	France	Corporate
THEOLIA PARTICIPATIONS	100.00%	100.00%	Full consolidation	France	Corporate
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
ROYAL WIND	100.00%	100.00%	Full consolidation	France	Corporate
CEFF	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DE SEGLIEN	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DES PLOS	100.00%	100.00%	Full consolidation	France	Sale of electricity

Companies	% interest	% control	Methods of consolidation	Country	Activity
CENT EOL DU MOULIN DE FROIDURE	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DES SABLONS	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DE SALLEN	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DES COSTIERES	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DES GARGOUILLES	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE CROIX BOUDETS	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DU MAGREMONT	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE LA VALLEE DE LA TRIE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
THEOLIA IBERICA	100.00%	100.00%	Full consolidation	Spain	Corporate
ASSET ELECTRICA	50.00%	50.00%	Equity Method	Spain	Development Construction Sale
PESA	100.00%	100.00%	Full consolidation	Spain	Development Construction Sale
NATENCO HOLDING GmbH	100.00%	100.00%	Full consolidation	Germany	Development Construction Sale
NATENCO GmbH	100.00%	100.00%	Full consolidation	Germany	Development Construction Sale
CORSEOL SA	95.20%	95.20%	Full consolidation	France	Sale of electricity
LES 4E	100.00%	100.00%	Full consolidation	France	Development Construction Sale
AIOLIKI ENERGEIA CHALKIDIKI AEBE	100.00%	100.00%	Full consolidation	Grece	Development Construction Sale
THEOLIA BRAZIL	100.00%	100.00%	Full consolidation	Brazil	Development Construction Sale
WP WOLGAST INVESTITIONS GmbH & Co. OHG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
NATENCO WP VERWALTUNG GMBH	100.00%	100.00%	Full consolidation	Germany	Corporate
WP BETRIEBS GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
SOLARKRAFTWERK MERZIG Gmbh & Co. KG	100.00%	100.00%	Full consolidation	Germany	Non-wind activities
WP TUCHEN RECKENTHIN INVESTITIONS	100.00%	100.00%	Full consolidation	Germany	Operation of wind farms
CENT EOL DE CANDADES	100.00%	100.00%	Full consolidation	France	Development Construction Sale

Companies	% interest	% control	Methods of consolidation	Country	Activity
ERNEUERBARE ENERGIE ERNTE ZWEI GmbH & Co. KG	89.60%	80.00%	Full consolidation	Germany	Sale of electricity
WINDPARK RABENAU Gmbh	100.00%	100.00%	Full consolidation	Germany	Operation of wind farms
WP GROSS WARNOW GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Development Construction Sale
AIOLIKI ENERGEIA SITHONIA AEBE	80.00%	80.00%	Full consolidation	Grece	Development Construction Sale
ERNEUERBARE ENERGIE ERNTE VIER GmbH	48.00%	48.00%	Equity Method	Equity Method	Sale of electricity
Avalon Ltd.	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale
MGE Idea Srl	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale
THEOWATT	100.00%	100.00%	Full consolidation	France	Corporate
CENT EOLIENNE DES SOUTETS	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENTRALE EOL CHEM DE FER	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENTRALE EOL FORET BOULTACH	100.00%	100.00%	Full consolidation	France	Development Construction Sale
THEOLIA GREECE	95.00%	95.00%	Full consolidation	Greece	Development Construction Sale
THEOLIA CEE Gmbh	100.00%	100.00%	Full consolidation	Austria	Development Construction Sale
THEOLIA EMERGING MARKETS	95.23%	95.23%	Full consolidation	Morocco	Corporate
NATENCO WINDPARK 1 MANAGEMENT GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
NATENCO WINDPARK MANAGEMENT GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
FALKENWALD R.E.W. Gmbh & Co. ELF WIND-KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP ZABELSDORF GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP KRIBBE-PREMSLIN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP GROSSVARGULA GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDPARK ALSLEBEN I Gmbh & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDPARK NETZBETRIEB Gmbh & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity

Companies	% interest	% control	Methods of consolidation	Country	Activity
Maestrale Green Energy Sri	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale
Maestrale Project Holding SA	50.32%	50.32%	Full consolidation	Italy	Development Construction Sale
Neo Anemos Srl (Martignano 21 MW)	47.81%	95.00%	Full consolidation	Italy	Development Construction Sale
MGE Giunchetto Wind Park SA	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale
Aerochetto Srl (Giunchetto 29.75 MW)	90.00%	90.00%	Full consolidation	Italy	Development Construction Sale
MPH 1 SA (Giuggianello 28 MW)	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale
THEOLIA MAROC	95.23%	95.23%	Full consolidation	Morocco	Development Construction Sale
THEOLIA POLSKA	99.90%	99.90%	Full consolidation	Poland	Development Construction Sale
WP NOTTULN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Operation of wind farms
WP RUHLSDORF GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Operation of wind farms
WP MUEHLA NGER GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Operation of wind farms
WINDENERGIE COESFELD-LETTE GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Development Construction Sale
WINDWIN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDWIN VERWALTUNGS GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
CENT EOL DE COUME (CECOU)	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE MOTTENBERG	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE DAINVILLE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE DEMANGE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
WINDREAM ONE	100.00%	100.00%	Full consolidation	France	Non-wind activities
WiWi WINDKRAFT GmbH & Co. WiWo KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
CED	100.00%	100.00%	Full consolidation	Morocco	Sale of electricity
Belmonte Green Energy Srl	90.00%	90.00%	Full consolidation	Italy	Development Construction Sale
SNC LES EOLIENNES DU PLATEAU	100.00%	100.00%	Full consolidation	France	Sale of electricity

Companies	% interest	% control	Methods of consolidation	Country	Activity
SNC BIESLES	100.00%	100.00%	Full consolidation	France	Development Construction Sale
SNC DAINVILLE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
SNC DEMANGE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
SNC LES PINS	100.00%	100.00%	Full consolidation	France	Development Construction Sale
SNC SAINT BLIN	100.00%	100.00%	Full consolidation	France	Development Construction Sale
SNC L'ARDECHE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
THEOLIA SITAC WIND POWER PVT LIMITED (INDIA)	50.00%	50.00%	Full consolidation	India	Development Construction Sale
Mendicino Green Energy Srl	90.00%	90.00%	Full consolidation	Italy	Development Construction Sale
WP Kreuzbuche Gmbh & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
SERES MAGHREB	100.00%	100.00%	Full consolidation	France	Non-wind activities
SERES CHINA	50.00%	50.00%	Full consolidation	France	Non-wind activities
SAS TEMPO HOLDING	100.00%	100.00%	Full consolidation	France	Corporate
CEBRE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
THEOLIA WIND POWER PVT (INDIA) ME	50.00%	50.00%	Full consolidation	Equity Method	Development Construction Sale
NATURSTROMNETZ Gmbh ME	43.81%	43.81%	Full consolidation	Germany	Sale of electricity

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.

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 or with limited recourse against the parent company (see paragraphs 10.3.2 and 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, 2008 for a period of 9 years as from March 1, 2008, with a waiver of the tri-annual termination 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 masts 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.

As of 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 as of 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 as of 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	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
Allemagne	134	24	2	0
Maroc	1	1	0	0
Italie	0	0	1	1
Inde	0	0	2	2

8.2 ENVIRONMENTAL CONSTRAINTS 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 restoration of the site at the end of the operation period.

9. OPERATING AND FINANCIAL REVIEW

9.1 SIGNIFICANT EVENTS OF 2009 FINANCIAL YEAR

9.1.1 Change of strategy

The Group announced on August 31, 2009 the implementation of a new strategy, "Develop, Operate and Sell" strategy (see paragraph 6.1 for further details).

9.1.2 Investments

Please refer to paragraph 5.2 of this Reference Document.

9.1.3 Sale or transfer of assets

Sale or transfer of projects and wind farms

Information related to the sale or transfer of projects and wind farms is presented in paragraph 6.5.3.1.

Divestment of non strategic activities

Information related to the divestment of non strategic activities is presented in paragraph 6.5.3.2.

9.1.4 Restructuring plan

Background

On December 29, 2009, the Company announced the launch of a financial restructuring plan, providing for the amendment of the terms of the issuance contract pertaining to OCEANEs convertible bonds, and conditional upon the completion of an equity capital raising by way of a rights issue or warrants issue (the "Restructuring").

As announced by the Company on September 1, 2009, the Company anticipates that it will be unable to generate sufficient liquidity through the sale of assets or borrowings required to repay in full the convertible bonds on January 1, 2012, if bondholders were to elect to receive early redemption of the entire outstanding principal amount of the bonds.

The terms of issuance of the OCEANEs allow any holder to request, on January 1, 2012, an early redemption of all or part of his or her portfolio. Under the conditions of issuance of the OCEANEs, the Company would be required to repurchase the bonds at the early redemption rate plus accrued interest, which would effectively represent a redemption price of €21.94 per OCEANE, compared to the par value of €20.80 per OCEANE. The Company believes that it is very likely that the bondholders will opt for early redemption. In that event, the Company would face repayment obligations of €253.2 million, if the early redemption of all of the outstanding OCEANEs is assumed.

If bondholders were to request early redemption on January 1, 2012, the Company currently believes that it would be unable to satisfy the full amount of the €253.2 million aggregate early redemption price. As a result, it would have to declare insolvency and enter into creditor protection under French law, and any resulting liquidation of the Group's assets would lead to significant value destruction for shareholders. Ricol Lasteyrie, the independent expert appointed by the Board of Directors of the Company to assess the terms of the Restructuring and their impact on both bondholders and shareholders, stated in the conclusion of his report that "*THEOLIA holds assets that are relatively liquid, the sale of such assets would enable it to reimburse a significant portion, but probably not the full amount, of its OCEANE debt*" and that *"a cash approach would in all cases result in zero value for the shareholders*".

Appointment of a special purpose trustee

In June 2009, the Company requested the appointment of a special purpose trustee as a preventative measure. 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 special purpose trustee of THEOLIA for an initial period of three months, renewed for five more months then for three additional months, until May 23, 2010.

The mandate of the special purpose trustee was primarily to assist THEOLIA in negotiating with its bondholders in order to restructure its debt. Therefore, the special purpose trustee was primarily instructed to carry out the following:

- to align the Group's financial structure to its current operating income through renegotiations of the existing debt and especially the OCEANEs;
- to assist the Company and its subsidiaries in connection with the implementation of any action necessary in order to ensure the continuation of its business activities;
- to take all necessary actions in order to achieve a restructuring and, to this end, participate in any negotiations with any prospective investors in the Company's share capital and, more generally, assist and advise the management and partners until such restructuring is completed.

The special purpose trustee's mandate is a preventative measure which seeks to enable businesses to continue operating as a going concern, and is strictly confidential, as set forth by the mandatory provisions of the French Commercial Code.

Agreements in preparation for the financial restructuring

During the second half of the year 2009, after considering various options, and under the aegis of the special purpose trustee, the Company contacted the main holders of OCEANEs in order to renegotiate the terms of the OCEANE issuance contract.

In December 2009, the Company announced that it had signed agreements with bondholders representing 65.5% of the total par value of the issue. These agreements will allow the implementation of a restructuring plan aimed at substantially reducing the Company's financial debt and strengthening its shareholders' equity, in order to facilitate its access to project financing necessary to resume the development of its pipeline of projects.

Independent financial expert

The Company appointed Ricol Lasteyrie to act as an independent financial expert and to review the financial conditions of the proposed Restructuring plan, particularly the impact and relevance of the Restructuring as it relates to 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 January 18, 2010.

This independent expert's report confirmed that the proposed financial Restructuring is in the interests of all parties concerned, including THEOLIA, its shareholders and its bondholders, and concluded that this Restructuring is fair from both the point of view of its shareholders and that of its bondholders. This report is available on the Company's website.

Principal characteristics of the Restructuring plan

The Restructuring plan has the dual aims of reducing the Group's net debt and improving its cash position to facilitate future growth, and would result in changes to the Company's debt and shareholders' equity through:

- an extension of the maturity date of the OCEANEs to January 1, 2041 and an extension of the repurchase triggered by the early redemption to January 1, 2015, primarily in exchange for a readjustment of the conversion ratio in favor of bondholders, in order to provide them with an incentive to convert their OCEANEs into shares, and
- an increase in shareholders' equity through the contemplated capital increase.

The Restructuring plan thus comprises two elements: (a) the amendment of the terms of the issuance contract of the OCEANEs as well as (b) the completion of a capital increase entitling existing shareholders to pre-emptive subscription rights, up to a maximum of approximately €100 million.

The first element in the Restructuring process consists of amendments to the terms of the issuance contract of the OCEANEs, which include, in particular:

- the removal of the bondholders' option to request an early redemption on January 1, 2012;
- the extension of the scheduled maturity of the OCEANEs from January 1, 2014 to January 1, 2041;
- the creation of a new redemption option for the OCEANEs, exercisable at the bondholders' discretion as of January 1, 2015, at a repurchase price ranging from 50% to 77.4% of the current redemption value (or between €10.97 and €16.99 per OCEANE), relative to the amount of actual capital generated by the capital increase (in accordance with the calculation formula provided below);
- the early redemption of a portion of the par value of the OCEANEs, which could amount to up to approximately €60 million (or up to approximately €5.20 per OCEANE), relative to the amount of actual capital generated by the capital increase;
- an increase in the interest rate from 2.0% to 2.7% of the new par value amount of the OCEANEs (after taking into account the aforementioned partial early redemption) until January 1, 2015, which will thereafter be reduced to 0.1% until January 1, 2041;
- an increase of the conversion ratio from one share per OCEANE to N1 shares per OCEANE until December 31, 2013, and then to N2 shares per OCEANE from January 1, 2014 until December 31, 2014, it being specified that N1 is to be determined relative to the amount of actual capital generated by the capital increase (in accordance with the table included below) and that N2 is equal to 80% of N1;
- the cancellation of the bondholders' rights to convert and/or exchange OCEANEs into or for shares after December 31, 2014;
- the preservation of the change of control clause, which shall remain applicable, provided that it allows each holder of OCEANEs to request the redemption of his or her OCEANEs at a price equal to the repurchase price as of January 1, 2015 (described above), and that this clause will not apply in the event that the capital increase carried out in connection with the Restructuring results in a change of control of the Company;
- the removal of the temporary mechanism for adjusting the conversion ratio in the event of a tender offer for the Company's shares; and
- a change in the dividend entitlement date (*date de jouissance*) of the new shares issued upon conversion of the OCEANEs, which will now be eligible for dividends immediately and will carry the same rights as existing shares when they are issued.

The second element of the Restructuring plan consists of a capital increase of up to approximately €100 million and carried out according to the following terms and conditions:

- a capital increase reserved for shareholders of the Company, conducted either through a grant of free share subscription warrants (*bons de souscription d'actions*, or "BSA(s)") to all shareholders of the Company, or through the issue of new shares, entitling shareholders to exercise their pre-emptive subscription rights; in both cases, the subscription price for the new shares must be equal to one (1) euro per share;
- the first €40 million generated by the capital increase will be held by the Company to finance the development of its pipeline of wind projects; and

- the remaining balance (which could reach up to approximately €60 million, depending on the number of BSAs or subscription rights exercised) will be paid out to the OCEANE bondholders as a partial early redemption payment of the outstanding principal amount of the OCEANEs.

Details of the financial terms of the plan

(1) repurchase price

As described above, any holder of OCEANEs may request the partial early redemption in cash of his or her OCEANEs from the Company on January 1, 2015, at a redemption price (the "Redemption Price") equal, for each OCEANE, to the outcome of the following formula:

Buy-back Redemption Price = [1 - (p*50%)] * 21.9398

(i) where "p" is equal to the outcome of the following formula:

Xt

___

XtMax

where "Xt" is equal to the gross proceeds from the completed capital increase and "XtMax" equal to 99,738,017;

and "p" ranges from 0.45 to 1;

(ii) fractional amounts of the redemption price will be rounded to two decimal places.

Examples of the redemption price (for the purposes of illustration):

Gross proceeds from the capital increase in € million (Xt)	45.0	60.0	75.0	90.0	99.7
Redemption price in € 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 €million) ("Xt")

Xt	N1	Xt	N1	Xt	N1	Xt	N1	Xt	N1	Xt	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

Xt	N1	Xt	N1	Xt	N1	Xt	N1	Xt	N1	Xt	N1
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		
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		

Xt	N1	Xt	N1	Xt	N1	Xt	N1	Xt	N1	Xt	N1
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 (Xt) total an amount that is between two capital increase amounts presented in the table above, N1 will be equal to the higher of the two numbers corresponding to N1 in the table. For example, if the proceeds from the capital increase are equal to €90.40 million, i.e. between €90.26 million (N1 = 7.14) and €90.51 million (N1 = 7.12), then N1 will be equal to 7.14.

In addition, if the proceeds from the capital increase exceed €99.74 million, N1 would be equal to 6.59.

Conditions precedent

The implementation of the Restructuring plan is subject to the following conditions:

- the approval of the proposed amendments to the terms of the issuance contract of the OCEANEs at the general meeting of holders of OCEANEs;
- the approval by the extraordinary shareholders' meeting of the Company of the proposed amendments to the terms of the issuance contract of the OCEANEs and the granting of a delegation of authority to the Board of Directors to decide upon and execute the capital increase, no later than May 31, 2010;
- the completion, no later than August 31, 2010, of a capital increase in the total amount of at least €99.74 million (which may be lowered to €60 million under certain circumstances), it being understood that the capital increase cannot, under any circumstances, generate gross proceeds of less than €45 million; and
- the absence of transactions on the Company's share capital, except on identified dilutive instruments before the completion of the capital increase.

The two first conditions were met on February 18 and March 19, 2010, respectively.

The Company, together with its advisers, is preparing to launch a capital increase in the coming weeks, which corresponds to the final stage of the Restructuring plan.

On May 31, 2010, the Company acknowledged the intention of Michel Meeus, director of the Company since March 19, 2010, Pierre Salik, Brigitte Salik and CRC Active Value (who declared acting in concert to the AMF on March 11 and 12, 2010 – see paragraph 18.1 below) their intention to subscribe to the capital increase for an amount of 10 million euros on a prorata basis to their respective holdings and not as one group. This indication of interest should be confirmed in a binding subscription form immediately prior to the launch of the capital increase.

Excluding the cost of a potential underwriting of the capital increase, the Group expects to spend an overall amount of approximately €8 million to cover all transaction fees and expenses (fees and costs of financial and legal advisors, of the special purpose trustee, independent expert, statutory auditors and other external advisors) in connection with the Restructuring plan under the assumption that the capital increase will generate approximately €100 million.

9.2 PRESENTATION OF THE FINANCIAL INFORMATION

9.2.1 Restatements and adjustments

9.2.1.1 Application of IFRS 5

As a result of the divestment of non-wind activities, the Group applied IFRS 5 "Non-current assets held for sale and discontinued operations" to its consolidated financial statements for the financial years ended December 31, 2009 and 2008.

The main consequences of the application of IFRS 5 are summarized below:

- The Group reported transactions for the financial year in question that relate to the Group's environment division and other non-wind assets in the line item "Net income from assets held for sale".

- The assets and liabilities of the Environment division and other non-wind business activities of the Group were reported in the line item "Assets/Liabilities on discontinued activities". The asset values were depreciated on the basis of probable sale prices.

- The Group's consolidated financial statements for the year ended December 31, 2007 were restated in the Group's consolidated financial statements for the year ended December 31, 2008, in order to present comparative information as required by IFRS 5. After being restated, revenue for the year ended December 31, 2007 was €288.1 million, as compared with reported revenue of €306.5 million. For further details, refer to notes 2 ("Basis for the preparation of financial statements"), 18, and 26 of the Group's consolidated financial statements for the year ended December 31, 2008.

- The accounts as of December 31, 2009, continue to employ the method of stating the non-wind activities as available for sale, with respect to those activities that had already been classified as such at the end of 2008 and that had not yet been sold. Despite its hopes, in 2009 the Group did not succeed in selling all its non-wind activities given the economic climate. The Group still intends to sell all of these activities and expects that these sales will be finalized over the course of the 2010 financial year.

9.2.1.2 Application of IFRS 3

IFRS 3 grants a 12-month period with respect to the allocation of goodwill reported at the time of an acquisition. If a closing takes place during this allocation period, this standard requires the restatement of the closing figures for the financial year in which the acquisition was made. Thus, in relation to the acquisition of wind farms from General Electric (which can be found in note 2 of the 2008 consolidated accounts attached to the 2008 Reference Document), the financial statements as of December 31, 2007 were restated following the final allocation of goodwill. There was no need to apply this standard in 2009.

9.2.1.3 Application of IAS 8

Adjustments to the accounts for the year ended December 31, 2007

In accordance with the application of IAS 8 "Accounting policies, changes in accounting estimates and errors", the following three errors, identified and accounted for at year end 2008, were subject to a note in the Group's consolidated financial statements for the year ended December 31, 2007 and resulted in certain adjustments being made to the comparative information for the year ended December 31, 2007 presented in the consolidated financial statements for the year ended December 31, 2008:

- The acquisition in December 2007 of securities of the German companies (Windwin and its subsidiary) was incorrectly shown, such that debts and goodwill were overstated in the accounts for the fiscal year ended on December 31, 2007. The impact of the restatement is summarized as follows:

Balance sheet impact as of December 31, 2007	(in € thousands)
Adjustment to goodwill	(2,549)
Adjustment to current assets	(5,711)
Adjustment to current liabilities	(8,260)

These adjustments did not have any impact on the income statement.

- In addition, the accounting of the issuance of the OCEANEs in October 2007 gave rise to a partially erroneous restatement, such that shareholders' equity stated in the Group's consolidated financial statements for the year ended on December 31, 2007 was understated by €1.129 million, and non-current financial liabilities were overstated accordingly. The impact of the restatement is summarized as follows:

Balance sheet impact as of December 31, 2007	(in € thousands)
Adjustment to shareholders' equity	*1,129*
Adjustment to current financial liabilities	*(1,129)*

These adjustments did not have any impact on the income statement.

- A change in the assessment of the level of control of the Spanish company Asset Electrica, in which a 50% equity stake is held, resulted in a change in the method of consolidation. The company is accounted for under the equity method. The impact of the restatement is summarized as follows:

Balance sheet impact as of December 31, 2007	(in € thousands)
Adjustment to tangible assets	(9,896)
Adjustment to non-current financial assets	6,568
Adjustment to non-current financial liabilities	(3,075)
Adjustment to trade payables	(752)
Adjustment to associates	(217)

This change in the method of consolidation resulted in an increase of €181 thousand in the amount of net income as of December 31, 2007.

Adjustments concerning the accounts for the year ended December 31, 2008

Pursuant to the application of the same IAS 8 standard, an error observed in the accounts of the subsidiary Corseol (wind farm) as of December 31, 2008 gave rise to an adjustment in 2009 of these accounts. A provision for contingent liabilities in the amount of €1,111 thousand was recorded in the income statement in the line item "amortizations and provisions" and reported in the corporate accounts after the closing of the Group's consolidated financial statements. The correction of the error had a negative impact of €1,111 thousand on the 2008 net income and has no impact on the net opening net worth or on the 2007 financial year.

9.2.2 Application of IAS 16

On September 1, 2009, the management of THEOLIA confirmed the change in the Group's economic model. Since that date, the Group's activities focus on developing, building, operating and then selling wind farms. As such, all wind farms are intended to be sold.

As a result, sales of wind farms are part of the Group's main activities and, therefore, must be reported as proceeds from ordinary activities.

Pursuant to IAS 8.16, the implementation of this accounting method does not constitute a change of method as it applies to transactions that are substantively different from past transactions. The change applies to the Group as from September 1, 2009.

Consequently, amortization plans have to reflect:

- a shorter amortization period corresponding to the holding period of two to four years; and
- a reduced amortization base of up to the estimated residual value;

as compared to a prior amortization that applied to a period of 15 to 20 years and resulted in a residual value of zero.

The accounting treatment applicable to wind farms relative to their life cycle is described below:

- Filing for building permits and creation of a PSC (development): development costs are reported in the accounts as fixed assets;
- Construction: construction costs are reported in the account as current tangible fixed assets;
- Commissioning of the wind farm: remain reported as capital until the finalization of the sale;
- Operation:
    - Sales and purchases: reported in the income statement (income and expenses)
    - Amortization: over the planned term of ownership of the wind farm;
- As soon as the Group ceases to operate a given wind farm and its sale is agreed, it is transferred to an inventory account, for their book value at the same date (IAS16.68A);
- Sale: capital gains from the sale of wind farms are allocated to:
    - revenue (IAS 16BC35C); and
    - cost of sale (to be recorded as inventory purchases).

9.2.3 Key performance indicators

In accordance with its management and internal reporting structure, the Group's activities are organized by business segments, as indicated in more detail in paragraph 3.2 of this Report as well as in notes 2.22 and 25 of the consolidated and audited financial statements of the Group for the financial year ended on December 31, 2009.

9.2.3.1 Business segments

As of January 1, 2009, the Group reorganized its activities into five business segments, of which three relate to its main activity, i.e., wind power:

- Sale of electricity for own account – refers to the sale of electricity produced by wind farms owned by the Group;
- Development, construction, sale – refers to the development, construction and sale of wind farms and projects to third parties;
- Operation – refers to the management of wind farms for third parties and the sale of electricity generated from such wind farms to third parties;
- Non-wind activities – refer to non core assets held for sale, in accordance with the Group's decision to focus its business on wind energy; and

- Corporate – refers to parent company and intermediate holding companies.

9.2.3.2 Geographical segments

The Group is active in the key European markets (Germany, France and Italy) and seeks to further increase its presence in selected emerging markets, namely Morocco, India and Brazil. Since January 1, 2009 and pursuant to IFRS 8, the Group's financial information is organized by business segments. However, information per business sector is also presented in the Group's financial statements and organized according to geographical segments. Concerning revenue, these segments correspond to the regions in which assets are located. These regions are the following:

- France;
- Germany;
- Italy; and
- Rest of the world (emerging markets).

9.2.4 Other key performance indicators

The following paragraphs present additional unaudited indicators used by management in order to monitor the Group's activities and evaluate its performance and liquidity position.

9.2.4.1 EBITDA

The Group calculates EBITDA (earnings before interest, taxes, depreciation and amortization) by adding the following elements to operating income:

- depreciation and amortization; and
- risk provisions and non operational expenses,

which are determined, in each case, in accordance with IFRS.

EBITDA (which is not regulated by IFRS), is a supplementary indicator of the Group's performance, profitability and liquidity. As a non-IFRS measure, EBITDA should not be considered as an alternative to the current operating income or any other performance indicators derived in accordance with IFRS, nor should EBITDA be considered as an alternative to "cash flow from operating activities" as an indicator of the Group's liquidity. EBITDA does not necessarily offer a valid representation of the Group's historical operating income, nor is it meant to be predictive of future results.

The EBITDA figures for the years ended December 31, 2009, 2008 and 2007 have been derived from the financial information of the Group as it appears in the consolidated financial statements as of December 31, 2009 included in the 2009 annual financial report and in paragraph 20 of the 2008 Reference Document. It has been calculated by adding or subtracting figures that are directly extracted from the Group's consolidated financial statements for the financial years ended December 31, 2009, 2008 and 2007.

A quantitative reconciliation pertaining to the computation of EBITDA is presented in paragraph 9.3.3 below.

There are no generally accepted accounting principles governing the calculation of EBITDA, as it is an unaudited supplementary non-IFRS financial measure, and the criteria upon which EBITDA is based can vary from company to company, thus limiting its usefulness in comparing financial performance between companies. However, EBITDA is presented because it is frequently used by financial analysts, investors and other market participants for the purpose of evaluating companies in the renewable energy industry. EBITDA has inherent limitations as an analytical tool and should not be considered in isolation from, or as a substitute for, the analysis of the Group's results of operations under IFRS.

9.2.4.2 Cash

The Group's cash comprises "pledged cash", "reserved cash" for the PSCs and finally "available cash" available for the PSCs' holdings.

Pledged cash corresponds to cash that, pursuant to the terms of financing agreements, cannot be transferred upstream by the PSC to its shareholders or be freely used for its current transactions, and typically corresponds to amounts pledged for the benefit of the banks (for further information, see note 17 to the Group's consolidated accounts for the financial year ended December 31, 2009).

"Reserved" cash may be freely used by the PSC to finance its operating expenses but is subject to limitations with regards to upstream transfers to French holding companies (THEOLIA France and THEOLIA SA), the German holding company (THEOLIA Naturenergien GmbH) and the Italian holding company (Maestrale).

FreeAvailable cash may be used at any time by the Group. Available cash is not a measure of the Group's liquidity under IFRS and should not be considered as an alternative to cash and net cash equivalents derived in accordance with IFRS as a measure of the Group's liquidity. Available cash does not necessarily constitute a valid representation of the Group's historical financial condition, nor is it meant to be predictive of future financial conditions.

The cash figures for the financial years ended December 31, 2009 and 2008 have been derived from the financial information of the Group as it appears in the consolidated financial statements for the financial year ended December 31, 2009 included in the 2009 annual financial report and in paragraph 20 of the 2008 Reference Document. It has been calculated by adding or subtracting figures that are directly extracted from the Group's cash flow statement for the financial years ended on December 31, 2009 and 2008.

A statement of the Group's cash flows is presented in paragraph 10.5 and the table below displays the detail of the cash position:

(in € thousand)	12/31/2009 (1)	12/31/2008
Pledged cash (PSCs)	24,914 (2)	46,250
"Reserved" cash (PSCs)	16,503	10,346
Available cash (Holdings)	52,770	34,227
Overdraft	(7)	(4)
Total net cash	94,180 (2)	90,819

(1) The total net cash figure as well as the pledged cash and overdraft have been audited. The sum of the "reserved cash" and the available cash (holding) has been audited but not the breakdown between the two.

(2)) Gaps against figures publicly released to the market on January 19, 2010 can be explained (i) by the restatement in the line "other receivables" of a deposit of €2.4 million related to the sale of a wind park before a notary public in Germany and previously recorded as pledged cash (it was subject to a provision for depreciation included in the financial statements for the financial year ended December 31, up to the principal amount of the receivable, interest excluded, i.e. €2.2 million), and (ii) by the restatement as "reserved" cash of a portion of the cash originating from wind farms in operation in France recorded on January 19, 2010 as pledged cash (amount approximately equal to €8 million).

There are no generally accepted accounting principles governing the calculation of available cash as it is an unaudited supplementary non-IFRS financial measure, and the criteria upon which it is based can vary from company to company, thus limiting its usefulness in comparing financial performance between companies. However, available cash is presented because it shows the Group's capacity to comply with its short-term obligations. Available cash has inherent limitations as an analytical tool and should not be considered in isolation from, or as a substitute for, the analysis of the Group's results of operations under IFRS.

9.2.5 Critical accounting policies

The Group prepares its consolidated financial statements in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union.

The preparation of financial statements requires senior management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities and contingencies as of the date of completion of the Group's financial statements, as well as the reported amounts of revenue and expenses for each accounting period. Management bases these estimates on its experience as well as on reasonable assumptions given the circumstances. Management evaluates these estimates on an ongoing basis and has submitted such estimates to the Audit Committee of the Company.

The Group believes that the following accounting principles require management to give the most significant estimates and pass the most significant judgments while preparing the consolidated financial statements:

- valuation of goodwill and of non-recurring assets within the framework of depreciation tests (IAS 36);

- residual value of wind farms in operation; and

- qualitative analysis (definition of the level of risk, success probability of the commissioning of various wind projects and of the receipt of the necessary authorizations for operation) of project inventory.

For further details, also refer to notes 2.8 and 3 to the Group's consolidated financial statements for the financial year ended December 31, 2009.

The Group considers an accounting policy to be "critical" if it requires management to make an accounting estimate based on assumptions regarding matters that are highly uncertain at the time the estimate is made, and if the reasonable use of different estimates in the current period or changes in the accounting estimate that are reasonably likely to occur from one period to the next would have a material impact on the financial presentation of the Group. When reviewing the financial statements, investors should consider the effects of these estimates on the application of the accounting principles and the sensitivity of the Group’s financial results to changes in the underlying conditions and assumptions. The Group’s actual results may vary significantly based on estimates made under different assumptions.

9.2.6 Significant factors affecting of operating incomes and financial condition

The Group believes the following factors have had and will continue to have a material impact on its results from operations as well as on its financial condition.

9.2.6.1 Project financing

The Group’s strategy is to develop wind farms, from the conception phase to the commissioning phase, in order to generate electricity for its own account or to operate them until their sale.

The Group created a specific PSC for the purpose of financing the development of its projects, and acts as primary debtor with respect to the financing. Historically, debt financing has generally provided between 65% and 90% of the value of the total investment in a project, the remaining balance having been financed by shareholders’ equity (issuance of shares and shareholder subordinated debt). As of December 31, 2009, debt financing for wind projects accounted for €238.7 million, or 60.3% of the Group’s total net debt. Consequently, any increase in project financing costs increases the Group’s financial expenses.

Generally speaking, project financing bears interest at variable rates and any increase in interest rates leads to an increase in the Group’s interest expenses. The Group manages interest rate risk related to its project financing pursuant to the hedge structure granted by the lending banks through the use of derivative instruments. Approximately 70% of the Group’s interest rate exposure from variable rate project financing had been hedged as of December 31, 2009.

PSCs typically enter into debt financing arrangements with lending banks which are generally non-recourse or of limited recourse to the Company. In certain cases however, the Company or other Group companies may guarantee the liabilities of the PSCs (for further details see paragraphs 10.3.2 and 9.5.1 below).

9.2.6.2 Sale of wind farms

In the year ended December 31, 2009, the Group generated aggregate revenue of €231 million from the sale of 234 MW of wind farms and projects (including 32 MW of projects which are not recorded as revenue because these sales were completed prior to the change in the strategy described in note 2.1 to the consolidated financial statement for the 2009 financial year).

These significant sales represented short-term measures to improve the Group's liquidity. Although the Group intends to continue carrying out its "Develop, Operate and Sell" strategy, it does not expect to undertake future sales comparable to the ones made in 2009 in terms of volume within the course of its ordinary business activities. Having addressed short-term liquidity needs through earlier sales, THEOLIA decided to focus on the development of its current pipeline of projects, and any future sales would have to be consistent with the Group's overall portfolio management strategy.

As a result, the sales and revenue trends prevailing in 2009 may be substantially different from the same trends observed in future periods.

9.2.6.3 Rate of commissioning of wind farms

The development and construction of wind farms follow a production cycle ranging, on average, from 3 to 10 years from prospecting to commissioning. The rate of commissioning has a material impact on the Group's ability to generate revenue from the sale of electricity or the sale of turnkey wind farms. The Group generally begins to generate revenue (operational revenue followed by revenue from sale) from its wind projects once the construction phase has been completed and commissioning has occurred. However, it must also make significant investments at the start of the production cycle, with no guarantee of generating a corresponding return on investment.

During the construction phase, assets are created and recorded in the balance sheet as fixed assets. The construction phase may be prolonged, given the necessary timeframes it must face with regard to obtaining building permits and authorizations to operate. The application process with different national and local authorities is often long and complex. In certain cases, third parties may initiate proceedings against the granting of certain building permits or applications for authorizations. If the Group were to fail to obtain a building permit or an authorization to operate, or if proceedings were initiated, the value of the assets reported on the Group's balance sheet could face significant depreciation. Any time the financial statements are being finalized, the Group conducts a review of its projects and provisions for depreciation are accounted for whenever necessary.

Other events that may delay the commissioning of a wind farm include adverse weather conditions, difficulties in connecting to the local electricity grid, construction defects, or delivery delays or failures caused by the suppliers. Under such circumstances, the Group's development expenses continue to rise while at the same time its ability to generate revenue from the wind project is deferred.

Commissioning occurs when the construction is completed and the test period is declared as satisfactory. It should be noted that a wind farm may start production at year-end and that in this case it is only in the following year that the revenue generated by it will be recorded for the entire financial year. The timing of commissioning therefore has a significant impact on the comparability of financial years.

For each commissioned wind farm, the Group will seek to enter into long-term electricity purchase contracts with customers, typically covering a period of 15 to 20 years. During the operating stage, the wind power generated by a commissioned wind farm is delivered to customers in accordance with the terms of these long-term electricity purchase contracts, and payments are made to the Group.

9.2.6.4 Implementation of the Group's "Develop, Operate and Sell" strategy

The implementation of the Group's "Develop, Operate and Sell" strategy in has two major accounting consequences as from September 1, 2009 as a result of the application IAS 16 (as described in more detail in note 2.1 to the Group's consolidated financial statements for the 2009 financial year):

- the accounting of proceeds from the sale of a wind farm or wind project, formerly classified as a non recurring asset, is recorded as revenue generated from ordinary activity. Previously, any such sale used to be analyzed as a capital gain or loss; and,

- amortization plans must be revised, since assets must now be amortized over a new usage period, after the determination of a new residual value corresponding to the estimated value of the sale of the farm. The advent of a significant residual value and a shorter amortization period result in a decrease in depreciation expenses. The amortization period of wind farms located in France and in Italy now lasts from 2 to 4 years, to be compared to the duration of the sale agreement that was previously used. Generally speaking, it results in a decrease in depreciation expenses.

9.2.6.5 Fluctuations in wind turbine prices

The construction of a wind farm requires the delivery and assembly of many technical components, (wind towers, turbines and other components), which only a limited number of suppliers are able to supply to the Group. Prior to 2009, against the backdrop of expansion in the worldwide wind energy market, the prices of the technical components required for the construction of a wind farm, and particularly the prices of wind turbines, significantly increased. This increase has also been driven by the rising price of steel, which is the main commodity used in the manufacture of wind turbines.

The Group estimates that approximately 75% of the construction cost of a wind project is attributable to wind turbines. Accordingly, any fluctuation in wind turbine prices will have a direct impact on the Group's operating expenses.

Rising prices for wind turbines also translate into a higher cost basis of assets and consequently a higher amortization expense.

The higher cost basis for the project also requires the Group to incur a higher level of debt to finance the project and therefore a higher interest expense, which has had an impact on the Group's results (see in paragraph 4.1.15 below).

In countries such as France and Germany, where the Group is bound by a system of fixed prices and electricity purchase obligations for the wind farms it operates for its own account, the Group cannot increase its own prices to offset the higher wind turbine prices.

Since the end of 2008, the Group has observed a 10% to 15% decrease in the market price for turbines.

9.2.6.6 Weather conditions

The amount of electricity the Group's operational wind farms are able to generate is dependent on the weather conditions prevailing at each site. This affects the revenue resulting from the sale of electricity and also the profitability of operating farms, the revenue of which is often dependent on electricity sales (as opposed to the costs incurred by the Group to conduct this activity). Weather conditions therefore have a significant impact on the Group's financial performance. As such, in the first three quarters of 2009, poor wind conditions in France and Germany resulted in significant decreases in revenue from sales of electricity and losses in the business activity of operating wind farms.

9.2.6.7 Wind power pricing terms, and regulatory and tax measures

The sale of electricity generated by wind power in the Group's key European markets has benefited from a number of regulatory and tax measures that influence pricing terms. The Group's revenue from the "Sale of electricity for own account" business segment is thus significantly influenced by repurchase prices of wind-generated electricity set by the French and German governments. In addition, as wind projects are progressively commissioned on other markets, local regulatory frameworks (in Italy, Morocco, India, Brazil, or any other markets the Group may target in the future) will also have an impact on the Group's profitability. In particular, the Group's financial performance may vary depending on direct and indirect subsidies, tax incentives, contract adjustment and renewal clauses, and the time necessary for obtaining permits and authorizations for projects, etc…

The Group has historically been able to generate stable long-term revenue for the duration of the operation for each wind farm, subject to adjustments in France relating to the capacity of production of a wind farm, as these adjustments are generally foreseeable and accounted for when financing arrangements are put in place.

9.2.6.8 Depreciation

Under IAS 36 "Depreciation of Assets", assets with an indefinite usage term, such as goodwill, certain intangible assets and assets under construction, are not amortized but are subject to depreciation tests that occur:

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

In 2008, the Group determined that the economic and financial crisis which developed in the second quarter of 2008, the liquidity risks the Group faced and the extremely sharp decline in the Company's market capitalization represented indications of depreciation that required it to undertake depreciation tests on the value of its tangible and intangible assets, including goodwill.

Much of the Group's historical expansion is in large part attributable to the acquisition-led growth strategy adopted by former management (April 2006 – September 2008). The Group recorded significant amounts of goodwill, particularly due to high prices of the acquired companies prevailing at the time of such acquisitions. As a result, the Group became highly exposed to the risk of goodwill depreciation.

In accordance with IAS 36, the recoverable value of an asset, which is used to calculate any impairment or depreciation of that asset, corresponds to the greater of:

- the fair value of the asset, determined by reference to market prices achieved in comparable transactions in an active market, under the assumption of the existence of willing buyers and sellers, minus the costs of sale; or

- its useful value, as determined by the discounted cash flows expected to be generated from the asset during its useful life.

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

The Group considered that a fair value could not be determined by reference to market prices in an inactive wind energy market characterized by a contraction of debt financing and an insufficient number of comparable transactions as from the end of 2008, in contrast to 2007 and the beginning of the 2008 financial year.

To determine the recoverable value of its assets, the Group therefore estimated useful value on the basis of a discounted cash flow method. Depreciation tests were carried out in November 2008 and December 2009. The 2008 tests led to the recognition of a loss in value of €105.6 million, corresponding to a substantial decline in the Group's operating income for the financial year ended December 31, 2008. The 2009 tests led to the recognition of depreciation due to losses in value of €7.374 million as well as depreciation reversals of €11.346 million. For further details, refer to note 10 and note 11 to the Group's financial statements for the financial years ended December 31, 2009 and 2008, respectively.

In all cases, any future economic or financial crises could give rise to additional depreciation tests, which could lead the Group to recognize capital losses having a material adverse effect on its results of operations.

9.3 OPERATING RESULTS

The table below sets forth selected data from the consolidated income statement of the Group in the periods indicated. The discussion and analysis on the Group's results of operations and financial condition, appearing below the table, are based on the Group's consolidated financial statements for the financial years ended December 31, 2009, 2008 and 2007.

Income statement (selected data)	Year ended December 31				
(in thousands of €)	2009 (published)	2008 (restated)	2007 (restated)	2008 (published)	2007 (published)
Revenue (sales)	**328,593**	**69,956(1)**	**288,134**	**69,956**	**306,481**
Purchases and changes in inventories	(255,366)	(25,945)	(225,685)	(25,945)	(230,784)
External expenses	(33,613)	(36,540)	(29,008)	(36,540)	(34,746)
Taxes	(1,215)	(1,240)	(986)	(1,240)	(1,139)
Personnel expenses	(11,714)	(20,838)	(18,132)	(20,838)	(23,413)

Other operating income and expenses	(319)	3,656	(1,572)	3,656,	(1,267)
Operating provisions	23,247	(26,869)	(555)	(26,869)	(495)
EBITDA(2)	49,612	(37,821)	12,196	(37,821)	14,636
Depreciation and amortization	(21,801)	(30,589)	(11,758)	(29,478)	(17,887)
Current operating income	**27,811**	**(68,411)**	**438**	**(67,299)**	**(3,250)**
Other non-current income and expenses	(140)	(22,584)	22,791	(22,934)	21,014
Impairment	4,509	(106,577)	(60,746)	(106,577)	(56,490)
Operating income	**32,180**	**(197,572)**	**(37,517)**	**(196,460)**	**(38,726)**
Cost of net financial debt	(28,530)	(26,625)	(9,515)	(26,625)	(10,086)
Other financial income and expenses	(2,279)	(12,457)	2,526	(12,457),	2,145
Financial income	(30,809)	(39,082)	(6,989)	(39,082)	-
Share in earnings (loss) in associated companies	(13,470)	(3,842)	(85)	(3,842)	589
Tax expenses	437	11,936	(2,777)	11,936	(2,729)
Net income from ongoing activities	(11,662)	(228,556)	(47,368)	(227,448)	(48,807)
Income net of tax on discontinued or held for sale activities	(9,439)	(16,650)	(1,257)	(16,650)-	-
Net income (loss)	(21,101)	(245,210)	(48,625)	(244,098)	(48,807)
Of which, Group share	(20,765)	(244,454)	(48,262)	(243,342)	(48,262)
Of which, minority interests	(335)	(755)	(364)	(755)	(546)
Earnings per share	(0,52)	(6,15)	(1,41)	(6,12)	(1,41)
Diluted earnings per share	(0,49)	(4,33)	(0,94)	(4,33)	(0,94)

(1) or €102,592 thousand before accounting for the cancellation of the two sales reducing the revenue by €32,636 thousand.

(2) Unaudited non IFRS management indicator

Unless otherwise indicated, for the 2007 and 2008 financial years, the analyses found below are based on the restated accounts (which were audited by the Group's statutory auditors and are presented in further detailed in paragraph 9.2.1)

9.3.1 Revenue

9.3.1.1 Historical analysis

Comparison of the financial years ended December 31, 2009 and December 31, 2008

Revenue increased by €258.6 million, or +369%, from €70 million for the financial year ended December 31, 2008, to €329 million for the financial year ended December 31, 2009. This increase was primarily attributable to the resumption of the sales of wind farms recorded in the Development, construction, sale activity.

Comparison of the financial years ended December 31, 2008 and December 31, 2007

Revenue decreased by €218.2 million, or a 76% decrease, from €288.1 million for the financial year ended December 31, 2007, to €69.9 million for the financial year ended December 31, 2008. This decrease was primarily attributable to the absence of sales of wind farms in Germany, resulting from the change in strategy announced in September 2008 (preservation of farms for operation). Moreover, the cancellation in 2008 of two sales reflected in the 2007 accounts, representing a total of approximately €32 million (due to the purchasers' inability to obtain financing) also contributed to this decrease.

9.3.1.2 Analysis of consolidated revenue by business segment

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

Revenue by business segment(1)	Year ended December 31				
(in thousands of €)	2009	2008	2007	2008	2007
	(published)	(restated)	(restated)	(published)	(published)
Sale of electricity for own account	51,918	55,540	26,883	55,540	26,883
Development, construction and sale of wind farms	236,465	(18,236)(2)	218,423	(18,236)(2)	218,423
Operation	38,499	43,454	27,028	43,454	27,028
Non-wind activities	1,710	(10,802)(2)	15,800	(10,802)(2)	34,147
Total	328,593	69,956	288,134	69,956(2)	306,481

(1) the Corporate segment does not generate any revenue and is thus not included in this table.

(2) This negative revenue is explained by the 2008 cancellation of the sales that occurred in 2007 for the benefit of purchasers who were not able to secure the necessary financing, thereby reducing the revenue by €32,636 thousand. Regardless of these cancellations, the Group's revenue for 2008 is €102,592 thousand, €43,454 of which was attributable to the Development, construction, sale activity and €3,598 thousand was attributable to the non-wind activity (the revenue generated by other segments were not affected).

Revenue - Sale of electricity for own account

Revenue from the sale of electricity for own account comprises payments made to the Group by customers who purchase electricity generated by operational wind farms in France, Germany and Morocco.

Revenue from the sale of electricity for own account represented 15.80% of the total revenue for the financial year ended December 31, 2009. Revenue from the sale of electricity for own account decreased by €3.6 million, or by 6.5%, totaling €51.9 million in the financial year ended December 31, 2009, compared to €55.5 million for the financial year ended December 31, 2008. This decrease was primarily attributable to unfavorable weather conditions in the first three quarters as well as to the sale of assets carried out in 2009. The installed capacity for own account amounted to 322 MW as of December 31, 2009, compared to 360 MW as of December 31, 2008, representing a decrease of 11%.

Revenue from the sale of electricity for own account represented 79.4% of total revenue for the financial year ended December 31, 2008. Revenue from the sale of electricity for own account amounted to €55.5 million in the year ended December 31, 2008, or 106.6%, compared to €26.8 million for the financial year ended December 31, 2007. This increase is primarily attributable to the acquisitions completed in 2008 (wind farms in France and Morocco), as well as to the acquisitions and commissionings achieved in 2007 that were consolidated over the entire 2008 year.

Revenue - Development, construction, sale

Revenue from the Development, construction and sale activities comprises payments made to the Group by third parties for the purchase of operational wind farms developed by the Group. THEOLIA proposes the sale of its assets on the market to potential buyers. The purchase price of the asset is determined based on profitability criteria selected by the purchasers (e.g. TRI, VAN, tax capacity). The direct costs resulting from the sale vary on a case-by-case basis, depending in particular on whether or not intermediaries, such as banks or advisors, are enlisted in the process.

In 2009, revenue corresponding to development, construction and sale activities represented €236.4 million (or 72% of total revenue in that financial year) as compared with negative revenue of - €18.2 million for the financial year ended December 31, 2008. This amount of revenue was primarily attributable to the resumption of the sales of wind farms in Germany: wind farms of a total capacity of 145.7 MW, of which 137 MW was installed capacity, were sold in 2009. The revenue generated from the sales in Germany amounted to €166 million. It should be noted that the revenue generated from the sale of a portfolio of wind farms and projects of 100.6 MW to RheinEnergie has not been entirely accounted for in 2009: the remaining balance of €10 million will be accounted for in 2010. In France, a capacity of 88 MW was sold, of which 7 MW was installed capacity.

Moreover, since September 1, 2009, all of the sales of wind projects and operating assets carried out by THEOLIA are now considered as revenue, in accordance with IFRS 16, as amended (in this respect, please refer to paragraph 9.2.6.4 of this Reference Document). The application of this standard, as a result of the implementation of a new strategy by the Group, has thus had a positive impact of €65 million on the revenue for 2009. The application of this standard in 2007 (excluding trading activities) and 2008, respectively, would have had no effect on consolidated revenue due to the absence of wind farms and projects sales during these financial years. However, if this standard had been applied as of January 1, 2009, it would have resulted in generating additional revenue of €3.2 million for the 2009 financial year.

In 2008, the revenue of the Group generated by the development, construction and sales activities were negative (-€18.2 million), due to the absence of wind farm sales completed by the Group in 2008 and the cancellation of sales completed in 2007 with purchasers who were not able to secure the required financing.

In 2007, the revenue of the Group generated by the development, construction, and sale activities amounted to €218.4 million, attributable to the trading activity in Germany recorded as revenue and representing sales of wind farms in the total amount of 133 MW.

Revenue - Operation

Revenue generated by the Operation activity comprises the management of wind farms on behalf of third parties and the sale of electricity produced by wind farms that are managed but not owned by the Group in accordance with the services agreements.

The breakdown of the revenue generated by the Operation activity for the financial years ended December 31, 2009, 2008 and 2007 is as follows:

Revenue from Operation	Year ended December 31				
(in € thousands)	2009	2008	2007	2008	2007
	(published)	(restated)	(restated)	(published)	(published)
Fees	2,070	2,051	1,333	2,051	1,333
Incomes from the sale of electricity	36,429	41,403	25,695	41,403	25,695
Total	38,499	43,454	27,028	43,454	27,028

The item listed as "fees" in the table above corresponds to the fixed part of the commission owed by the third party owner of the wind farm to the Group as compensation for its management of the farm.

Pursuant to services agreements entered into by the Group, in some instances (as of today, only in Germany), the full amount of revenue generated by the wind farm operated on behalf of third parties is included in Group revenue; these revenue are included in the above table in the item "Incomes from the sale of electricity".

Revenue generated by the Operation activity represented €38.5 million for the financial year ended December 31, 2009 (€36.4 million related to the sale of electricity and €2.1 million related to fees), compared to €43.5 million for the financial year ended December 31, 2008 (€41.4 million related to the sale of electricity and €2.1 million related to fees).

Revenue generated by the Operation activity accounted for 11.72% of total revenue for the financial year ended December 31, 2009. These revenue decreased by €4.95 million, or 11.4%, to €38.50 million in the financial year ended December 31, 2009, compared to €43.45 million for the financial year ended December 31, 2008.

During the 2009 financial year, the number of MWs operated on behalf of third parties increased from 311 MW at the beginning of the financial year to 458 MW as of December 31. However, with respect to certain new operation and maintenance contracts ("O&M") signed in 2009 and, in particular, the portfolio of 100.6 MW sold to RheinEnergie in August 2009, the Group only records a management fee as revenue (and not the revenue derived from the sale of electricity produced by these wind farms). As a result, the increase in MWs operated on behalf of third parties only led to a slight increase in revenue. This increase was more than offset by the negative impact of unfavorable wind conditions during a significant portion of 2009.

Revenue generated by the Operation activity accounted for 62.1% of total revenue for the financial year ended December 31, 2008. These revenue increased by €16.4 million, or 60.7%, to €43.5 million in the financial year ended December 31, 2008, compared to €27 million for the financial year ended December 31, 2007. This increase is primarily attributable to the signing of new commissioning agreements following the sales which took place in connection with trading activities in Germany in 2007.

Revenue -Non-wind activities

Revenue generated by non-wind activities mainly results from the revenue generated by the sale of electricity produced from a solar energy plant in Germany.

Revenue generated by non-wind activities amounted to €1.71 million in the financial year ended December 31, 2009 of which €1.49 million resulted from the solar plant in Germany, and the remainder of such revenue resulted from the activities of Biocarb, a company specialized in the production of biofuel. This company was sold by the Group in Q2 2009.

In 2008, the revenue generated by non-wind was negative and equal to -€10.8 million, which can be explained by the cancellation in Q4 2008 of the sale of this same solar plant (due to the purchasers' inability to secure the necessary financing), which had been accounted for in the 2007 financial statements as revenue in the amount of €14.4 million;

Revenue generated by non-wind activities amounted to €15.8 million for the financial year ended December 31, 2007.

The application of IFRS 5 in relation to discontinued operations or assets held for sale led the Group to restate the revenue generated by some non-wind entities (Seres, Ecoval 30, SAEE, SAPE and Thenergo) in 2007 for a total amount of €18.3 million, and to refrain from accounting for the revenue generated by these entities in 2008.

As a result of the divestment of non-wind activities, the Group applied IFRS 5 "Non-current assets held for sale and discontinued operations" to its financial statements for the financial years ended December 31, 2009 and 2008. The Group also restated the results for the financial year ended December 31, 2007 in the financial statements for the financial year ended December 31, 2008. In accordance with IFRS 5, for any given financial period, transactions relating to the Group's environment business line and other non-wind assets are recorded in the income statement line item "Net income from assets held for sale".

9.3.1.3 Analysis of consolidated revenue by geographical segment

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

Revenue by geographical segment – Operation (in € thousands)	Year ended December 31				
	2009	2008	2007	2008	2007
	(published)	(restated)	(restated)	(published)	(published)
France	57,865	16,272	24,897	16,272	35,920
Germany	270,463	50,346(1)	263,147	50,346	263,147
Rest of the world	6,382	8,995	89	8,995	7,413
Inter-activity sales	(6,118)	(5,657)		(5,657)	
Total	328,593	69,956(2)	288,134	69,956	306,481

(1) *equal to € 82,982 after restatement of cancellation of sales cancellations that occurred in 2008*
(2) *equal to € 102,592 after restatement of cancellation of sales cancellations that occurred in 2007*

France

In 2009, revenue generated by the Group's activities in France is mainly derived from the sale of wind farms and projects.

Revenue generated in France accounted for 17.6% of total revenue for the financial year ended December 31, 2009. Revenue generated in France increased by €41.59 million, or 255% compared to the previous year, to €57.86 million in the financial year ended December 31, 2009, as compared to €16.27 million for the financial year ended December 31, 2008. This increase was primarily attributable to wind farm and projects sales accounted for as revenue under the new strategy.

Revenue generated in France accounted for 23.2% of total revenue for the financial year ended December 31, 2008. Revenue generated in France in the financial year ended December 31, 2008 decreased by €8.6 million, or by 47% compared to the previous year, to €16.3 million, as compared to €24.9 million for the financial year ended December 31, 2007. This decrease was primarily attributable to the reduction in sales of development and construction services to third parties (in particular due to the decrease in the Development, construction, sale activity).

Germany

In 2009, the revenue generated by the Group's activities in Germany was mainly derived from the sale of wind farms.

Revenue generated in Germany accounted for 82.3% of total revenue for the financial year ended December 31, 2009. Revenue generated in Germany increased by €220.11 million, or 437.2%, to €270.46 million in the financial year ended December 31, 2009, compared to €50.35 million for the financial year ended December 31, 2008. This increase was primarily attributable to the resumption of the sales of wind farms.

Revenue generated in Germany accounted for 72% of total revenue for the financial year ended December 31, 2008. Revenue generated in Germany decreased by €212.8 million, or by 80%, to €50.3 million in the financial year ended December 31, 2008, as compared to €263.2 million for the financial year ended December 31, 2007. This decrease was primarily attributable to the decision to change the business strategy that was taken over the course of the 2008 financial year, during which no wind farms were sold by Naturenergien GmbH (formerly Natenco GmbH), in contrast to 2007.

Rest of the world

Revenue generated in the Rest of the world is concentrated in Morocco. This revenue is mainly derived from the sale of electricity to the national electricity supplier, the purchase price of which is set by contract for a period of several financial years. In addition, the Group has some projects under development in Italy.

Revenue generated in the Rest of the world accounted for 1.9% of total revenue for the financial year ended December 31, 2009. Revenue generated in the Rest of the world decreased by €2.61 million, or by 29.0%, to €6.38 million for the financial year ended December 31, 2009, as compared to €8.99 million for the financial year ended December 31, 2008. This decrease was primarily attributable to the sale of the company Biocarb (a non-wind asset) during the second quarter of 2009.

Revenue generated in the Rest of the world accounted for 12.8% of total revenue for the financial year ended December 31, 2008. Revenue for the Rest of the world increased by €8.9 million, reaching €8.9 million for the financial year ended December 31, 2008, as compared to €0.089 million for the financial year ended December 31, 2007. This increase was primarily attributable to the acquisition of the wind farm in Morocco and to the acquisition of the company Biocarb.

9.3.2 Other expenses and income

9.3.2.1 Purchases and changes in inventory

From 2008 to 2009, purchases and changes in inventory went from a net expense of €25.9 million to a net expense of €255.4 million, i.e. a variation of €229.5 million. This increase is primarily attributable to the resumption of the sale of wind farms in 2009. In fact, these sales have resulted in the clearance of projects from the Group's balance sheet.

From 2007 to 2008, purchases and changes in inventory went from a net expense of €225.7 million to a net expense of €25.9 million, i.e. a variation of €199.8 million. This decrease was primarily attributable to the absence of wind farm sales in 2008. The projects acquired by the Group were therefore added to inventory.

9.3.2.2 External expenses

From 2008 to 2009, external expenses decreased by €2.9 million (representing a decrease of 8%), going from €36.5 million for the financial year ended December 31, 2008 to € 33.6 million for the financial year ended December 31, 2009. This decrease was primarily attributable to the cost-cutting program that began at year-end 2008 for THEOLIA SA and for the rest of the Group.

From 2007 to 2008, external expenses increased by €7.5 million (representing an increase of 26%) going from €29 million for the financial year ended December 31, 2007 to €36.5 million for the financial year ended December 31, 2008. This increase was primarily attributable to an increase in the structural costs of THEOLIA SA and to the effect of the consolidation, over the course of the entire year, of acquisitions of wind farms (165 MW) in mid-2007.

9.3.2.3 Taxes

From 2008 to 2009, taxes decreased by €25,000 (representing a decrease of 2%), from €1.240 million for the financial year ended December 31, 2008 to €1.215 million for the financial year ended December 31, 2009.

From 2007 to 2008, taxes increased by €0.3 million (representing an increase of 22%), from €0.9 million for the year ended December 31, 2007 to €1.2 million for the year ended December 31, 2008.

9.3.2.4 Personnel expenses

From 2008 to 2009, personnel expenses decreased by €9.1 million (representing a decrease of 43.7%), from €20.8 million for the financial year ended December 31, 2008 to €11.7 million for the financial year ended December 31, 2009. This decrease was primarily attributable to:

- redundancies carried out within THEOLIA SA and some foreign subsidiaries;
- significant decreases in expenses related to the implementation of free share allocation plans that totalled €0.9 million for the financial year ended December 31, 2009 as compared to €8.2 million for the financial year ended December 31, 2008. This variation can be explained by:
- the allocation in 2008 of free shares not subject to any condition of presence, which were therefore immediately accounted for in full in 2008; and
- the allocation, at the end of the 2009 financial year, of free shares subject to a condition of presence (thereby spreading the expenses over the 2 year vesting period, with a minor portion reflected in the 2009 financial statements owing to the allocation of shares at the end of that financial year).

From 2007 to 2008, personnel expenses increased by €2.7 million (representing an increase of 14.9%), from €18.1 million for the financial year ended December 31, 2007 to €20.8 million for the financial year ended December 31, 2008. This increase was primarily due to the expenses associated with the allocation of free shares to THEOLIA SA's employees in 2008.

9.3.2.5 Other current operating income and expenses

From 2008 to 2009, other operating income and expenses went from a net income of €3.7 million for the financial year ended December 31, 2008 to a net loss of €0.3 million for the financial year ended December 31, 2009. This decrease was primarily due to:

- the decrease in profits from ordinary activities (€3.0 million in 2009 versus €6.0 million in 2008) due to non recurring elements in 2008, and
- the increase in operational expenses related mainly to the recognition of a loss in 2009 on the sales of wind farm projects under development carried out in the first half of 2009 (an expense of 2.8 million in 2009).

In addition, the expense associated with the payments made through the issuance of share subscription warrants (BSA) granted to directors of THEOLIA SA decreased significantly from 2008 to 2009, going from €1.6 million in 2008 to €55,000 in 2009. No new BSAs were allocated in 2009.

From 2007 to 2008, other operating income and expenses went from a net expense of €1.6 million for the financial year ended December 31, 2007 to net income of €3.6 million for the financial year ended December 31, 2008, i.e. an increase of €5.2 million. This change reflects a sharp decrease in expenses associated with the payments made through the issuance of BSAs granted to THEOLIA SA's directors (an expense of €4.8 million in 2007 versus €1.6 million in 2008).

9.3.3 Consolidated EBITDA

EBITDA(1) by business segment (in € thousands)	Year ended December 31				
	2009	2008	2007	2008	2007
	(published)	(restated)	(restated)	(published)	(published)
Sale of electricity for own account	35,186	38,434	18,081	38,434	18,081
Development, construction and sale	(2,543)	(28,439)	14,869	(28,439)	14,869
Operation	(966)	1,273	19	1,273	19
Non-wind activities	826	(2,278)	(2,612)	(2,278)	(172)
Corporate	17,109	(46,810)	(18,111)	(46,810)	(18,111)
Total	49,612	(37,821)	12,196	(37,821)	14,636

EBITDA(1) by geographical segment (in thousands of €)	Year ended December 31				
	2009	2008	2007	2008	2007
	(published)	(restated)	(restated)	(published)	(published)
France	11,846	(42,111)	(925)	(42,111)	1,516
Germany	19,719	7,614	30,808	7,614	30,807
Rest of the world	916	(3,325)	(820)	(3,325)	(820)
Italy	(1,808)	-	-	-	-
Corporate	18,940	-	(16,867)	-	(16,867)
Total	49,612	(37,821)	12,196	(37,821)	14,636

(1) non IFRS and non audited management indicator

9.3.3.1 Method of calculation

With the intent to increase transparency and comply with generally accepted best practices, the Group decided in 2008 to modify the presentation of its EBITDA in order to align it with the calculation methods generally used by the financial community and recommended by the Autorité des Marchés Financiers (French financial markets regulator, or "AMF").

Until 2007, EBITDA did not include provisions relating to current assets nor expenses resulting from the implementation of free share allocation plans and share subscription warrant allocation plans (IFRS 2). As from December 31, 2008, the Group decided to include these two items in the calculation of its EBITDA. The Group's EBITDA is therefore calculated as follows: EBITDA = current operating income + amortization expense + non operating contingency provisions.

The consolidated EBITDA of the Group amounted to €49.6 million in 2009, compared to a loss of €37.8 million in 2008, representing a positive variation of €87.4 million.

The following table illustrates the transition from the EBITDA to operating income with respect to the last two financial years:

(in € thousands)	12/31/2009	12/31/2008
EBITDA	49,612	(37,821)
Provisions and reversal provisions	(21,801)	(30,590)
Current operating income	27,811	(68,411)
Other non-current income and expenses	(140)	(22,584)

Impairment	4,509	(106,577)
Operating income	32,180	(197,572)

9.3.3.2 Analysis of the consolidated EBITDA

As indicated above, the Group's consolidated EBITDA reports positive income of €49.6 million as of December 31, 2009, of which €35.2 million originates from the Sales of electricity for own account.

This significant growth in EBITDA by comparison to 2008 is due to three major factors:

- The reversal of operating provisions recorded in 2008, amounting to €25 million, and corresponding to the receivable associated with the HESTIUN company (€15 million) and the deposit for turbines (€10 million);

    - In December 2008, the Group sold its equity stake in Thenergo to HESTIUN. As of April 28, 2009, the date of publication of the financial statements, this receivable had not been paid to the Group, which decided to depreciate the value of the entire claim in the amount of €15 million. In May 2009, the income from the sale was finally received by the Group. The depreciation previously recorded in the accounts was reversed, thereby generating an income of €15 million;

    - The entire deposit paid by the Group for the reservation of turbines related to a project abandoned thereafter had been provisioned at the closing of the 2008 financial year. Due to negotiation for the reallocation of these turbines to another project, the prior depreciation was reversed in full, resulting in income of €10 million.

- The resumption of sales of projects and wind farms in Germany and in France allowed the Group to generate sufficient margins to absorb the majority of structural costs, which had not been the case in the previous financial year;

- The sharp decrease in expenses resulting from the implementation of free share allocation plans and share subscription warrant allocation plans (IFRS 2) (€8.7 million).

In fact, the Group's decision to resume the sale of wind farms as part of its "Develop, Operate and Sell" strategy allowed it to restore the business to a level sufficient enough to cover structural costs. In 2008, the Group did not record any sales of wind farms pursuant to its decision to discontinue the principal activity of its German subsidiary, which had a direct effect on the level of EBITDA.

9.3.3.3 Analysis of the EBITDA by business segment

Sale of electricity for own account

The EBITDA/revenue ratio for this segment amounted to 67.77% in 2009 compared to 69.20% in the 2008 financial year.

EBITDA totalled €35.2 million in 2009 compared to €38.4 million in the previous financial year. Thus, the EBITDA decreased by €3.2 million compared to 2008: this is primarily due to the decline in revenue from this segment as a result of poor wind conditions.

Development, construction and sale

This segment recorded a negative EBITDA of €2.5 million in 2009, compared to a negative EBITDA of €28.4 million in the previous financial year, i.e. an increase of €25.9 million.

This variation is related to:

- An increase of €19.8 million in the "Sales" activity, of which €14.2 million was attributable to the sales of projects and wind farms in 2009; €2.7 million was attributable to margin loss for a sale cancelled in 2008 and €2.7 million was attributable to damages provided under a turbine supply agreement and paid in 2008; and

- An increase of €6 million in the "Development, construction" activity, of which in particular €3.1 million related to depreciation on turbines stored at THEOLIA SA in 2008 and €3.1 million related to the developer's margin on the sale of wind projects in 2009.

In 2008, the Group had decided to discontinue the trading activity of its German subsidiary THEOLIA Naturenergien GmbH (formerly named Natenco GmbH) and, therefore, had not recorded any sales of wind farms. Since the corresponding margin was equal to zero, structural costs could not be absorbed.

Operations

This segment yielded a negative EBITDA of €0.97 million in 2009 compared to positive EBITDA of €1.27 million in 2008, i.e. a decrease of €2.24 million.

The Operation segment was adversely affected by two main elements:

- In 2009, there was an atypical drop in production and therefore in revenue, due to bad wind conditions during the first three quarters, which prevented the Group from achieving its ordinary margin (which largely depends on the revenue generated by sales of electricity produced by wind farms) and from absorbing the operating costs of this segment; and

- There was an increase in costs arising from these activities due to an increase in volume of MW managed on behalf of third parties (which increased from 311 MW as of December 31, 2008 to 458 MW as of December 31, 2009).

Corporate

The major costs, which originate mainly from the holding activities of THEOLIA SA, show positive EBITDA of €17.1 million in 2009, compared to negative EBITDA of €46.8 million in 2008.

The principal elements explaining the variation in EBITDA are the following:

- The reversal of operating provisions accounted for in 2008 in the amount of €25 million, including the receivable held on the HESTIUN company (€15 million) and the deposit for turbines (€10 million);

- A sharp decrease in expenses resulting from the implementation of free share and BSA allocation plans (IFRS 2); and

- Savings achieved with regard to structural costs (see paragraph 0).

9.3.4 Non operating amortizations and provisions

9.3.4.1 Comparison of the financial years ended December 31, 2009 and December 31, 2008

Provisions for depreciation and amortization decreased by €8.8 million, from €30.6 million for the year ended December 31, 2008 to €21.8 million for the year ended December 31, 2009. This decrease was primarily attributable to:

- The impact of the new "Develop, Operate and Sell" strategy: in fact, wind farms are now being sold following an operating period of 2 to 4 years, it is necessary to determine a residual value close to the estimated sale price, which leads to a reduction in both the amortization base and the duration of amortization and, consequently, to lower provisioning. In addition, as from September 1, 2009, the date of implementation of the new strategy, the majority of wind farms owned by the Group showed net book values that are lower than the estimated sale price, resulting in the absence of amortizations from September 1 to December 31, 2009;

- The remaining balance, i.e. €3.7 million, which corresponds to provisions for non-operating contingencies.

9.3.4.2 Comparison of the fiscal years ended December 31, 2008 and December 31, 2007

Depreciation and amortization increased by €18.8 million, from €11.8 million for the financial year ended December 31, 2007 to €30.6 million for the financial year ended December 31, 2008. This increase is attributable, for up to €15.2 million of the total amount, to the effects of consolidation, over the course of the entire year, of amortization on wind farms acquired (165 MW) in mid-2007, to the effects of acquisitions of wind farms carried out in 2008, and to the accounting, in 2008, of the depreciation on receivables in the accounts of THEOLIA SA. The remaining balance, i.e. €3.6 million, corresponds to provisions for non-operating contingencies accounted for in 2008.

9.3.5 Current operating income

The Group's current operating income amounted to €27.81 million as of December 31, 2009 compared to a loss of €68.41 million as of December 31, 2008.

9.3.6 Other non-current operating income and expenses

Other non-current income and expenses represented net income of €22.8 million for the financial year ended December 31, 2007, a net expense of €22.58 million for the financial year ended December 31, 2008, and net expense of €0.14 million for the financial year ended December 31, 2009.

In 2007, the net income was primarily attributable to dilution income in the amount of €22 million following the listing of Thenergo on the stock exchange at a higher price than the net book value of the Group's equity stake in the balance sheet, which was based on the average purchase price paid by the Group for this equity stake.

In 2008, the net expense was primarily attributable to the capital loss incurred by the Group from the 2008 sale to a third party of its equity stake in Thenergo.

9.3.7 Impairment

As a reminder, the Company hereby states that according to IAS 36, the current value of an asset, which is used to calculate the impairment or depreciation of an asset, as the case may be, corresponds to the higher of the following amounts:

- the fair value of the asset (as it compares to the market price) minus any expenses incurred from the sale; and
- its value in use, i.e., the discounted value of future cash flows expected to be derived from the asset during the period of its use.

This definition applies indifferently to all assets falling within the scope of application of IAS 36, whether they are intended for sale (even if they do not meet all of the conditions for classification as assets held for sale under IFRS 5) or for use.

Impairment amounted to €60.7 million for the financial year ended December 31, 2007, compared to €106.6 million for the financial year ended December 31, 2008, and represented a net income of €4.5 million for the financial year ended December 31, 2009.

In 2007, the impairment recorded was primarily attributable to impairment in goodwill associated with the contribution of wind farms by GE Energy Financial Services to THEOLIA. In accordance with the agreement the parties entered into, THEOLIA was to grant GE Energy Financial Services, as consideration for the 7 wind farms with a total installed capacity of 165 MW, 5.25 million THEOLIA shares, a figure that was determined based on the current market price of €16.50 per share. However, between the signing date of the agreement in February 2007 and its completion (which occurred when the Extraordinary Shareholders' Meeting approved the issuance of the new shares) in July 2007, the THEOLIA share price increased by 65% from €16.50 to €27.26 whilst the number of shares granted by THEOLIA to GE Financial Services did not change. According to the IFRS 3 norms, in case of contribution, the asset value is recorded on the basis of the price of the shares on the day they are issued; consequently, the wind farms were accounted for using the share price of €27.26 (and not €16.50), which resulted in an accounting overvaluation of €56.49 million in July 2007. This overvaluation resulted in an equivalent amount of value loss at year-end.

In 2008, the impairment was primarily due to the exceptional nature of the 2008 financial year: financial crisis, decline in the market capitalization and decrease in the volume of transactions. In fact, the ambitious expansion policy conducted by the Group in the past had led to several external growth transactions, some of which were carried out in a very active, rising world market. However, in a constrained financial environment as from the end of 2008, and characterized by a decline in the market, tests on the fair value of goodwill and fixed assets resulted in the accounting of significant asset depreciation as of December 31, 2008.

In 2009, the net income is primarily explained by the reversal of the 2008 depreciations.

For further details regarding the above, please refer to paragraph 9.2.6.8 of this Reference Document.

9.3.8 Operating income

The Group's operating income is positive, amounting to €32.18 million as of December 31, 2009, compared to a loss of €197.57 million as of December 31, 2008.

9.3.9 Financial income

9.3.9.1 Comparison of the financial years ended December 31, 2009 and 2008

Financial income represented a net expense of €30.8 million for the financial year ended December 31, 2009 compared to a net expense of €39.1 for the financial year ended December 31, 2008. This variation was primarily attributable to:

- The impact of variations in the market-to-market for interest rate hedging derivative instruments – which were very significant in 2008 as a result of the financial crisis (expense of €8.9 million) and were much lower in 2009 (expense of €0.891 million);

- the impact in consolidation of the cancellation of interest rate hedging swaps associated with the sale of CERON and CELGC (which were purely speculative swap agreements as they were concluded under the assumption of the completion of projects that ultimately never reached completion) which led to the accounting of a financial expense of €1.5 million;

- a decrease of €5 million in the interest expense associated with the reduction of debt resulting from sales of projects and wind farms undertaken over the course of the financial year;

- a decrease in financial income, which amounted to €6.4 million in 2008 compared to only €1 million in 2009, resulting from a decrease in cash that generated financial income in the past.

9.3.9.2 Comparison of the financial years ended December 31, 2008 and 2007

Financial income represented a net expense of €39.1 million for the 2008 financial year compared to a net expense of €7 million as of December 31, 2007. This variation is primarily attributable to:

- the effect of the accounting, with respect to the full 2008 financial year, of the interest expense from wind farms (165 MW) purchased in mid-2007;

- the accounting, with respect to the full 2008 financial year, of financing costs linked to the OCEANEs issued in October 2007;

- the impact of the variation in the mark-to-market for interest rate hedging derivative instruments in the context of the financial crisis (expense of €8.9 million in 2008); and

- the depreciation of loans granted to clients (for an amount of €2.7 million) in 2008.

9.3.10 Portion of net income attributable to associated companies

The portion of net income attributable to associated companies generated net expenses of €85,000 for the financial year ended December 31, 2007, €3.8 million for the financial year ended December 31, 2008 and €13.5 million for the financial year ended December 31, 2009.

This item includes the loss in value incurred by companies accounted for under the equity method in Spain in 2008, and in Germany (Ecolutions) in 2009. For further details, please refer to note 12 of the Group's consolidated financial statements.

9.3.11 Taxes

9.3.11.1 Comparison of the financial years ended December 31, 2009 and 2008

The "Taxes" line item dropped from a net income amount of €11.9 million for the financial year ended December 31, 2008 to a net income amount of €0.4 million for the financial year ended December 31, 2009, i.e. a variation of €11.5 million (representing a decrease of 96%). This decrease was primarily attributable to the lower incidence of tax losses in 2009 and to deferred taxes linked to depreciations for impairments in value accounted for in 2008.

9.3.11.2 Comparison of the financial years ended December 31, 2008 and 2007

The "Taxes" line item increased from a net income amount of €2.7 million for the financial year ended December 31, 2007 to a net income amount of €11.9 million for the financial year ended December 31, 2008, i.e. an increase of €14.7 million. This increase was primarily attributable to the incidence of tax losses in 2008 and to deffered taxes linked to depreciations for impairments in value accounted for in 2007.

9.3.12 Net income from continuing activities

Net income from continuing activities, considered strategically important in the context of the Group's reorganization and renewed focus on wind activities, shows a loss of €11.66 million in 2009 compared to a loss of €228.56 million in 2008 and a loss of €47.4 million in 2007.

- This sharp increase from 2008 to 2009 is due to the following factors:
- The level of positive EBITDA, which amounts to €49.6 million as of December 31, 2009, of which €35 million derives from the sale of electricity for own account;
- The resumption of sales of wind farms and other assets in 2009, which enabled the Group to absorb structural costs. By comparison, in 2008, the Group did not register any sales of wind farms;
- The recovery of 2008 depreciations of certain assets following tests of fair value of goodwill and fixed assets; and
- The decrease in financing costs.

9.3.13 Net income of the activities held for sale

9.3.13.1 Comparison of the financial years ended December 31, 2009 and 2008

The line item entitled "Net income from operations discontinued or in the course of being sold", comprising companies of the Group’s non-wind business impacted by IFRS 5 relative to operations in the course of being sold, reflects a loss of €9.44 million for financial year 2009, compared with a loss of €16.65 million for financial year 2008.

The sale of such assets has been accounted for in the financal statements for the financial year ended December 31, 2008 in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations". Thus, all of the transactions carried out on these assets in the 2008 financial year were grouped together in the line of the income statement entitled "Net income from activities held for sale". The assets and liabilities have been grouped together in assets and liabilities of the balance sheet the line on the balance sheet under "Assets/liabilities linked to discontinued activities". Since these activities have been discontinued, the income statement for the financial year ended December 31, 2007 was restated in order to present comparative information in this respect.

Income from operations held for sale increased by €7.3 million between the financial years ended December 31, 2008 and 2009, respectively. This increase was primarily attributable to a low depreciation of the assets accounted for in that financial year, as compared to depreciation accounted for in the 2008 financial year.

9.3.13.2 Comparison of the financial years ended December 31, 2008 and 2007

Income from operations held for sale decreased by €15.4 million between the financial years ended December 31, 2007 and 2008, from a net loss of €1.26 million in 2007 to a net loss of €16.65 million in 2008. This decrease was primarily attributable to the significant depreciation of assets linked to discontinued operations or assets held for sale (in the amount of €14.6 million) and to net losses recorded in the course of the financial year for these activities (in an amount of €2 million).

For more information, please also refer to note 18 of the Group's 2009 consolidated financial statements.

9.3.14 Net income

The net income for the scope of consolidation as of December 31, 2009 shows a loss of €21.1 million against a loss of €245.2 million in 2008.

The principal factors explaining this variation are set out in paragraph 9.3.12.

9.4 CASH AND CAPITAL RESOURCES

Please refer to paragraph 9.6.2 of this Reference Document.

9.5 OFF-BALANCE-SHEET COMMITMENTS

In the ordinary course of its business, the Group will typically form a subsidiary in each country in which it operates. When the Group develops a wind farm project in a given country, the relevant subsidiary may form a PSC to hold the assets and liabilities specific to the project. This subsidiary acts as the main debtor for the financing of the project (please refer to paragraphs 10.3.2 and 9.5.1 below). These PSCs may be direct subsidiaries of the Company in some jurisdictions, or they may be held indirectly through intermediate holding companies.

The Group cannot consolidate the assets and liabilities or the revenue and expenses of these subsidiaries in its consolidated financial statements if there is an absence of control within the meaning of IFRS norms.

However, as the holding company for the Group, the Company may be required by lenders, suppliers and customers to provide various forms of credit, liquidity or other types of support to its direct and indirect subsidiaries in the form of guarantees and other commitments. In the event that a subsidiary is not consolidated in the Group's financial statements established according to IFRS, these various forms of credit, liquidities, or other types of support do not appear in the Group's consolidated balance sheet.

These off-balance sheet commitments include:

- Letters of credit for the purpose of securing the working capital of subsidiaries;
- Guarantees in favor of wind turbine suppliers;
- Guarantees on subsidiaries' financing for the development of wind projects;

- Guarantees on purchase price repayment obligations for its customers; and
- Other commitments.

In addition, in certain cases non-consolidated entities may also provide various forms of credit, liquidity or other types of market risk support to the Group, which also correspond to off-balance sheet commitments.

9.5.1 Commitments made by the Company or other Group companies

The following table shows a summary of the current off-balance sheet numeric commitments of the Company as of December 31, 2009:

Nature of the contract	Committed subsidiaries	Beneficiaries	Purpose	Term/Expiration	Amount (in millions of euros)
Guarantee	THEOLIA Naturenergien GmbH (formerly Natenco GmbH)	Südwestbank	Initial guarantee in the maximum amount of €7,5 million to guarantee a line of credit of €10 million aimed at financing the working capital requirements of THEOLIA Naturenergien GmbH	1 year renewable	7.5
Guarantee	THEOLIA Naturenergien GmbH	Vorarlberger Bank	Initial guarantee in the maximum amount of €7,5 million to guarantee a line of credit of €10 million aimed at financing the working capital requirements of THEOLIA Naturenergien GmbH	1 year renewable	7.5
Comfort letter (1)	THEOLIA Deutschland	Credit institutions	THEOLIA has granted a comfort letter to Deutschland	Variable	2.0
Joint Guarantee	Aero-Chetto Srl	Vesta Italia Srl	Joint guarantee dated September 24, 2008 guaranteeing the financial commitments made by the subsidiary of Maestrale Green Energy, Aero-Chetto Srl, pursuant to a sale agreement of 35 wind turbines dated August 8, 2008.	December 31, 2011	36.4
Joint guarantee	CESAM CEFF	Credit institutions	Subscription to two separate joint guarantees from Royal Bank of Scotland for the benefit of SAS SEGLIEN and SAS CEFF	Variable	17.2
Pledge of a PSC's securities	PSCs	Credit institutions	Some Group companies – detailed in note 34 of the Schedule to the consolidated accounts for financial year 2009 – may have to grant guarantees within the context of projects or wind farms financed by financial institutions or in relation to the disassembly of the wind turbine	Variable depending on the term of the contracted loan	74.7
Pledge of a PSC's securities	CED	BMCI	Pledge of the securities of CED granted to BMCI as of June 9, 2008 following the acquisition of the Compagnie Eolienne du Detroit (CED) in Morocco on January 6, 2008 and within the framework of the refinancing of CED's debt by BMCI.	March 15, 2012	5.9
Pledge of opened accounts	THEOLIA Naturenergien GmbH	Credit institutions	Pledge sought from various banking institutions for accounts opened in their books in order to guarantee the costs that	Variable	7.9

Nature of the contract	Committed subsidiaries	Beneficiaries	Purpose	Term/Expiration	Amount (in millions of euros)
			could rise at the time of dismantling of certain farms in Germany.		
Registered office lease contract	THEOLIA SA	LA HALTE DE SAINT PONS SAS	Contractual commitment dated January 28, 2008 to rent the premises of its registered office for a nine-year term (starting on March 1, 2008) without possibility of early termination.	February 28, 2017	4.4
Joint guarantee	ECOVAL 30	SOCIETE GENERALE	Joint guarantee of the loan granted on June 27, 2005 to Ecoval 30 by Société Générale maturing on June 14, 2012. Pursuant to the terms of this guarantee, the latter date remains effective in the event that Ecoval 30 is sold by THEOLIA to third parties.	June 14, 2012	2
Guarantee	ECOVAL Technology	BFCC	Guarantee granted in 2005 for a maximum aggregate amount of €140,000. This guarantee is currently blocked in the amount of €111,086 within the context of the dispute with the water purification plant in Cabries.	N/A	0.1
Guarantee	Ventura SA	Vol-V	Joint guarantee granted by THEOLIA VOL-V for amounts owed to this latter company by Ventura SA and THEOLIA France.	January 31, 2012	1
Underwiting agreement	THEOLIA SA	ALCOLOCK France	Commitment granted as underwriting to the acquirer of the Group's breathalyser business	1 year as from the date of disposal	0.1
Total					166.7

(1) Restated line compared to the tables in the 2009 consolidated accounts and the 2009 Annual Financial Report.

The financial commitments for the year ended December 31, 2007 and 2008 are described in note 35 of the Schedule to the accounts presented in the 2008 Reference Document for each of these financial years.

9.5.2 Commitments by unconsolidated entities for the benefit of THEOLIA

On January 31, 2008, THEOLIA France concluded an agreement protocol 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 the full amount if its equity stake (or 4,716,480 shares) in THENERGO to HESTIUN at a price of €15 million. The Company still benefits from the option to repurchase these shares, it it so decides, at the agreed price of 110% of the sale price within 12 months and 120% of the sale price within an additional 12 months.

9.6 CONTRACTUAL COMMITMENTS AND PLEDGES

9.6.1 CONTRACTUAL COMMITMENTS

The table hereunder summarizes the Group's main contractual commitments and main maturity as of December 31, 2009:

(in € thousands)	<1 year	1-5 years	> 5 years	TOTAL

	Current	Non-current		
Long term-debts	96,858	294,551	76,701	468,110
Financial leasing obligations	n.a	n.a	n.a	n.a
Simple lease contracts	496	2,980	938	4,414
Irrevocable purchase obligation	n.a	n.a	n.a	n.a
Other long-term obligations	n.a	n.a	n.a	n.a
Total	**97,354**	**297,531**	**77,639**	**472,524**

	<1 year	1-5 years	> 5 years	TOTAL
Line of credit	119,761	292,310	73,869	485,940
Letter of credit	n.a	n.a	n.a	n.a
Guarantee	-	-	-	-
Buy-back obligations	n.a	n.a	n.a	n.a
Other commercial commitments	-	-	-	-
Total	**119,761**	**292,310**	**73,869**	**485,940**

9.6.2 PLEDGES OF SHARES AND ASSETS

The table below shows the Group's pledges of assets (on capital assets exclusively) as of December 31, 2009:

Entity	Pledge starting date	Pledge expiry date	Amount of pledged assets in thousands of €	Total of balance sheet (1)
France				
CEFF	09/13/2005	06/30/2021	61	-
CESAM	09/13/2005	06/30/2021	680	-
ROYAL WIND	09/13/2005	06/30/2021	2,492	-
SNC LEPLA	09/22/2006	04/30/2021	798	-
CESA	10/12/2006	12/31/2020	30	-
THEOWATT	06/21/2007	12/31/2023	40	-
CEPLO	06/21/2007	12/31/2022	184	-
CEMDF	06/21/2007	12/31/2022	56	-
CESAL	03/20/2008	12/31/2023	645	-
Total as of December 31, 2009			**4,986** (2)	**-**
Morocco				
CED	01/04/2008	12/15/2011	45,385	-
Total as of December 31, 2009			**45,385**	**-**

Entity	Pledge starting date	Pledge expiry date	Amount of pledged assets in thousands of €	Total of balance sheet (1)
Italy				
AERO-CHETTO	12/15/2009	06/30/2025	530	-
Total as of December 31, 2009			**530**	**-**
Germany				
THEOLIA WP Werbig GmbH & Co. KG	06/26/2009	Variable	2,606	-
BUSMAN WIND GmbH (Ladbergen I)	06/26/2009	Variable	548	-
20. UPEG Windpark GmbH (Ladbergen II)	06/26/2009	Variable	554	-
19. UPEG Windpark GmbH (Ladbergen III)	06/26/2009	Variable	555	-
SAERBECK	06/26/2009	Variable	2,559	-
Waltrop KG	03/27/2010	Variable	5,000	
ASLEBEN	03/27/2010	Septembre 2010	15,075	-
Total as of December 31, 2009			**26,897**	**-**

(1) Non applicable: amounts corresponding to consolidated and eliminated securities.
(2) Total restated considering the absence of pledge on CORSEOL's securities, as opposed to the information disclosed in the annexes to the 2009 consolidated accounts (set out in paragraph 20.1 of this Reference Document and in the 2009 Annual Financial Report)

9.7 CONTINUITY OF OPERATION

At the end of 2008, in a difficult economic environment that led to an accounting loss of €245 million, the Group had established its 2009 budget based on cash flow financing and decided to put a sales plan in place to sell assets intended to provide sufficient resources to meet its financial commitments.

During the 2009 financial year, the sales plan was implemented as expected.

Moreover, and independently of the foregoing, a new strategy was implemented by the Group, as of September 2009, focusing no longer on the production of electricity but rather on the development and operation of wind farms.

It is emphasised that the Group is currently restructuring its convertible OCEANEs ("Restructuring") and that this restructuring is contingent upon the completion of an share capital increase in the minimum amount of €45 million prior to the end of the month of August 2010 (please refer to paragraph 9.1.4). On the basis of the business plan expected to take effect and of the assumption that this share capital increase is achieved, the Group considers itself to be able to ensure the continuity of its operations for the next twelve months and concluded in this context that it was appropriate to apply the principle of continuity of operations with respect to the preparation of its consolidated financial statements.

However, if the share capital increase does not reach this minimum amount or is not completed within the expected timeframe, the Restructuring will not be completed and the bondholders could request the early redemption of their OCEANEs as of January 1, 2012 for an amount equal to €253 million. The Group currently believes that it would be unable to pay this amount based on that deadline.

Moreover, the Group believes that the failure of the Restructuring would increase the risk of failure to secure financing for wind farm projects under development or the termination of other short-term bank credit facilities.

In addition, in the event that the Company does not complete the Restructuring before July 31, 2010 and/or if the special purpose trustee was to remain in office beyond such date, the banks could request the repayment of their credit as explained in paragraph 10.3.2.

Consequently, there is uncertainty as regards the Group's ability to sell its assets and relieve itself of its debts in the ordinary course of its business. A failure in the Restructuring could force the group to plan for French insolvency proceedings as provided for under French law, and trigger an important value loss. None of the adjustments that could prove to be necessary in this case have been stated in the accounts.

10. FINANCIAL STRUCTURE

10.1 OVERVIEW

The Group operates in a business sector in which there is a high demand for capital. In order to compete in this industry, the Group must undertake significant investments to:

- create or acquire wind farms;
- develop wind projects until they are ready for commissioning, then operate them in order to carry out strategic sales in accordance with its "Develop, Operate and Sell" strategy or to produce electricity for the Group's own account or on behalf of its customers; and
- selectively fund strategic acquisition opportunities as they arise.

Historically, the Group's principal sources of liquidity have been its operating activities, project financing secured by cash flow generated by wind farms, the issuance of OCEANEs and corporate banking debt to finance working capital requirements related to the construction of wind farms in Germany.

Since 2008, the Group has experienced a severe contraction in its liquidity as a result of internal and external factors. The internal factors stem from the "Build and hold" strategy implemented by former management (April 2006 - September 2008) until September 3, 2008, which required substantial investments as a result of an ambitious expansion strategy, while discontinuing sales of operational wind farms in Germany in order to focus on electricity production for the Group's own account. The external factors are attributable to the lack of liquidity in international credit markets caused by the financial crisis, and deteriorating economic conditions worldwide and in the Euro zone as from late 2008. As a result, the Group committed significant funds in pursuit of this acquisition-led growth, while at the same time, its cash inflows from sales of operational wind farms diminished and financial markets became unstable or incapable to provide sufficient credit or capital.

The adverse impact of these internal and external factors on the Group's liquidity has been magnified by the risk of early redemption of the OCEANEs on January 1, 2012 and, ultimately, the inability to meet its obligations if the planned Restructuring, described in paragraph 9.1.4 is not successfully completed. The initial terms of issuance of the OCEANEs allow any bondholder, on January 1, 2012, to request the early redemption in cash of all or a portion of the OCEANEs he or she holds. Under the initial terms of issuance of the OCEANEs, the Company would be required to repurchase them at the applicable early redemption rate plus accrued interest, which would effectively represent a redemption price of €21.94 per OCEANE, against a par value of €20.80 each. If the market price of the Group's shares is still significantly lower than the redemption price, the Company believes that it is highly probable that bondholders would opt for the early redemption of the OCEANEs. In that event, the Company would face repayment obligations of up to €253.2 million, assuming all of the outstanding OCEANEs are subject to early redemption.

If bondholders were to request early redemption on January 1, 2012, the Company currently believes that it would be unable to cover the corresponding amount in full. As a result, it would have to plan to declare insolvency and enter into creditor protection under French law, and any resulting liquidation of the Group's assets could potentially lead to significant value loss for shareholders.

Ricol Lasteyrie, the independent expert appointed by the Board of Directors of the Company to assess the conditions of the Restructuring and their impact on both bondholders and shareholders, stated in the conclusion of his report that "*THEOLIA holds assets that are relatively liquid, the sale of such assets would enable it to reimburse a significant portion,* *but probably not the full amount, of its OCEANE debt*" and that *"a cash approach would in all cases result in zero value for the shareholders*". The restructuring of the Bonds is contingent upon the completion of the Restructuring described under paragraph 9.1.4 of this Reference Document.

In this context, the Group's policy is to maintain a solid balance sheet, and management continuously assesses the Group's liquidity position and financing strategy to meet its objectives. As part of its liquidity management, it seeks to:

- safeguard the Group's ability to carry on its activities as a going concern;
- ensure sufficient access to financing, given its needs for long-term growth and seasonal working capital requirements;
- deploy capital efficiently in the implementation of its business strategy; and
- meet the Group's obligations as they come due.

Given the Group's liquidity risk and capital requirements over the medium-to-long-term, management aims to:

- avoid the early redemption of the OCEANEs in the maximum amount of €253.2 million on January 1, 2012, by successfully completing the Restructuring; and
- secure the Group's access to project financing and financing of its working capital requirements by reducing indebtedness, in order to address counterparty concerns about the Group's cash position.

In order to manage the Group's short-term liquidity risk and capital requirements, the Group has centered its focus around cash generation following the reorganization of management announced on September 29, 2008. In particular, prior management (September 2008 – February 2010) generated cash by:

- launching a program to sell more than 200 MW of wind assets and projects in 2009, in particular by resuming sales of operational wind farms in Germany; and
- divesting subsidiaries and assets involved in non-wind activities.

As a complementary measure, management has also imposed strict cost controls and cash conservation measures. As a result of these controls, the Group generated €5.4 million in savings during the financial year ended December 31, 2009 (see paragraph 6.5.3.3).

By increasing cash generation and reducing costs, management has enabled the Group to increase its available cash position from €90.8 million as of December 31, 2008 to €94.2 million as of December 31, 2009. Available cash and "reserved" cash represent €69.3 million as of December 31, 2009 compared to €44.6 million as of December 31, 2008, i.e. an increase of €24.7 million (55.4%). As of December 31, 2009, they included €52.8 million in available cash at the level of the Group's holding companies and €16.5 million in available cash for the operating activities of projects and subject to limitations with regard to transfers upstream to the holding level.

Management also believes that this active approach to managing its liquidity and capital resources is essential in a current economic environment in which there is limited access to more expensive lines of credit. Following the widespread financial market distress, banks have significantly tightened their lending criteria in order to manage their own liquidity risk and maintain their regulatory capital ratios. These stricter lending terms may take the form of, among others:

- lending on the basis of stricter financial ratios;
- setting lower margins to compensate for the increase in the financing cost of lenders;
- shortening the maturity of loans and the early allocation of requiring borrowers to devote certaina portion of generated cash flows toward debt servicing, pursuant to cash sweep clauses;

- requiring the Company or subsidiaries to provide higher underwriting or guarantees; and
- imposing additional events of default, or eliminating flexibility or grace periods which could potentially contribute to avoiding the occurrence of an event of default.

Despite the liquidity support provided by central banks in Europe and the United States, as well as the preliminary signs which may be suggestive of recovery, international credit markets remain constrained compared to periods prior to 2008. Management therefore believes that the completion of the Restructuring will be critical to the Group's ability to continue to access debt financing necessary for the development of its pipeline of projects and its long-term growth.

10.2 SHAREHOLDERS' EQUITY – PORTION ATTRIBUTABLE TO THE GROUP

The Group's portion of shareholders' equity amounts to €150.5 million as of December 31, 2009, compared to €170.1 million as of December 31, 2008. This evolution is directly linked to the income loss experienced in the 2009 financial year (loss of €20.7 million).

10.3 NET FINANCIAL DEBT

Ever since the reorganisation of former management announced on September 29, 2008, the Group has focused on reducing debt in order to strengthen its balance sheet.

Net debt is calculated by subtracting current financial assets and cash and cash equivalents from current and non-current financial liabilities (including the position of interest rate hedging derivative instruments).

As of December 31, 2009, the Group held cash in the amount of €94.2 million, representing an increase of €3.4 million (i.e 3.7%) compared to €90.8 million as of December 31, 2008. This cash position as of December 31, 2008 represented a decrease of €235.4 million (i.e 72.2 %), as compared to €326.2 million as of December 31, 2007.

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

Loans from credit institutions	Year ended December 31				
	2009	2008	2007	2008	2007
	(published)	(restated)	(restated)	(published)	(published)
Project/Assets financing	238,688	337,091	312,508	337,091	315,107
Loan guaranteed by letter of credit	0	5,255	0	5,255	0
Working capital lines of credit	28,523	34,340	33,753	34,340	33,753
Total	267,211	376,686	346,261	376,686	348,860

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

Net debt	Year ended December 31				
	2009	2008	2007	2008	2007
	(published)	(restated)	(restated)	(published)	(published)
Loans from credit institutions	267,211	376,686	346,261	376,686	348,860
Convertible bonds OCEANEs	218,729	204,223	195,953	204,223	197,011
Other financial liabilities	4,540	8,338	377	8,338	3,524
Current financial assets	(236)	(296)	(1,127)	(296)	(798)
Cash and cash equivalents	(94,187)	(90,823)	(326,197)	(90,823)	(65,509)
Total	396,057	498,128	215,267	498,128	222,069

No element of the Group's indebtedness is subject to a financial rating by a credit rating agency.

10.3.1 OCEANEs

On October 23, 2007, the Group issued OCEANEs (or bonds convertible into and/or exchangeable for new or existing shares) in the total amount of €240.0 million, with a par value value of €20.80 each, including an issue premium of approximately 30% above the reference price of one share as of the date of issue (€16.00). The gross proceeds of the issue and subscription of the OCEANEs amounted to €240.0 million, representing a total of 11,538,462 OCEANEs (after exercise of the applicable extension clause and oversubscription option), and the net proceeds (after deducting expenses incurred in connection to the issue) were €233.6 million.

As of December 31, 2008, the Group had invested the full amount of the net proceeds of the issuance and subscription of the OCEANEs in:

Net proceeds on the OCEANE - convertible bond (in € million)	233
Acquisition of CED	42
Acquisition of Ecolutions	25
Investment in Italy (including the acquisition of Maestrale)	27
Investment in power plants in France	20
Support to BFR THEOLIA Naturenergien GmbH (formerly named Natenco)	80
Support to subsidiaries under development	11
Pledged cash (for the issuance of a credit letter in India)	10
Holding fees	18
Others	9
Financial instruments	(9)

Interest on the OCEANEs accrues at the rate of 2% per annum and is payable annually on January 1 of each year to the registered holders. The OCEANEs represent unsubordinated and unsecured bonds granted by the Company, ranking equally with all other unsecured debts of the Company (except for those which benefit from a preferential ranking pursuant to the law).

The OCEANEs will reach their maturity date on January 1, 2014 at a price of €22.54 each, or approximately 108.4% of their par value. Assuming that they are not converted into and/or exchanged for shares and that no requests for early redemption (mandatory or optional) occurs, the OCEANEs represent a yield at maturity of 3.25%.

The OCEANEs may be converted into or exchanged, at any time, for shares at an initial ratio of 1:1, until the seventh business day preceding the redemption date or the early redemption date, as the case may be. The initial share conversion ratio applicable to the OCEANEs may potentially be adjusted in the event that certain financial transactions are carried out.

Under the terms of their issuance contract, the OCEANEs are subject to early redemption upon an event of default as provided for under such terms, or at the option of either the Company or the Bondholders as from January 1, 2012. The original issuance contract of the OCEANEs also contains a cross-default provision: in the event of a default on payment or on the required early payment of a debt of at least €1 million contracted by the Company or a "Material Subsidiary" (defined as a subsidiary in which the Company holds more than a 50% equity stake of the authorized share capital and that accounts for at least 10% of the revenue or consolidated assets), the early redemption of the OCEANEs would be triggered.

If the market price of the shares continues to be much lower than the redemption price, the Company believes that it is highly probable that bondholders would request the early redemption of the OCEANEs on January 1, 2012.

In that event, the Company would face repayment obligations of up to €253.2 million, which would effectively represent a redemption price of €21.94 per bond, assuming early redemption of all outstanding OCEANEs. If bondholders were to request early redemption on January 1, 2012, the Company currently believes that it would be unable to cover the full amount of the corresponding sum, amounting to €253.2 million. As a result, it would have to seek creditor protection under French law and any resulting liquidation of the Group's assets could lead to significant value loss for shareholders.

For more information concerning OCEANEs and the Restructuring plan, see paragraph 9.1.4 of this Reference Document.

10.3.2 Project financing

When the Group establishes a new wind project, it typically forms a PSC that holds the assets of the project and is the debtor of the financing granted for the project. As of December 31, 2009, project financing accounted for €238.7 million, or 60.3 %, of the Group's net debt.

Financing documentation

PSCs typically sign debt financing agreements with banks. Such agreements offer no recourse or limited recourse against the parent company (please also refer to paragraphs 10.3.2 and 9.5.1). In certain cases however, the Company may be required to underwrite a financing deficit of the PSC during the construction phase of a project. These underwriting commitments, in most cases, take the form of comfort or support undertakings. In certain cases, for the purpose of renewable credit lines for the financing of the VAT associated with the construction, the Company can act as joint guarantor of its subsidiary with respect to a wind farm project. As of the date of this Report, the Company has undertaken no commitment to act in such capacity. For further details, please refer to paragraph 9.5.1.

These long-term financing agreements are designed to coincide with the applicable period pertaining to the electricity repurchase price guarantee or with the green certificate issuance period applicable to wind projects in accordance with national regulatory frameworks, which typically call for a term of 13 to 15 years.

Debt financing represents between 65% and 90% of the total investments costs of a project, it being specified that the remaining balance is financed through the Group's shareholders' equity.

Project financing is dependent on either fixed rate loans (in Germany and Morocco) or variable rate loans (in France and Italy). When the rate is variable, the debt is always subject to interest rate hedging via an interest rate exchange agreement bearing on 75% to 100% of the amount outstanding. As a result, as of December 31, 2009, nearly the full amount of the Group's project financing debt was hedged against adverse fluctuations in interest rates. The Group's hedging policy, as well as the conditions associated with the issuance of the hedging instruments, are described in more detail in paragraph 4.1.24 of this Reference Document.

Project financing is typically guaranteed by first rate security interests bearing on the underlying assets of the project. The shares of PSCs are also pledged to the lending banks. In addition, the Group's project financing techniques provide for the opening of reserve accounts and, in particular, a debt service reserve account, typically representing 6 months of debt servicing dates.

Project financing agreements generally contain representations and guarantees, and commitments made by the PSC and other entities of the Group (including the Company) and events of default that are customary for the type of financing.

Project financing agreements may also include financial covenants such as, in particular, the requirement to comply with financial ratios such as debt service coverage ratio and a debt-to-equity ratio. If the ratios are not maintained above an initial threshold, the relevant project PSC will be prohibited from carrying out distributions to its shareholders. If ratios are not maintained above a second (lower) threshold, the lenders may request the early payment of the debt. Cross-default clauses are included in certain contracts and intensify the impact of a default on the Group's debt. If a cross default clause is triggered, the Company could face a significant liquidity problem (see paragraph 4.1.3). These financial ratios are calculated by the Group and are subject to certification by the statutory auditors as set forth in the financial documentation.

The Group's policy is to continuously monitor compliance with commitments made by PSCs, in particular those made with respect to financial ratios.

Non compliance with ratios/ covenants

In the past, the Group has failed to comply with some financial covenants relative to certain financing agreements. Such failures to comply occurred, in particular, in Germany, France and Morocco in 2008 and 2009. This led the Group to restructure certain debts or to obtain temporary waivers from its creditors.

As such, in 2008:

- In France, as of December 31, 2008, the Group was not in compliance with the net debt ratio required within the framework of the financing of a wind farm representing a debt of 6.8 million. The Group therefore renegotiated the structure of this financing; and

- In Germany, given the decrease in revenue from the sale of wind farms in 2008, the Group was not in compliance with the debt-equity ratio required in order to preserve the credit line of €10 million granted to THEOLIA Naturenergien GmbH (formerly know as Natenco GmbH) for the financial year ended December 31, 2008. The lenders granted a temporary waiver with respect to the breach, given the exceptional nature of the 2008 financial year and in exchange for the addition of a supplementary financial covenant (debt / EBITDA < 3.00x).

Furthermore, as of June 30, 2009, the Group breached the following required financial covenants within the framework of the financing of two wind farms located in France and in Morocco:

- In France, the operational wind farm operated by Centrale Eolienne des Sablons ("CESA"), which had a debt of approximately €9.6 million, did not maintain its minimum debt service coverage ratio in the first half of 2009, due to weak wind conditions during this period. In the second half of the 2009 year, CESA did in fact comply with this ratio. THEOLIA carefully monitors this ratio.

- In Morocco, the wind farms in operation, which had a debt of approximately €4,9 million, did not maintain their minimum half-year debt service coverage ratio in the first half of 2009, due in particular to a discrepancy in cash flows between the first and second half-year. This ratio is now complied with in the second half of the year.

For each of the two wind farms above, no formal waivers were obtained from the lending banks (which could in theory claim a case of default resulting from non compliance with these ratios).

In addition, the terms of certain project financing agreements provide that the actions recently taken in connection with the Restructuring constitute events of default. The Group has obtained temporary waivers to address these events of default from the lenders concerned. Thus, for the following wind farms, the outstanding debt of which amounts to €59.9 million as of December 31, 2009, the temporary waivers obtained by the Group are as follows:

- Pursuant to the financing agreement for Centrale Eolienne des Sablons (CESA), Centrale Éolienne des Plos ("CEPLO"), the Centrale Éolienne du Moulin de Froidure ("CEMDF") and the Centrale Éolienne de Sallen ("CESAL"), the Company obtained a waiver which is effective until the earliest of the following four dates: (i) July 30, 2010 (ii) the date on which the Company does not comply with the announced timeline for the Restructuring (iii) 15 days following the payment-delivery of the capital increase to be completed in respect of the Restructuring and (iv) the end of the mandate of the special purpose trustee described in paragraph 9.1.4; and.

- Pursuant to the financing agreement for Centrale Eolienne de Seglien Ar Tri Milin ("CESAM") and for Centrale Eolienne de Fonds de Fresnes ("CEFF"), the Company obtained a waiver which is effective until July 31, 2010.

If the Company is unable to complete the Restructuring before July 31, 2010 and/or the special purpose trustee is still in office past this date, the lenders could request a repayment of their credits which could lead to a material adverse effect on the Group (for further information to paragraph 4.1.3)

Finally on December 31, 2009, the Company reorganized its activities in France. The Company sold 100% of the Ventura shares it held to THEOLIA France and, following this sale, Ventura and Natenco SAS were wound up triggering a universal transfer of their capital to THEOLIA France, without liquidation of these entities. Certain financing documents underline that this transaction constitutes an event of default. The Company has obtained waivers on which to protect itself from a lender judging the transaction as an event of default for all the financings of its wind farms in France. The entry into force of these waivers is conditional upon the borrowers undertaking to disclose information post-merger and to transfer the agreement and obtain the requisite authorization for use of the public roads.

As of the date of this Report, no PSC of the Group was subject to any request for the early repayment due to a default declared by lenders in question.

Accounting impact of non compliance with ratios/ covenants

In accordance with the IFRS norms (IAS 1), with respect to the consolidated financial statements for the financial year ended December 31, 2009, the Group carried out the reclassification of the current portion of the financial debt for which the Group defaulted during the 2009 financial year and that led to the granting of temporary waivers or for which the debt was not subject to waivers from the banks in question (up to the amount of the portion of these financial debts that had not already been accounted for as a current debt portion).

The financial debts concerned relate to the financing of the projects carried out by the companies CESA, CEPLO, CEMDF and CESAL in France, and of the company CED in Morocco.

The following table explains the variation of the current debt of the item "loans from credit institutions" from December 31, 2008 to December 31, 2009 and thus reveals the amount of financial debt reclassified in the current debt portion as of December 31, 2009:

Loans from credit institutions	Current portion (in millions of €)
Opening values as of 01/01/2009	**138,339**
Change in lines of credit (THEOLIA Naturenergien)	(12,509)
Reimbursements- operating wind farms	(27,916)
Reimbursements- operating wind farms sold in 2009	(41,277)
Change in current portion of long term loans (not including the loans related to the default clauses in the covenants)	2,255
Refinancing of CED	(5,261)
Loans being refinanced in 2008	(13,655)
Loans being refinanced in 2009	8,400
Bank debt of Wind Farms France (default event)	**59,941**
Current portion (according to payment plan)	4,855
Reclassification of the non current portion due to default event related to covenants	55,086
Bank debt of Wind Farms Morocco (default event)	**3,982**
Current portion (according to payment plan)	1,927
Reclassification of the non current portion due to default event related to covenants	2,055
Other movements	2,662
Closing values as of 12/31/2009	**114,961**

For more information, please also refer to note 21 of the schedules to the Group's consolidated financial statements as of December 31, 2009.

10.3.3 Other borrowings

As part of its wind farm construction and sale activities in Germany, the working capital requirements related to the construction cycle are financed both by the Group's operational cash flow and by corporate short-term bank loans or revolving credits. These loans are contracted by THEOLIA Naturenergien GmbH (formerly Natenco GmbH) and some of them benefit from a partial guarantee granted by the Company. As of December 31, 2009, the total amount of contracted corporate loans amounted to €28.5 million. As of that date, such loans represented a credit facility of €31.5 million, composed of one term credit of €10 million and three revolving credit lines totaling €21.5 million, of which a total of €18.5 million had been drawn (and of which €15 million benefitted from a guarantee granted by the Company). As such, €3 million remained available as of December 31, 2009.

As of December 31, 2009, the financial covenants on German corporate indebtedness are all respected.

Since the closing of the 2009 financial year, following the receipt of proceeds of the sale of wind farms, the amounts drawn on the revolving credit facilities have been partially repaid.

As of the date of this Reference Document, two banks providing corporate financing to THEOLIA Naturenergien GmbH (formerly named Natenco GmbH) decided to reduce their exposure and each lowered the maximum amount of their revolving credit from €10 million to €3 million, which corresponds to the amounts already drawn by THEOLIA Naturenergien GmbH.

As such, in February 2010, the lending bank Südwestbank AG ("Südwestbank") reduced a €10 million credit line it had granted to THEOLIA Naturenergien by an amount of €7 million, so that the maximum amount available under this facility was equal to the amount already drawn, i.e. €3 million. In accordance with the terms of the financing documentation, Südwestbank exercised its discretionary right to reduce the credit line at any moment, and indicated that it was concerned by uncertainties relating to recent management changes within the Company and THEOLIA Naturenergien. Following this reduction, another lending bank of the Group, Vorarlberger Landes und Hypothekenbank AG ("Vorarlberger) declared that THEOLIA Naturenergien had suffered from a significant deterioration in its financial position (*wesentliche Verschlechterung der Vermögensverhältnisse*) and, on this basis, in accordance with the terms and conditions of the credit facility, decided to reduce a €10 million credit line it had granted to THEOLIA Naturenergien by an amount of €7 million, in order to reduce the maximum amount available under this facility to the amount already drawn (or €3 million).

The terms of the agreements entered into with Südwestbank and Vorarlberger each require a guarantee in the amount of €7.5 million to be paid by the Company on behalf of THEOLIA Naturenergien's financial commitments.

In February 2010 Südwestbank stated in a letter that it would continue to extend th credit facility it granted to THEOLIA Naturenergien until June 30, 2010 (and would therefore not request its early payment) under the condition that the Restructuring is approved at the shareholders' meeting (which took place at the shareholders' meeting dated March 19, 2010). Südwestbank had also indicated that its decision would be influenced by whether or not relations between THEOLIA and its other banking partners remain stable and that Südwestbank reserves the right to meet the new management of THEOLIA Naturenergien in April 2010.

On April, 15, 2010, Südwestbank and Vorarlberger indicated that they were ready to review the terms and conditions of restoring the lines of credit granted to THEOLIA Naturenergien to their previous amount (or €10 million for each facility) contingent upon in particular completion of the share capital increase associated with the Restructuring and upon the appointment of new experienced management within THEOLIA Naturenergien.

Pursuant to the terms of the Südwestbank financing agreements, Südwestbank has the dicretionary right to cancel this facility. On its end, Vorarlberger could potentially consider that, despite the discussions it had with the Group, THEOLIA Naturenergien continues to suffer a significant deterioration in its financial position and, therefore, request the early repayment of the €3 million credit line.

If Südwestbank and/or Vorarlberger request the early repayment of the amounts drawn under their respective credit facilities, this could have a material adverse effect on the Group (please refer to paragraph 4.1.3 above).

10.4 WORKING CAPITAL

10.4.1 Working capital requirement

The Group faces a difficult environment and expects that the current uncertainty and volatility will continue to manifest itself on financial markets and on the economy over the next twelve months. Unexpected events may force the Group to seek additional resources in order to finance its working capital requirements. Because the Group is already heavily indebted, there can be no guarantee that it will be able to secure additional financing under acceptable terms – or even find any potential lenders at all.

The table hereafter presents the variation of the Group's working capital requirement for the indicated periods:

Variation of the working capital requirement	Year ended December 31			
(in € thousands)	2009	2008	2007	2007

	(published)	(published)	(restated)	(published)
Inventories	90,561	(137,229)	1,366	1,366
Clients	(5,092)	58,227	(47,766)	(47,766)
Suppliers	(39,066)	(24,095)	57,162	56,183
Other receivables and payables	7,878	(26,096)	(8,123)	(7,987)
Total	**54,280**	**(129,193)**	**2,639**	**1,795**

The working capital decreased by €54.28 million during the 2009 financial year, against an increase of €129.2 million in 2008.

These changes can mainly be explained by the following elements:

- Inventories had increased significantly in 2008 due to management's decision to suspend wind farm sales and, by contrast, decreased significantly (by €118 million) following the resumption of the "Develop, Operate and Sell" strategy;

- Trade receivables decreased by €58.2 million in 2008 owing to the payment of receivables related to the sale of wind farms in 2007 and the absence of sales in 2008. The resumption of sales in 2009 generated a limited increase of €8 million in trade receivables, as most of the sales were completed, and corresponding payments received, before December 31, 2009.

- In 2008 and 2009, trade payables decreased by €39.07 million. This decrease was due to the payment in 2008 and in 2009 for acquisitions made previously in 2007 and 2008;

- Other receivables and payables decreased by €8.7 million, due to deductible VAT related to the projects held in inventory and sold. In Germany, the reclassification of deposits on turbines causes a decrease of €10.6 million in the amount of receivables.

10.4.2 Warning procedure

By letter dated January 30, 2009, the Company's statutory auditors (Deloitte & Associés and Jean Jouve) stated that the Company's ability to maintain sufficient liquidity in order to continue in the development of its operations was conditional upon two significant elements:

- the Company's receipt of the sale price of the Thenergo securities, expected in early January 2009, in the amount of €15 million from HESTIUN; and

- the completion and receipt, in the month of January 2009, of sales transactions including, in particular, €81 million in Germany for the sale of a 54 MW wind farm, the payment of which has been progressively delayed (the Alsleben wind farm).

On January 30, 2009, the statutory auditors observed that no such income had been effectively achieved, and that it therefore appeared unlikely that, more or less in the short term, the Company could maintain the liquidity necessary to continue carrying out its ordinary activities. The statutory auditors concluded that the weakness of the Company's cash position constituted a factor likely to compromise the continuation of the Company's business operations, and decided to initiate a warning procedure ("*procédure d'alerte*") pursuant to Article L. 234-1 of the French Commercial Code.

By letter dated Frebruary 18, 2009, the Chairman of the Board of Directors, Mr Eric Peugeot, explained that the Company had implemented a strategy to reduce costs, associated with upstream cash inflows from its French and German subsidiaries from the end of December 2008 to February 2009 (€6.7 million) and a with an asset disposal plan currently in progress.

The Chairman of the Board of Directors also reiterated in this letter that the 2009 budget of the Group was built on the basis of limited recourse to external financing together with investment and costs control.

Through this letter, the Chairman of the Board of Directors of the Company also reiterated information regarding the status of advancement of various ongoing asset disposals undertaken by the Company in order to achieve a sufficient level of liquidity, in particular the launch of the sale of a number of wind farms representing a total of 46.9 MW in France and 100 MW in Germany, together with the sale of the environmental business line.

In addition, in the same letter, the Chairman of the Board of Directors also drew the attention of the statutory auditors to the fact that the Company had decided to take further measures to improve cash flow including, in particular:

- The sale of a wind farm in Germany with the company Windreich AG (which had agreed to provide financial support to THEOLIA Naturalenergien GmbH (formerly Natenco GmbH), enabling it to meet the financing needs of the wind farms under development there);

- Available cash upstream inflows from Morocco, France and Germany; and

- The search for new investors by HSBC in order to find new sources of finance.

Finally, the Chairman of the Board of Directors answered the questions raised by the statutory auditors. He emphasized that liquidity analyses were carried out in a constant manner in order to optimize the upstream cash inflows from subsidiaries, that liquidity forecasts were regularly reviewed at the management committee level of the holding company and sent to the Board of Directors, and that the forecasts and results effectively achieved from August 2008 to the end of January 2009 demonstrated THEOLIA's ability to justly evaluate the available cash forecasts at the holding company level.

He concluded that overall, and subject to the successful achievement of the divestment program implemented as of that date, the aggregate budget of available cash revealed the possibility for THEOLIA to self-finance its 2009 budget and that he believed to have addressed the statutory auditors' concerns as regards the sustainability of the Group's business operations.

At this point, the statutory auditors decided to cancel the warning procedure.

Over the course of the 2009 financial year, the plan for the disposal of assets and wind projects achieved the expected results, and the Group collected €15 million through the sale of its equity stake in Thenergo to the HESTIUN Group. The cash position of the Group is subject to a frequent review carried out by management and the Board of Directors of the Company.

10.5 CASH FLOWS AND CASH FLOW EQUIVALENTS

The following table sets forth selected consolidated cash flow data of the Group for the periods indicated:

Selected consolidated statement of cash flow data	Year ended December 31				
(in thousands of €)	2009	2008	2007	2008	2007
	(published)	(restated)	(restated)	(published)	(published)
Cash flow from operating activities	109, 233	(147, 725)	30, 093	(147, 725)	28, 885
Net cash flow generated by investment activities	(18, 139)	(73, 727)	(136, 663)	(73, 727)	(134, 658)
Net cash flow generated by financing activities	(87, 724)	(12, 184)	369, 459	(12, 184)	368, 663
Impact of exchange rate fluctuations	(8)	70	(111)	70	(111)
Change in cash and cash equivalents	3, 361	(233, 567)	262, 778	(233, 567)	262, 779
Cash and net cash equivalents at beginning of period	90, 819	325, 920	63, 142	325, 920	63, 142
Cash and net cash equivalents at closing of discontinued operations	-	1, 533	-	1, 533	-
Cash and net cash equivalents at end of period	94, 180	90, 819	325, 920	90, 819	325, 921

10.5.1 Comparison of the financial years ended December 31, 2009 and 2008

Cash flows from operating activities

The cash flow from operating activities amounts to €109.2 million in the financial year ended December 31, 2009, compared to a negative cash flow of (€147.7) million in the financial year ended December 31, 2008. This positive evolution can be explained by the resumption of sales, which generated operating cash.

Net cash flows generated by investment activities

The net cash flow generated by investment activities amounts a negative flow of (€18.14) million in the financial year ended December 31, 2009, compared to a negative cash flow (€73.72) million in the financial year ended December 31, 2008.

In 2009, this flow includes €23 million used for investments in the construction of wind farms, and an amount of €4.6 million invested in the advancement of the development of wind projects. The variation in loans and advances is positive by an amount of €26.7 million and results primarily from the reimbursement of the cash flow advances made to the PSCs in connection with the disposal of wind farms in France. Finally, the effects on cash flow of the acquisition and disposals of companies amount to €19.9 million, and result primarily from to the Company's sale of its Thenergo securities (+€15 million), payments of additional amounts on prices for Italian projects (-€24.3 million) and the acquisitions of minority shares (-€4.5 million).

Net cash flow generated by financing activities

Net cash flow generated by financing activities amounts to a negative flow of €87.7 million in the financial year ended December 31, 2009, compared to a negative cash flow of €12.2 million in the financial year ended December 31, 2008.

This negative balance was primarily due to:

- Loan subscriptions and other contracted debt for an amount of €37.5 million;
- The repayment of loans, amounting to (€110.3) million; and
- The payment of interests, amounting to (€15.3) million.

10.5.2 Comparison of the financial years ended December 31, 2008 and December 31, 2007

Cash flows from operating activities

Cash flows from operating activities amount to a negative flow of (€147.7) million in the financial year ended December 31, 2008, compared to a positive cash flow of €30 million in the financial year ended December, 31 2007. This evolution is primarily due to the absence of wind farm sales in the 2008 financial year resulting in the inventory build-up of multiple projects acquired yet not sold over the course of the year and the cancellation of the sales of a wind farm and a solar farm in Germany agreed to in 2007, resulting in the further retention of these projects.

The variation in working capital requirements associated with the operating activities is negative in the amount of (€129.2) million.

Net cash flows generated by investment activities

Net cash flow generated by the investment activities amounts to a negative flow of (€73.7) million in the financial year ended December 31, 2008, compared to a negative cash flow of (€136.7) million in the financial year ended December 31, 2007. It is distributed as follows:

- (€46.4) million used for the acquisition of tangible assets (investments in the construction of wind farms) and intangible assets (related to the ongoing development of wind projects);

- (€36.5) million with respect to the positive variation of the loans and advances, primarily due to the cancellation of the sales of the German subsidiary THEOLIA Naturenergien GmbH (formerly named Natenco GmbH) in 2007; and

- (€64.6) million with respect to impacts on of cash flows of variations in scope, mainly due to the acquisition of the Compagnie Eolienne du Détroit (CED) in Morocco in January 2008.

Net cash flows generated by financing activities

Net cash flow generated by the financing activities amounts to a negative flow of (€12.2) million in the financial year ended December 31, 2008, compared to a positive cash flow of €369.4 million in the financial year ended December 31, 2007. This negative balance is primarily due to:

- Loan subscriptions and other contracted debt in the amount of €102.3 million,

- The repayment of loans, amounting to (€91) million, and

- The payment of interests, amounting to (€24.5) million.

It should be noted that in 2007, the cash flows from financing activities benefited from the issuance of the OCEANEs.

10.6 Investments

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

Investments	Year ended December 31			
(in € thousands)	2009	2008	2007	2007
	(published)		(restated)	(published)
Intangible assets				
Project currently under development	4,753	4,637	3,548	3,548
Development cost	72	588	473	473
Software and similar rights	69	156	60	60
Other intangible assets	9	4,081	2	2
subtotal	4,903	9,462	4,083	4,083
Tangible assets				
Sites	20	37	271	271
Fixtures and fittings	36	617	499	499
Projects currently under construction	25,020	27,015	40,421	40,421
Technical installations	970	6,543	3,588	3,588
Assets placed in concession	-	328	-	-
Other tangible assets	149	1,028	2,044	2,044
subtotal	26,195	35,568	46,823	46,823
Total	**31,098**	**45,030**	**50,906**	**50,906**

Given the costs THEOLIA faces with respect to establishing a presence in Italy (costs of equipment and earn-out associated with the acquisition of Maestrale described in paragraph 6.1.2.2) and the progress of the Group's projects under development in Italy, the main portion of investments carried out by the Group were made in Italy over the course of the 2009 financial year. The Group intends to continue to follow this investment policy in Italy over the course of the 2010 financial year.

11. RESEARCH AND DEVELOPMENT

The Group is a developer, manufacturer and producer of renewable energy from wind turbines. Its technical expertise, and quality of developers (engineers or academics), financial experts and lawyers allows it to control all the various stages of the life cycle of a wind farm: development, turnkey construction, financing and operation in countries where the Group is active and, in particular, in complex environments. The Group's activity does not involve research and development activities or the possession of any specific patent and license.

The Seres Environment company, belonging to the THEOLIA Environment business line, specializes in the design and marketing of devices for measuring the quality of water and air.

As of December 31, 2009, the research and development costs incurred by this subsidiary totalled €474,742 compared to €588,000 as of December 31, 2008. Such costs relate primarily to the design of new devices – breathalyzers and instruments to measure and control the quality of water and air.

These costs are accounted for in the line intem of the balance sheet entitled "assets held for sale".

12. INFORMATION ON TRENDS

12.1 KEY DEVELOPMENTS SINCE THE BEGINNING OF FINANCIAL YEAR 2010

12.1.1 Composition of the general management

At the Board of Directors' meeting dated February 9, 2010, Eric Peugeot, Chairman of the Board of Directors, was appointed CEO of THEOLIA. At that same meeting, two chief officers, Jean-François Azam, COO and Francis Rivière, CFO, were also appointed.

Mr. Eric Peugeot replaced Marc van't Noordende who took office in September 2008, and was involved in the implementation of the first phase of strategic reorientation of the company.

These appointments follow the dismissal by the Company's Board of Directors of Marc van't Noordende, the former CEO, and Olivier Dubois, the former CFO. Indeed, the Board of Directors believed that a number of actions that could be attributed to these former officers had led to an irremediable loss of trust by the directors, thereby rendering their replacement necessary. These alleged actions include, in particular:

- failure to provide financial information to the Audit Committee as well as the lack of consultation with and information sent to the Audit Committee with respect to certain issues; and

- failure to provide the Board of Directors with reliable, accurate and detailed information on the Group's cash position and, more generally, deficiencies in financial reporting made to the Council.

Furthermore, the Board of Directors believed that the two former leaders no longer had the support of all parties concerned, even though such support was necessary, and that the appointment of Eric Peugeot as CEO was likely to promote the emergence of a majority of shareholders and bondholders that would be in favor of the financial Restructuring plan.

Mr van't Noordende and Mr Dubois have, within the litigation described in paragraph 20.8, disputed the legitimacy of the allegations made by the Board of Directors.

Fady Khallouf was then appointed CEO on May 20, 2010, Eric Peugeot keeping his function as Chairman of the Board of Directors.

12.1.2 Management priorities

The priorities of the new management team are described in paragraph 6.5.2 of this Reference Document.

12.1.3 Actions to position the Group for recovery

Actions to position the Group for recovery are described in paragraph 6.5.3 of this Reference Document.

12.1.4 General meeting of June 1st, 2010

THEOLIA's General Meeting of shareholders was held on June 1st, 2010, chaired by Mr. Eric Peugeot, Chairman of the Board of Directors. Shareholders, representing a quorum of 41.86%, approved by a very large majority almost all of the resolutions, including the parent company accounts and consolidated accounts for 2009. The ninth and tenth resolutions, related to the allocation of free shares and the share capital increase in favor of the employees, have been rejected. "*I am proud of the work that has been accomplished these last months, because among other things, each step of the financial restructuring has been led with success and I am confident in our ability to complete our capital increase*" indicated Eric Peugeot, Chairman of the Board. "*My goal in accepting to become CEO of THEOLIA is first of all to build an industrial group by positioning the company with a strategy for tomorrow with selective and profitable investments, a high performance management; we have great ambitions for this company and the capital increase should give us the means to the level of our ambitions*" Fady Khallouf, CEO of THEOLIA, wished to point out.

12.2 FUTURE PROSPECTS

In the course of financial year 2009, the management team carried out a full reorganization of the Group, including a complete review of its strategy, its geographical positioning and its operations.

The Group chose to concentrate exclusively on the wind sector, within which it is positioned as a major developer of wind projects, across the entire wind power value chain. Its current major markets include Italy, France and Germany. Due to their significant growth potential, the Group has identified Morroco, India and Brazil as potential areas for future development.

This decision involves the sale or closure of all non-wind subsidiaries or activities. As of the date of this Report, this divestment is at various stages of maturity and the Group will be focusing on completing the process in 2010.

Positioned in a growing market, supported by a long-term tendency towards the strengthening of policies aimed at environmental protection and the promotion of green energy, the Group has a significant portfolio of wind projects under development as of March 31, 2010, totaling 2,142 MW distributed across 5 selected countries, enabling it to support its future ambitions.

Currently restricted 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, with the continuation of the Group's traditional trading activities in recently-installed wind capacity in Germany.

THEOLIA aims to be a major independent developer of wind projects with the possibility of growth outside of Europe in certain countries with significant growth potential.

The Group is assigning particular importance to the introduction of 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 in this respect.

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 for the divestment of non-strategic activities on the one hand, and the program launched at the beginning of 2009 to sell over 200 MW of wind farms and projects and successfully completed through the sale of 234 MW, on the other.

The Group is in the process of carrying out the financial Restructuring of its corporate debt (as described in paragraph 9.1.4), which could enable THEOLIA to expand its current activities and to finance its future development.

The successful completion of all of these sales plans, the situation of the financial markets and the Restructuring of the Company's debt are decisive factors with respect to the future financial condition, business and profitability of the Group.

13. PROFIT FORECASTS AND ESTIMATES

The Company does not wish to maintain the forecasts made in July 2009, supplied to the main bondholders within the scope of negotiations for the restructuring of the OCEANEs 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 GENERAL MANAGEMENT

14.1 COMPOSITION AND OPERATION OF THE MANAGEMENT AND CONTROL BODIES

14.1.1 Composition of corporate bodies

14.1.1.1 Board of Directors

As of the date of this Reference Document, the THEOLIA Board of Directors comprised 9 members:

- Mr. Eric PEUGEOT, director and Chairman of the Board of Directors;
- Mr. Gérard CREUZET, director;
- Mr. Philippe DOMINATI, director;
- Mr. Louis FERRAN, director;
- Mr. Fady KHALLOUF, director and CEO;
- Mr. Georgius J.M.HERSBACH, director;
- Mr. Philippe LEROY, director.
- Mr. Jean-Pierre MATTEI, director; and
- Mr. Michel MEEUS, director;

14.1.1.2 Committees of the Board of Directors

During the 2009 and 2010 financial years, the Board of Directors assigned three specialized Committees for the preparation of its deliberations: the Audit Committee, the Strategy Committee and the Nominations and Remuneration Committee.

The composition and the missions and the activities of these Committees are detailed in the Internal Control Report released by the Chairman of the Board of Directors, which can be found in paragraph 16.4.4 of this Reference Document.

14.1.1.3 General management

The Board of Directors decided to separate the duties of Chairman and CEO by appointing alongside Mr. Eric Peugeot, Chairman of the Board of Directors, Mr. Fady Khallouf to the position of CEO of THEOLIA from May 20, 2010. The CEO is assisted by two deputies: Jean-François Azam, the Chief Operating Officer, and François Rivière, the Chief Financial Officer.

14.1.2 List of offices and roles of the corporate officers

14.1.2.1 Directors

First name, last name, 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 Group	Main appointments and roles outside the Company over the last 5 years, now expired
Éric Peugeot Le Four à pain, 4 chemin des Palins 1273 Le Muids (Vd), Switzerland Age 54	GSM dated April 14, 2006	GSM called to approve the accounts of the financial year endingDecember 31, 2011	Chairman of the Board of Directors of THEOLIA since September 29, 2008 CEO from February 9, 2010 to May 20, 2010.	Chairman of the Board of Directors of THEOLIA Director of THEOLIA	Chairman and Director of Peugeot Belgique (1) Chairman of Peugeot Nederland NV (1) Chairman and Director of Peugeot Portugal Automoveis (1) Director of Peugeot Frères SA, La Française de Participations Financières SA, Immeubles et Participations de l'Est SA, SKF France SA and HESTIUN Group (1)	None
Louis Ferran * Chalet DIVA 5 – 32 Route de Sommets de Crans – Canton du Valais – 3963 Crans – Montana, Switzerland Age 64	GSM dated April 14, 2006	GSM called to approve the accounts of the financial year ending 31 December 2011	None	Vice Chairman of the Board of Directors of THEOLIA Director of THEOLIA Chairman of the Nominations and Remunerations Committee	Director and managing director of Rocimmo SA (1) , Alfy SA (1), Mavirofe SA (1), Piasdi SA (1) and DBI Helvetia (1)	Director of Granit SA
Georgius J.M. Hersbach Nieuw Loosdrechtsedijk 227 1231 KV Loosdrecht, Netherlands	GSM dated April 14, 2006	GSM called to approve the accounts of the financial year ending December 31, 2011	None	Director of THEOLIA Member of the Nominations and Remunerations Committee Permanent representative of THEOLIA,	Chairman and CEO of Heartstream Group B.V. (1) Chairman and CEO of Heartstream Corporate Finance B.V. (1) Chairman and CEO of Heartstream	Vice Chairman of the Supervisory Board of Global Interface SA

First name, last name, 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 Group	Main appointments and roles outside the Company over the last 5 years, now expired
Age 57				member of the Supervisory Board of Ecolutions GmbH & Co. KGaA (1)	Capital B.V. Member of the Board of Directors of NovaRay Medical, Inc. (1) Member of Stategic Board of UE CIP	
Philippe Dominati * (2) 15 rue Vaugirard, 75291 Paris Cedex 06, France Age 55	GSM dated June 11, 2009	GSM called to approve the accounts of the financial year ending December 31, 2011	None	Director of THEOLIA Member of the Audit Committee Member of the Strategy Committee	Acting Vice Chairman of the Supervisory Board of Téléperformance SA, Member of the Remunerations Committee of Téléperformance SA, Chairman of the Supervisory Board of Teleperformance France, Manager (gérant) of Isado SARL	Director of SLE Caisse d'Epargne Ile de France
Jean-Pierre Mattei * (2) 34 avenue Montaigne, 75008 Paris, France Age 59	Board of Directors Meeting dated September 22, 2009	GSM called to approve the accounts of the financial year ending December 31, 2011	None	Director of THEOLIA Member of the Audit Committee	Director of Groupe Eurotunnel SA, Groupe Floirat SA, Petites Affiches SA and of La Gazette du Palais Chairman of SAS Fimopar (Financière Immobilière Participations)	Director of Banque Palatine
Philippe Leroy* (2) 88, rue de l'Université 75007 Paris ,France Age 51	Board of Directors meeting dated of November 6, 2009	GSM called to approve the accounts of the financial year ending December 31, 2011	None	Director of THEOLIA Chairman of the Audit Committee	Chairman and CEO of Détroyat & Associés Director of 1855 SA	None
Michel Meeus 1, Escalier de l'Inzernia 83000 Monaco,	GSM dated March 19, 2010	GSM called to approve the accounts of the financial year ending	None	Director of THEOLIA	Director of Alcofinance SA (1), Alcogroup SA (1), and S.A.D. SA (Société des Alcools	None

First name, last name, 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 Group	Main appointments and roles outside the Company over the last 5 years, now expired
Monaco Age 57		December 31, 2012			Dénaturés) Deputy Director of Alcodis SA (1) (through Solis Mngt & Consulting SA (1))	
Gérard Creuzet* 8, rue Duguay-Trouin 75006 Paris, France Age 57	GSM dated March 19, 2010	GSM called to approve the accounts of the financial year ending December 31, 2012	None	Director of THEOLIA Chairman of the Strategy Committee	Advisor to the Chairman of VEOLIA Environnement SA	Chairman of the Board of Directors of EDF Développement Environnement and EDF-Trading Director of EDF-International, EDF-Energy and Groupe Martec Member of the Supervisory Board of Dalkia Chairman of the SAS des Polymères Barre Thomas
Fady Khallouf* 102, boulevard de Courcelles 75017 Paris, France Age 49	GSM dated March 19, 2010	GSM called to approve the accounts of the financial year ending December 31, 2012	None	CEO (since May 20, 2010) and director of THEOLIA Member of the Strategy Committee	Restructuring and strategy consultant	Deputy director (CEO) of the Tecnimont Group (1) Strategy and Development Manager of the Edison Group (1) Director of Edipower (1), Edison Trading (1) and Edison Energia International Water Holdings(1)

Appointments of Messrs. Mattei and Leroy by the Board of Directors were ratified by the ordinary shareholders' meeting dated March 19, 2010 pursuant to Article L 225-24 of the French Commercial Code.

**independent directors*
(1) Foreign companies

(2) The Board of Directors believes that the existence of a contract entered into by Messrs Dominati, Mattei and Leroy with a view to carry out an exceptional mission, does not question their independence, insofar as the amounts payable to them under such contract, do not qualify as remuneration, but correspond to compensation paid to them for the completion of missions entrusted to them in an exceptional context that by their very nature will not give rise to a conflict of interes, and instead represent an extension of their duties as directors.

The following table lists the terms of office and roles occupied over the course of the last five years by the directors of the Company who were appointed as corporate officers over the course of the 2009 financial year, but who were no longer in office as of the date of publication of this Reference Document.

First name, last name 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
Stéphane Garino 28, boulevard de Belgique 98000 Monaco, Monaco Age 36	GSM datedf April 14, 2006	May 30, 2009	Chairman of the Audit Committee	Director of THEOLIA until May 30, 2009	Director of ACTIS SA Monégasque Director of Thenergo Director of GRE Holding
Arne Lorenzen 75 rue Denis Papin BP 80199 13795 Aix-en-Provence cedex 3, France Age 46	GSM dated April 14, 2006	February 11, 2009	COO	Director of THEOLIA 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 Administrateur de la Compagnie Eolienne du	None

First name, last name 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
				Détroit Director of THEOLIA Emerging Markets Director of THEOLIA Maroc Director of THEOLIA Maroc Services Director of Tanger Med Wind	
Philippe Perret 51 rue Arnould - Villa 23 13011 Marseille France Age 46	GSM dated April 14, 2006	January 21, 2009	CFO until September 30, 2008	Director of THEOLIA until January 21, 2009	Director of Mandarine Group Director of Global Eco Power
SPRL Sofinan Company governed by the laws of Belgium Leopoldlei 94 B2930 Brasschaat, Belgium Represented by Norbert Van LEUFFEL Age 65	GSM dated October 13, 2006	October 13, 2009	None	Director of THEOLIA until October 13, 2009 Member of the Audit Committee	Director of Thenergo, of which the permanent representative is Mr. Norbert VAN LEUFFEL, until March 24, 2009 Chairman of the Board of Directors of Thenergo, of which the permanent representative is Mr. Norbert VAN LEUFFEL, since 24 March 2009
Willi Balz Friedrichstr. 16/1 - 72649 Wolfschlugen - Germany Age 49	GSM dated June 11, 2009	October 17, 2009	None	Director of THEOLIA until October 17, 2009	Manager of Natenco-Natural Energy Corporation GmbH, Financial Consulting GmbH, Windreich AG GmbH and Wetfeet Windenergy Holding GmbH

First name, last name 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
					Director of Führländer AG
Marc van't Noordende	GSM dated June 11, 2009	March 19, 2010	CEO until February 9, 2010 and Director until March 19, 2010	CEO and director of THEOLIA Permanent representative of THEOLIA (Chairman) for Ecoval Technologie SAS Chairman of Maestrale Green Energy Director of THEOLIA Emerging Markets, THEOLIA Maroc, Tenger Med Wind and THEOLIA Maroc Services Manager of THEOLIA Holding GmbH and THEOLIA Naturenergien GmbH Permanent representative of THEOLIA (member of the supervisory board) in Ecolutions GmbH & Co (as of the date of this Reference Document, M. Van't Noordende is no longer in office)	CEO 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

14.1.2.2 CEO, COO and CFO

First name, last 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 Group	Main appointments and roles outside the Group over the last 5 years, now expired
Fady Khallouf	See paragraph 14.1.2.1above					
Jean-François Azam 75 rue Denis Papin, 13100 Aix en Provence, France Age 45	February 9, 2010	Indefinite term	COO	President of THEOLIA France SAS Chairman and CEO of THEOLIA Emerging Markets / Compagnie Eolienne du Détroit/ THEOLIA Maroc / Tanger Med Wind / THEOLIA Maroc Services Officer of all PSCs owned by the Group in France Geschäftsführer of THEOLIA Naturenergien GmbH / THEOLIA Holding GmbH / THEOLIA Deutschland GmbH / THEOLIA Windpark 1 Management GmbH Director of Maestrale Green Energy	None	CEO of Ginger Bâtiments d'Activités SAS
François Rivière 75 rue Denis Papin, 13100 Aix en Provence,	February 9, 2010	Indefinite term	CFO	Manager of Windream One / Permanent representative of the Chairman of THEOLIA SA within Ecoval	Chairman of Belair Group Manager of FL Senoch	CEO of V.E.V. Chairman-CEO of SGQ Chairman-CEO of Lainière Holding

First name, last 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 Group	Main appointments and roles outside the Group over the last 5 years, now expired
France Age 56				Technology Future positions: Chairman and CEO and director of Therbio SA / Chairman-CEO of Ecoval 30		Liquidator of Pingouin SA Chairman-CEO of Intexal Participations International Chairman-CEO of V.E.V. Services

14.2 CONFLICTS OF INTEREST AFFECTING THE ADMINISTRATIVE BODIES AND GENERAL MANAGEMENT

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 CEO, COO and CFO and their private interests and/or other duties.

15. COMPENSATION AND BENEFITS

15.1 COMPENSATION OF EXECUTIVE CORPORATE OFFICERS OF THE COMPANY

15.1.1 Summary table of the compensation, options and shares granted to each executive corporate officer of the Company (in € thousands)

The following tables have been drawn up in accordance with the AFEP-MEDEF recommendations. They provide details regarding the amount of compensation paid and the benefits in kind granted by the Company and its subsidiaries over the course of the financial year ended December 31, 2009, to the Chairman, the Chief Executive Officer and Deputy Chief Executive Officer.

Summary table of the compensation, options and shares granted to each executive corporate officer (in € thousands):

Eric Peugeot, Chairman since September 29, 2008 (became Chief Executive Officer on February 9, 2010)	**FY 2008**	**FY 2009**
Compensation in cash		
Compensation due in respect of the financial year (attendance fees)	67.5	97
Other non-cash allocations		

Valuation of options allocated in respect of the financial year	94	-
Valuation of performance shares allocated in respect of the financial year (1)	-	-
Total	**161.5**	**97**

Marc Van't Noordende, Chief Executive Officer from September 29, 2008 to February 9, 2010	**FY 2008**	**FY 2009**
Compensation in cash		
Compensation due in respect of the financial year (fixed compensation)	195 (1)	572 (2)
Compensation due in respect of the financial year (variable or exceptional compensation)		(3)
Total	195	683
Other non-cash allocations		
Valuation of options allocated in respect of the financial year	-	-
Valuation of performance shares allocated in respect of the financial year	-	2,188
Total	**195**	**2,760**

Olivier Dubois, Deputy CEO from May 1, 2009 to February 9, 2010	**FY 2008**	**FY 2009**
Compensation in cash		
Compensation due in respect of the financial year (fixed compensation)	-	133
Compensation due in respect of the financial year (variable or exceptional compensation)	-	(3)
Total	-	173
Other non-cash allocations		
Valuation of options allocated in respect of the financial year	-	-
Valuation of performance shares allocated in respect of the financial year	-	1,047
Total	**-**	**1,180**

(1) Within the scope of a services contract in respect of the interim management. Amount excluding tax.

(2) Including €275,000 related to the interim management. Amount excluding tax.
(3) Considering the conditions under which Marc van't Noordende and Olivier Dubois left their positions in February 2010, the Company does not intend to pay them an additional compensation in respect of the variable portion of their remuneration for FY 2009. As a precaution, the Company has however provisioned €111,000 for Mr. van't Noordende and €40,000 for Mr. Dubois in the consolidated accounts for the financial year ended December 31, 2009. Mr. van't Noordende and Mr. Dubois have initiated a litigation before the Tribunal of Commerce of Aix-en-Provence in order for the Company to be sentenced to pay them €129,334 and €49,334 respectively (plus interests) as for their additional variable compensation for 2009 (see paragraph 20.8).

It is hereby reminded that the valuation of options (equity subscription warrants) and performance shares (free shares) granted over the course of the financial year do not constitute compensation in cash and have no impact on the Group's cash position.

The valuation of the performance shares is made based on the share price on the date of allocation: €3.40 for the shares allocated on December 17, 2009 (since these shares were allocated under conditions of performance and attendance and the probability of their allocation was evaluated at 77%, the share value was reduced accordingly), €3.12 for the 199,426 shares granted on June 11, 2009, €18.69 for the 100,000 shares granted free of charge on January 8, 2008 and €18.45 for the 56,215 shares granted free of charge on February 6, 2007. It is hereby reminded that the THEOLIA share price was €3.04 for at the closing of the financial year ended December 31, 2008.

The valuation of the equity subscription warrants (*bons de souscription d'actions*, or "BSA(s)") was made on the date of allocation using the Black and Scholes model or, where appropriate, the model developed by J. Hull and A. White, allowing the fair value of the option to be determined.

Mr. Rivière (CFO), Mr. Azam (COO) and Mr. Fady Khallouf (CEO) do not appear in the above table because they were not corporate officers of the Company in 2009 (they were appointed in February and May 2010).

15.1.2 Summary table of the compensation of each executive corporate officer (in € thousands)

Eric Peugeot, Chairman since September 29, 2008	Amounts in respect of FY 2008		Amounts in respect of FY 2009	
	Due	Paid	Due	Paid
Fixed compensation	-	-	-	-
Variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Attendance fees	67.5 (paid in 2009)	0	97	76
Benefits in kind	-	-	-	-
Total	**67.5**	**0**	**97**	**76**

Marc van't Noordende, CEO from September 29, 2008, to February 9, 2010	Amounts in respect of FY 2008		Amounts in respect of FY 2009	
	Due	Paid	Due	Paid
Fixed compensation (1)	195 (1)	195 (1)	275 (1)	275 (1)
Fixed compensation	-	-	297	297
Variable compensation	-	-	(2)	-
Exceptional compensation	-	-	-	-

Attendance fees	-	-	-	-
Benefits in kind	-	-	3	3
Total	**195**	**195**	**575** (3)	**575**

Olivier Dubois, Deputy CEO from May 1, 2009, to February 9, 2010	Amounts in respect of FY 2008		Amounts in respect of FY 2009	
	Due	Paid	Due	Paid
Fixed compensation	N/A	N/A	133	133
Variable compensation	N/A	N/A	(2)	-
Exceptional compensation	N/A	N/A	-	-
Attendance fees	N/A	N/A	-	-
Benefits in kind	N/A	N/A	2	2
Total	**N/A**	**N/A**	**135** (3)	**135**

(1) Within the scope of a service contracts in respect of the interim management. Amount excluding tax.
(2) Considering the conditions under which Marc van't Noordende and Olivier Dubois left their positions in February 2010, the Company does not intend to pay them an additional compensation in respect of the variable portion of their remuneration for FY 2009. As a precaution, the Company has however provisioned €111,000 for Marc van't Noordende and €40,000 for Olivier Dubois in the consolidated accounts for the financial year ended December 31, 2009. Mr. van't Noordende and Mr. Dubois have initiated a litigation before the Tribunal of Commerce of Aix-en-Provence in order for the Company to be sentenced to pay them €129,334 and €49,334 respectively (plus interests) as for their additional variable compensation for 2009 (see paragraph 20.8).
(3) Restated line compared to the information in the 2009 Annual Financial Report.

Mr. Rivière (CFO), Mr. Azam (COO) and Mr. Fady Khallouf (CEO) do not appear in the above table because they were not corporate officers of the Company in 2009 (they were appointed in February and May 2010).

15.1.3 Attendance fees allocated to each executive corporate officer of the Company (in € thousands)

	Attendance fees allocated in respect of FY 2008	Attendance fees allocated in respect of FY 2009
Eric Peugeot, Chairman since September 29, 2008 and Chief Executive Officer from February 9, 2010 to May 20, 2010	67.5	97
Marc van't Noordende, Chief Executive Officer from September 29, 2008 to February 9, 2010	-	-
Olivier Dubois, Deputy CEO from May 1, 2009, to February 9, 2010 (not a director)	N/A	N/A
Total	**67.5**	**97**

Since September 29, 2008, the Company introduced a fixed compensation system for directors, establishing attendance fees as the only compensation received by directors. Some directors received exceptional compensation in 2010 (see paragraph 15.2.3 below).

15.1.4 Stock Options

The Company did not grant any stock options during the 2009 financial year and no stock options were exercised during the 2009 financial year by the executive corporate officers of the Company.

15.1.5 Performance shares

The following table shows summary of the free shares granted by the Company to its executive corporate officers during the 2009 financial year (it being specified that no free shares became available to them during the 2009 financial year):

	Eric Peugeot, Chairman since September 29, 2008	**Marc van't Noordende**, CEO from September 29, 2008, to February 9, 2010	**Olivier Dubois**, Deputy CEO from May 1, 2009, to February 9, 2010
Plan date	-	2009-2011	2009-2011
Grant date(s)	-	06/11/2009 and 12/17/2009	12/17/2009
Number of free shares granted during the year	-	797,704 (including: 199,426 shares allocated on 06/11/2009 598,278 shares allocated on 12/17/2009)	400,000
Valuation of shares according to the method adopted for the consolidated accounts (in € thousands)	-	2,188 (including: 622 for the shares allocated on 06/11/2009 1,566 for the shares allocated on 12/17/2009)	1,047
Acquisition date	-	06/11/2011 and 12/17/2011	12/17/2011
Date of availability	-	06/11/2013 and 12/17/2013	12/17/2013
Performance conditions	-	Yes, except for the shares allocated on 06/11/2009 (see below)	Yes (see below)

All of the free shares granted to Mr. Marc van't Noordende and Mr. Olivier Dubois are covered by a contractual mechanism providing protection against any transaction on the Company's share capital successfully completed prior to April 1, 2011. Consequently, if the amount of the share capital changes between June 1, 2009 and April 1, 2011, Messrs. Marc van't Noordende and Olivier Dubois must be granted an additional number of free shares by the Board of Directors in order to maintain the level of their equity holdings in the Company's share capital, amounting to 2% of the share capital for Marc van't Noordende and to 1% of the share capital for Olivier Dubois as of the grant date of the aforementioned shares. The free shares that would be granted under this adjustment mechanism would be assigned on a pro-rated basis to each of the reference years of the free shares already granted (2009, 2010 and 2011, as appropriate).

The 598,278 free shares granted to Mr. Marc van't Noordende and the 400,000 free shares granted to Mr. Olivier Dubois were granted subject to attendance conditions and to the satisfaction of a number of performance criteria related to the achievement of goals of a financial nature, particularly in terms of net profit and gross operating surplus (EBITDA) over the course of the financial year in question compared to budget amounts or if applicable, a business plan defined by the Company and to the success of the financial restructuring plan (described in paragraph 9.1.4). The corporate office agreements of Marc van't Noordende and Olivier Dubois provide that the grant of these free shares will be considered as definitive in the event of their dismissal by the Company. Mr. Marc van't Noordende and Mr. Olivier Dubois have initiated a litigation before the Tribunal of Commerce of Aix-en-Provence in order for the Company to be sentenced to allocate them on December 17, 2011 (under constraint of €500 a day for late payment) all of the free shares (with the application of the anti-dilution mechanism (see paragraph 20.8.3) However, the Company reserves the right to use the legal means at its disposal to dispute the definitive allocation of these shares.

In addition, pursuant to the agreements on the renewal of his appointment as CEO after the interim management period, the Board of Directors' meeting dated June 11, 2009 granted 199,426 free shares to Marc van't Noordende, subject to no specific performance or attendance conditions. However, these free shares also benefit from the aforementioned contractual anti-dilution mechanism.

Lastly, Article L.225-197-6 of the Commercial Code (which provides that for companies listed on a regulated market, shares may only be granted free of charge if the company in question met at least one of the following conditions over the course of the accounting period during which the free shares were granted (i) the company grants free shares to all of its employees and to at least 90% of the employees of its subsidiaries; (ii) the company grants options to all of its employees and to at least 90% of the employees of its subsidiaries; or (iii) a profit sharing agreement is in force within the company and covers at least 90% of the employees of its subsidiaries) applies to allotments of free shares authorized at an extraordinary general meeting held after December 3, 2008. The allotments made by the Company, as mentioned above, were authorized by the general meeting of shareholders held on May 30, 2008 (20th resolution, cf. paragraph 21.1.5) and thus not required to comply with the provisions of Article L.225-197-6 of the Commercial Code. These provisions will be applicable to any allotments of free shares made under the delegation of authority that may be granted by any shareholders' meeting in the future.

15.1.6 Compensation of the new managers

Eric Peugeot, CEO (from February 9, 2010 to May 20, 2010)

Eric Peugeot agreed to receive all compensation for his duties as CEO of the Company in the form of free shares (excluding any fixed and/or variable compensation in cash): as such, the Company granted him 80,000 free shares on February 22, 2010 subject to no performance conditions, insofar as they constitute his sole compensation as CEO, but subject to attendance conditions: he will be granted 50,000 shares if he is still in office within the Group on June 30, 2010 and 30,000 shares if the is still in office within the Group on December 31, 2010. Further, he will receive an exceptional compensation for the 2010 financial year in the form of 100,000 additional shares granted to him under the conditions that restructuring plan is successfully completed.

Jean-François Azam, COO

Jean-François Azam, appointed as COO following the Board of Directors' meeting held on February 9, 2010, receives a gross annual compensation, for his duties as COO, of €210,000, as well as variable compensation representing up to 50 % of his gross fixed annual compensation, which varies according to annually fixed targets (the targets for 2010 are to be determined by the Board of Directors as soon as a new plan of action is approved by general management).

Mr. Azam also benefits from free shares that were granted to him by the Board of Directors of the Company while he was an employee of THEOLIA France, on December 17, 2009:

- 10,000 free shares granted as an exceptional bonus without attendance or performance conditions in recognition of his efforts during the recovery of the Company; and
- 30,000 shares for each of the 2009, 2010 and 2011 financial years, i.e. a total of 90,000 shares subject to attendance and performance conditions.

For these 90,000 free shares: in the event of the termination of his mandate as corporate officer before December 31, 2011, Mr. Azam will be entitled to receive a number of free shares calculated on a pro-rated basis, subject to meeting certain performance criteria. However, pursuant to the rules of the 2009-2011 free shares plan, the conditions governing this grant of free shares will automatically be deemed to have been met in full in the event of the completion of a transaction (i) that triggers a change in control within the meaning of Article L. 233-3 of the French Commercial Code and (ii) that did not receive a favorable opinion from the Board of Directors of THEOLIA. These 100,000 free shares granted to Mr. Azam benefit from a protection mechanism against the decrease in value of the share price of THEOLIA, in particular in the event of a reserved capital increase.

François Rivière, CFO

François Rivière, appointed as CFO following the Board of Directors' meeting held on February 9, 2010, receives a gross annual compensation, for his duties as CFO, of €290,000, as well as variable compensation representing up to 40% of his gross fixed annual compensation, which varies according to annually fixed targets (the targets for 2010 are to be determined by the Board of Directors as soon as a new plan of action is approved by general management).

In addition, Mr. François Rivère will receive a welcome bonus amounting to €92,800. This bonus will be paid to him in 2010 in four instalments, each of which is to be carried out at the end of each quarter.

15.1.7 Additional information

	Employment contract in 2008		Supplementary pension system		Indemnities or benefits due or potentially due as a result of termination or change of duties		Indemnities relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Eric Peugeot, Chairman since September 29, 2008, and CEO from February 9, 2010 to May 20, 2010		X		X		X		X
Marc van't Noordende, Chief Executive Officer from September 29, 2008, to 9 February 2010		X		X		X	X(1)	
Olivier Dubois, Deputy CEO from May 1 2009, to February 9, 2010		X		X		X	X(1)	
François Rivière, CFO since February 9, 2010		X	X (2)			X(5)	X (3)	
Jean-François Azam, COO since February 9, 2010	X (4)		X(2)			X(5)	X (3)	

(1) The indemnities payable in respect of the non-compete clauses concluded by the Company with each of its former corporate officers, namely Marc van't 'Noordende and Olivier Dubois, amount to 18 months' gross fixed compensation (including the "impatriation" bonus) for Marc van't Noordende and to 12 months' gross fixed compensation for Olivier Dubois: these indemnities are, however, not due in the event of serious misconduct or gross negligence on their part. The contracts concluded with these officers also provide that the Company has the right to extend the duration of the non-compete obligation for an additional six months (Marc van't 'Noordende) or twelve months (Olivier Dubois), if requested before the end of the first year. If such a request is made, the Company will then have to pay the officer an additional non-compete indemnity in an amount equal to six months' gross fixed compensation (including the "impatriation" bonus for Marc van't Noordende). Given the conditions under which Marc van't 'Noordende and Olivier Dubois left the Company, the Company does not intend to pay them non-compete indemnities. The former officers have challenged this decision in a litigation described in paragraph 4.1.10 and claim the payment of their non-compete indemnities of €594,000 for Marc van't Noordende and €200,004 for Olivier Dubois, in each case increased by interests.
(2) François Rivière and Jean-François Azam benefit from the complementary and compulsory pension and insurance schemes applicable within the Group, i.e MEDERIC (complementary retirement) and IPEGA and AGE (insurance).
(3) The indemnity due under the non-compete clauses signed between the Company and Jean-François Azam amounts to (i) 24 months of gross fixed remuneration for a termination before April 1, 2011; to (ii) 18 months for a termination between April 2, 2011 and April 1, 2012 and to (ii) 12 months if the termination takes place afterwards. Should a final and non-appealable court decision consider that Mr Azam's termination was due to a serious misconduct, he will be required to reimburse the Company in the amount of this non-compete indemnity. The indemnity due under the non-compete clauses signed between the Company and François Rivière amounts to 18 months compensation of gross fixed remuneration. Should a final and non-appealable court decision consider that Mr Rivière's termination was due to a serious misconduct, he will be required to reimburse the Company in the amount of this non-compete indemnity.
(4) Before his appointment as COO

(5) François Rivière and Jean-François Azam benefit from unemployment insurance set up by the Group.

The Group has not made any commitments to its officers relating to indemnities or benefits due or that may potentially become due as a result of their termination or a change in their duties or subsequent thereto.

15.2 Compensation of the Company's non-executive directors and officers

15.2.1 Compensation, benefits in kind and attendance fees paid to each non-executive Company director and officer during the course of the 2009 financial year (*)

(in € thousands)		Fixed compensation	Variable compensation	Exceptional compensation	Benefits in kind	Attendance fees	**Total**
Willi Balz	2008	-	-	-	-	-	**-**
	2009	-	-	-	-	-	**-**
Philippe Dominati	2008	-	-	-	-	-	**-**
	2009	-	-	-	-	38	**38**
Louis Ferran	2008	-	-	-	-	42	**42**
	2009	-	-	-	-	75	**75**
Stéphane Garino	2008	-	-	-	-	42	**42**
	2009	-	-	-	-	30	**30**
Georgius Hersbach	2008	-	-	-	-	27	**27**
	2009	-	-	-	-	72	**72**
Philippe Leroy	2008	-	-	-	-	-	**-**
	2009		-	-	-	12	**12**
Arne Lorenzen	2008	160	-	-	5	-	**165**
	2009	192 (1)	-	-	5	-	**197**
Jean-Pierre Mattei	2008	-	-	-	-	-	**-**
	2009	-	-	-	-	20	**20**
Philippe Perret (2)	2008	125	-	-	5		**130**
	2009	-	-	-	-	-	**-**
Jacques Putzeys	2008	46 (3)	-	-	-	30-	**76**
	2009	-	-	-	-	-	**-**
Société Sofinan Sprl (represented by Norbert Van Leuffel)	2008	-	-	-	-	30	**30**
	2009	-	-	-	-	57	**57**

(*) In early 2010, the directors were paid additional attendance fees relating to the 2009 financial year, representing a total amount of €135,000, distributed between directors in proportion to their effective attendance within the Board of Directors (owing to the fact that some directors were appointed in the course of the year).

(1) This remuneration is considered a salary, since Mr. Lorenzen was both a director and an employee of the Company in 2009.

(2) Philippe Perret resigned fro his operating functions on September 30, 2008.

(3) Within the scope of a services contract ended April, 2008. Amount excluding tax.

15.2.2 Share subscription warrants granted to non-executive Company directors and officers

There was no grant of share subscription warrants (*bons de souscription d'actions*, or "BSA(s)") to non-executive Company directors and officers and no BSAs were exercised during the 2009 financial years.

15.2.3 Exceptional missions

In 2010, three directors of the Company (Philippe Leroy, Jean-Pierre Mattei and Philippe Dominati) accomplished exceptional missions for the Company and therefore received exceptional remunerations. These remunerations are paid out within the specific framework of the financial Restructuring plan, given the work and missions accomplished by the directors, listed mainly as follows:

- coordination of work conducted by different advisors to the Company;
- validation of market strategy options and investments proposed by the Company's advisors;
- Supervision of the drafting of documents related to the Restructuring plan, review of any external financial disclosure of the Company;
- Redefinition of releases related to the Company's strategy, definition of the key messages to be delivered to the strategic Company speakers;
- Supervision of any contact useful to the completion of the Restructuring plan;
- Supervision of relations with the AMF.
- At the request of the CEO, participation in meetings with, in particular, the shareholders, managers and advisors of the Company,
- etc.

Collectively, these three directors have been paid a total remuneration of €280,000 for the work they carried out until the combined general shareholders' meeting dated March 19, 2010 and will receive an additional remuneration totaling €150,000 for the period from March 19, 2010 to August 31, 2010.

Such exceptional mission agreements constitute related party agreements ("*conventions réglementées*") under Article L.225-38 *et seq*. of the French Commercial Code. They were authorized by the Board of Directors on March 19, 2010 and as such, shall be subject to a Statutory Auditors' report and submitted for approval at the ordinary general shareholders' meeting called to approve the financial statements for the financial year ending December 31, 2010.

In addition, the Board of Directors meeting dated April 15, 2010 decided to entrust Fady Khallouf, a director of the Company, with the exceptional mission to act as advisor to the CEO. This exceptional mission was terminated by a decision of the Board of Directors on May 20, 2010.

The Company believes that the accomplishment of these missions was rendered necessary due to the extent of work involved uner the financial Restructuring plan.

15.3 Equity holdings of Company directors in the share 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 Hersbach (1)	55,251	0,14%	0,13%
Louis Ferran	150	NS	NS
Philippe Leroy	-	-	-

	Number of shares	% of capital	% of voting rights
Jean-Pierre Mattei	10	NS	NS
Marc Van't Noordende	1,000	NS	NS
Olivier Dubois	-	-	-

(1) Directly and indirectly

15.4 Equity holdings of Company directors and transactions carried out by the members of the Board of Directors on the Company's securities

The transactions on the Company's securities announced to the AMF by directors during the 2009 financial year are the following:

Declarant	Date of transaction	Nature of transaction	Unit price (in €)	Amount of transaction (in €)
Windreich AG GSMBH (corporate entity related to Mr. Willi Balz)	08/06/2009	Sale	4.78	1,433,400
	08/07/2009	Sale	4.62	166,608.20
	08/10/2009	Sale	4.66	298,068.29
	08/13/2009	Sale	5.04	252,100
	09/29/2009	Sale	5.13	1,936,540
	09/30/2009	Sale	4.92	492,000
	10/01/2009	Sale	4.82	482,000

15.5 History of share subscription warrants granted

	BSA CS4	BSA CS5	BSA bis	BSA DA 06	BSA EP 06
Holder	G. Hersbach(1)	G. Hersbach(1)	Heartstream(2)	Darts(3)	E. Peugeot(1)
Subscription price in €	0.000485	0.000485	0.00039	0.0001	0.0001
Exercise price in €	4.85	4.85	3.90	15.28	15.28
Duration	Dec 31, 2013	Dec 31, 2014	May 2, 2010	May 17, 2012	May 24, 2012
Parity	1.187	1.187	1.187	1	1
Balance as of December 31, 2009	50,000	50,000	300,000	7,000	29,093
Granted 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 (4)	L. Ferran (1)	S. Garino (5)	Sofinan Sprl (5)	E. Peugeot (1)
Subscription price in €	0.0001	0.0001	0.0001	0.0001	0.0001
Exercise 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
Parity	1	1	1	1	1
Balance as of December 31, 2009	64,000	29,093	31,451	7,000	29 093
Granted 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 JMS PC 800M
Holder	L. Ferran (1)	Sofinan Sprl (5)	S. Garino (5)	JM Santander (4)
Subscription price in €	0.0001	0.0001	0.0001	0.0001
Exercise price in €	15.28	15.28	15.28	12.17
Duration	Jan 1, 2013	Jan 1, 2013	Jan 1, 2013	Dec 31, 2012
Parity	1	1	1	1
Balance as of December 31, 2009	29,093	29,093	31,451	80,460
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired or not exercisable during the year	-	-	-	
Balance	29,093	29,093	31,451	80,460

	BSA GE1	BSA GE2	BSA EP 08	BSA LF 08	BSA SG 08
Holder	Gama Enerji (6)	Gama Enerji (6)	E. Peugeot (1)	L. Ferran (1)	S. Garino (3)
Subscription price in €	0.0010	0.0010	0.0001	0.0001	0.0001
Exercise 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
Parity	1	1	1	1	
Balance as of December 31, 2009	1,500,000	1,500,000	29,093	29,093	31,451
Granted 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 (5)	JM Santander (4)
Subscription price in €	0.0001	0.0001
Exercise price in €	12.95	15.64
Duration	July 2, 2013	December 31, 2012
Parity	1	1
Balance as of December 31, 2009	29,093	37,093
Granted during the year	-	-
Exercised during the year	-	-
Expired or not exercisable during the year	-	-
Balance	29,093	37,093

(1) Director of the Company
(2) Company controlled by Mr. Georgius Hersbach, director of the Company
(3)Company shareholder of Thenergo controlled by Denis Ringoot, who also works for Thenergo
(4) Former Chief Executive Officer of the Company
(5) Former director of the Company
(6) First shareholder of the company (see paragraph 18)

As such, the total number of share subscription warrants in circulation amounts to 3,922,650 and the total number of new shares that could potentially be created through the exercise of these share subscription warrants is 3,997,450.

15.6 Free shares granted to the ten first employees of the Company who are not corporate officers

The Board of Directors meeting dated February 11, 2009 granted 44,407 free shares to three employees without performance conditions, but subject to an attendance condition. For each of these employees, the free shares will be definitively acquired following a period of two years, subject to the condition that the beneficiary is still an employee or a corporate officer within the Group at that date, it being specified, however, that in the event of redundancy (excluding cases of redundancy due to serious misconduct or gross negligence) before the end of this two-year period, these shares will be considered as definitively acquired.

Within the scope of the free shares allocation plan effective 2009-2011, the Board of Directors meeting dated December 17, 2009 granted 390,000 free shares to the Group's ten first employees in respect of the 2009, 2010 and 2011 financial years, subject to attendance and performance conditions associated with the achievement of financial targets. Some of the free shares granted to the employees benefit from a protection mechanism against the decrease in value of the share price of THEOLIA, in particular in the event of a reserved capital increase.

At the end of each financial year, the employees concerned could potentially benefit from a grant of up to one-third of the total amount, subject to satisfaction of the attendance and performance conditions. The granted shares will be definitively acquired on December 17, 2011 and available on December 17, 2013 (provided the attendance and performance conditions are satisfied). These conditions are considered to be automatically and fully satisfied in the event of the completion of a transaction (i) that triggers a change in control within the meaning of Article L. 233-3 of the French Commercial Code and (ii) that did not receive a favorable opinion from the Board of Directors of THEOLIA.

On December 17, 2009, the Board of Directors also granted 25,000 free shares to employees subject to no attendance or performance conditions. The 25,000 granted shares will be definitively acquired on December 17, 2011 and available on December 17, 2013.

As such, in 2009, the Board of Directors granted a total of 459,407 free shares to 8 employees of the Group, of which 390,000 are subject to attendance and performance conditions. These shares represent a total value (as accounted for in the consolidated financial statements) of €1.52 million.

At its meeting of February 20, 2010, the Board of Directors decided to grant 30, 000 free shares to an employee, subject to attendance and performance conditions, within the framework of the allocation of the above-mentioned free shares plan 2009-2010.

16. OPERATING PROCEDURES OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

16.1 APPOINTMENTS HELD BY MEMBERS OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

The detailed information related to the appointments held by members of the Company is set out in paragraph 14.1 of this Reference Document.

16.2 INFORMATION ABOUT SERVICE AGREEMENTS LINKING MEMBERS OF THE COMPANY'S ADMINISTRATIVE AND MANAGEMENT BODIES

As of May 31, 2010 to the Company's knowledge, there is no service agreement linking members of the Board of Directors, the CEO, COO or CFO of the Company or to any of its subsidiaries granting advantages, to the exception of the services agreements with the companies Longview Management Services BV, FC Holding and Heartstream which details are set out in paragraph 19.1 and of the exceptional missions described under paragraph 15.2.3.

16.3 BOARD OF DIRECTORS' COMMITTEES

During the 2009 and 2010 financial years, the Board of Directors assigned three specialized Committees for the preparation of its deliberations: the Audit Committee, the Strategy Committee and the Nominations and Remuneration Committee.

The composition, missions and activities of these Committees are detailed in the Internal Control Report released by the Chairman of the Board of Directors, which can be found in paragraph 16.4.4 of this Reference Document.

16.4 CORPORATE GOVERNANCE

16.4.1 AFEP-MEDEF code recommendations

On a voluntary basis, THEOLIA uses the recommendations of the AFEP-MEDEF corporate governance code dated October 6, 2008 as reference for its own corporate governance.

The THEOLIA Board of Directors believes that these recommendations are consistent with the Company's approach to corporate governance, particularly since many of these recommendations are already being applied within the Group.

THEOLIA thus applies these recommendations on a voluntary basis, with the exception of certain elements (for further details, see the Internal Control Report of the Chairman of the Board of Directors in paragraph 16.4.4.1 under section 4 "Code of corporate governance").

16.4.2 Board of Directors' internal regulation

The internal regulation was adopted by the Board of Directors during its meeting on April 14, 2006 and was subsequently amended during its meetings on February 6, 2007, July 2, 2007, December 18, 2008 and April 15, 2010. It aims at ensuring the transparency in the functioning of the Board of Directors. Its main provisions are summarized in paragraph 21.2.2.4 of this Reference Document.

16.4.3 Control and evaluation of the functioning of the Board of Directors

Pursuant to the terms of Article 5.5 of the internal regulation, the Board proceeds, at regular intervals not exceeding two years, to an evaluation of its functioning, conducted by a director or an independent expert. An independent expert was appointed for that purpose by the Board on March 30, 2009 and gave its report to the Board on August 28, 2009 (see paragraph 2.3 of the Internal Control Report of the Chairman of the Board of Directors in paragraph 16.4.4.1 of this Reference Document).

16.4.4 Internal control reports

16.4.4.1 Report of the Chairman of the Board of Directors on internal control

Pursuant to the provisions of Article L. 225-37 of the French Commerical Code, amended by Order no. 2009-80 dated January 22, 2009, THEOLIA S.A. (the "Company") has drawn up a report on internal control.

The aim of this report is to provide an account on the Board of Director's composition, the conditions governing the preparation and organization of its work, any potential limitations applied by the Board to the powers exercised by General Management, the application of a corporate governance code drawn up by the organizations representing the companies, as well as on the internal control and risk management procedures introduced by the Company, particularly those relating to the preparation and processing of accounting and financial information within the Company and its subsidiaries (collectively referred to as the "Group").

Under the Chairman's supervision and following the approval granted by the members of the Board of Directors, the measures taken to draw up this report are mainly based on carrying out the work coordinated by the General Secretary in contact with the Financial Department and the principal functional and operating departments. This report is also based on exchanges that have taken place with the Audit Committee.

Under Article L. 225-235 of the French Commercial Code, this report was also subject to a Statutory Auditors' report on the internal control procedures relating to the preparation and processing of accounting and financial information and to a statement concerning the preparation of other required information.

1 COMPOSITION, CONDITIONS OF PREPARATION AND ORGANIZATION OF THE WORKS OF THE BOARD

1.1 Composition of the Board of Directors

As of December 31, 2009, the Board of Directors of THEOLIA was composed of seven members:

- Mr. Eric PEUGEOT, Chairman of the Board of Directors;
- Mr. Louis FERRAN, director and Vice Chairman of the Board of Directors;
- Mr. Georgius J.M. HERSBACH, director;
- Mr. Philippe DOMINATI, director;
- Mr. Jean-Pierre MATTEI, director;
- Mr. Philippe LEROY, director; and
- Mr. Marc VAN'T NOORDENDE, director and CEO.

The composition of the Board of Directors of THEOLIA was amended by the combined general shareholders' meeting dated March 19, 2010. As of the date of this report[1], the Board of Directors is now composed of nine members:

- Mr. Eric PEUGEOT, Chairman of the Board of Directors and CEO;
- Mr. Louis FERRAN, director and Vice Chairman of the Board of Directors;
- Mr. Gérard CREUZET, director;
- Mr. Georgius J.M.HERSBACH, director;
- Mr. Philippe DOMINATI, director;
- Mr. Jean-Pierre MATTEI, director;
- Mr. Michel MEEUS, director;
- Mr. Fady KHALLOUF, director; and
- Mr. Philippe LEROY, director.

The dates of appointment and expiry of terms of office, the duties performed within the Group and outside the Group and the main terms of office and duties performed by the Company directors during the last five years are shown [in paragraph 14.1.2.1 of this Reference Document].

As of the date of this report, of the 9 members comprising the Board of Directors, 6 are independent with regard to the criteria of the AFEP/MEDEF Corporate Governance Code. These are independent directors are Louis FERRAN, Gérard CREUZET, Philippe DOMINATI, Jean-Pierre MATTEI, Fady KHALLOUF[2] and Philippe LEROY.

Indeed, these individuals are neither employees of THEOLIA nor employees or representatives of a company belonging to its scope of consolidation, and have held none of these positions over the course of the last five years. They are not corporate officers of a company for which THEOLIA is a director or for which an employee or a corporate officer of the Company is a director.

These independent members do not have family ties with any other corporate officer, have not been statutory auditors within the Group, nor have they held the position of member of the Board of Directors of THEOLIA for more than twelve years.

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[1] Since the date of publication of the Report of the Chairman of the Board of Directors on internal control, Mr. Fady Khallouf replaced Mr. Eric Peugeot in his position as CEO.

[2] Mr. Fady Khallouf could not be considered anymore as independant due to his appointment as CEO by the Board of Directors on May 20, 2010. He has to be added to the three non-independent directors mentioned below.

Finally, they are not significant customers, suppliers or bankers of the Company or the Group, or customers, suppliers or bankers for which the Company or Group represents a significant part of their business. On this point, at its meeting dated April 15, 2010, the Board of Directors considered that the existence of exceptional mission contracts entered into by the Company and Mr DOMINATI, Mr MATTEI and Mr LEROY, would not affect their independence insofar as the amounts that are paid to them cannot be considered as compensation, but rather as honorariums for missions entrusted to them in an exceptional context which, by their nature, constitute an extension of their roles as director and do not result in conflicts of interest.

The portion of independent directors thus amounts to more than half the members of the Board of Directors and complies with the provisions of the AFEP-MEDEF Code. Under these conditions, the tasks of the Board of Directors are performed with the necessary independence and objectivity.

The 3 non-independent directors with regard to the criteria of the AFEP/MEDEF Corporate Governance Code are:

- Mr. Eric PEUGEOT, who is the Chairman and CEO of the Company;
- Georgius J.M. HERSBACH, who maintains business relations with the Group, in particular, acting as an intermediary for the sale of wind farms by the Group; and
- Mr. Michel MEEUS, who is a significant shareholder of the Company: with 1,337,250 shares, he holds around 3.32% of the share capital and 3.20% of the voting rights in the Company and is, to the Company's knowledge, the fourth largest shareholder of the Company. Furthermore, Michel MEEUS is part of a group of shareholders who together hold 3,658,274 shares, which corresponds to approximately 9.08% of the share capital and 8.76% of the voting rights of the Company.

1.2 Internal Regulation (Règlement intérieur)

The Board of Directors has drawn up an internal regulation, the purpose of which is to supplement the legal, regulatory and statutory rules that must be respected by the Board of Directors as a whole and by each of the directors taken individually. Among other things, they provide for the following:

- the organization of meetings of the Board of Directors;
- a director's charter detailing the rights and duties of directors;
- the establishment of an Audit Committee, a Nominations and Remunerations Committee and a Strategy Committee; and
- an Audit Committee charter, detailing the terms and conditions of operation of this committee, in particular with respect to the scope of its duties, the frequency of its meetings and its composition, in accordance with the transposition of the 8th European Directive on audits of accounts (Directive 2006/43/EC).

This internal regulation was adopted by the Board of Directors at its meeting dated April 14, 2006 and was subsequently amended at its meetings dated February 6, 2007, July 2, 2007, December 18, 2008 and April 15, 2010.

1.3 Modus operandi of meetings of the Board of Directors

The directors receive information and documents relating to matters on the agenda of the meetings of the Board of Directors generally a week before the date of the meeting. They thus have the opportunity to gather information regarding the matters to be discussed at the meeting. Particularly sensitive and urgent matters may be discussed without the prior distribution of documents or by being informed of such matters less than a week in advance.

To facilitate the participation of directors in meetings of the Board of Directors, they may attend meetings in person, by telephone conference or by video conference. However, the Board of Directors prefers the physical participation of directors at the Board of Directors' meetings in order to promote discussion.

Since 2009, and within the scope of the improvement in governance desired by management and the Board of Directors of THEOLIA, it is planned that once a year the Board of Directors will devote one item on its agenda to the discussion of its operation. In 2009, this discussion took place at the Board of Directors' meeting held on August 28, 2009.

The Board of Directors is chaired by Mr. Eric PEUGEOT who organizes and manages the work of the Board of Directors and reports to the general shareholders' meeting of the Company. He ensures that all the items on the agenda are reviewed by the Board of Directors. He also ensures the proper functioning of the corporate bodies of the Company and ensures, in particular, that the directors are able to perform their duties.

The Board of Directors has also appointed a Vice Chairman, Mr. Louis FERRAN, who leads discussions in the absence of the Chairman.

2 ACTIVITY OF THE BOARD OF DIRECTORS OVER THE COURSE OF THE 2009 FINANCIAL YEAR

The Board of Directors met 24 times in 2009, i.e. on average twice a month.

This high rate of Board of Directors' meetings provides testimony of its involvement and its frequent consultation, rendered particularly necessary on account of the financial difficulties experienced by the Company and the need to define and implement a financial restructuring plan [(*see paragraph 9.1.4 of this Reference Document*)].

	21-Jan-09	11-Feb-09	18-Mar-09	30-Mar-09	03-Apr-09	21-Apr-09	24-Apr-09	30-Apr-09	04-May-09	14-May-09	02-Jun-09	11-Jun-09 8.30 am	11-Jun-09 2.30 pm	16-Jul-09	28-Aug-09	22-Sep-09	10-Oct-09	20-Oct-09	06-Nov-09	17-Nov-09	04-Dec-09	17-Dec-09	21-Dec-09	28-Dec-09	Total of BoD attendance	% attendance
Willi BALZ													•	o	o	•	o	o							2	33%
Philippe DOMINATI													•	•	•	•	•	•	•	•	o	•	•	•	11	92%
Louis FERRAN	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	24	100%
Stéphane GARINO	•	•	•	o	•	•	o	•	•	•	•	•													10	83%
Georgius HERSBACH	•	•	•	•	•	•	o	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	23	96%
Philippe LEROY																				•	•	•	•	•	5	100%
Arne LORENZEN	•																								1	100%
Jean-Pierre MATTEI																	•	•	•	•	o	•	o	•	6	75%
Eric PEUGEOT	o	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	o	•	•	•	•	22	92%
SPRL SOFINAN, représentée par Norbert VAN LEUFFEL	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•									16	100%
Marc VAN'T NOORDENDE													•	•	•	•	•	•	•	•	•	•	•	•	12	100%

Legend • Director present
o Director absent

The directors' attendance rate is very high (92% in 2009, compared to 93% in 2008, 90% in 2007 and 73% in 2006), which confirms their very high involvement in the development and management of THEOLIA over the course of the last three financial years. The average length of the meetings is 3 hours and 45 minutes.

During the course of the 2009 financial year, the Board of Directors dealt, in particular, with the following matters:

- Review and approval of the 2009 budget (meeting dated January 21, 2009);
- Review of the different restructuring solutions that may be contemplated for the Company and monitoring of the preparation and implementation of the Company's financial restructuring plan (meetings that took place from March to December 2009);
- Appointment of an special purpose trustee (*mandataire "ad hoc"*) (meetings that took place on March 18 and June 2, 2009);
- Sales of wind farms (various meetings during the year);
- Authorizations on introduction of guarantees (various meetings during the year);
- Review of the legal actions to be undertaken as follow-up to the actions of the former CEO, Mr. Jean-Marie Santander, regarding civil and criminal matters (various meetings during the year);

- Acknowlegment of capital increases following the acquisition period of free shares plans (meetings dated March 18 and May 4, 2009);
- Review of of the annual and half-yearly corporate and consolidated financial statements, the management report and the 2008 reference document (meetings dated April 21, August 28 and December 17, 2009);
- Appointment of a permanent CEO as well as a CFO, and fixing of their compensation (meetings dated April 3 and 24, 2009);
- Convening of the annual general meeting of shareholders and adoption of proposed resolutions (meetings of May 4, 2009 and June 2, 2009);
- Appointment of members of the Nominations and Remunerations Committee and of the Audit Committee (meetings dated June 11 and November 6, 2009);
- Authorization to sign a service agreement with Heartstream (meeting dated September 22, 2009);
- Co-opting of new directors (meetings dated September 22 and November 6, 2009);
- Review and definition of the Group's new strategy (meeting dated June 2, 2009);
- Authorization of a new free shares plan (meeting dated October 20, 2009);
- Granting of free shares to corporate officers and employees (meetings dated February 11, June 11 and December 17, 2009);
- Approval of the reference document (meeting dated December 17, 2009); and
- Review and approval of the 2010 budget (meeting dated December 17, 2009).

2.1 Principles of compensation of corporate officers

The compensation of corporate officers is fixed by the Board of Directors based on the report prepared by the Nominations and Remunerations Committee.

2.1.1 Directors' compensation and indemnities

The amounts of compensation and indemnities received by the directors in 2009 are presented [*in paragraph 15.2 of this Reference Document]* (Compensation of the Company's non-executive directors and officers).

Attendance fees

The ordinary shareholders' meeting dated June 11, 2009 approved the allocation of attendance fees to the directors for a total amount of €400,000 for financial year 2009.

The distribution of attendance fees among the members of the Board of Directors is made according to the presence of the directors at the meetings of the Board of Directors but also to their work within committees and their involvement.

Accordingly, pursuant to the proposal submitted by the Nominations and Remunerations Committee, the Board of Directors has decided that the attendance fees would be distributed among the directors in 2009 as follows:

- €30,000 (on an annual basis) to each director for their duties as director (reduced to €22,500 if the rate of attendance at Board meetings is less than 75%);
- €15,000 for the Chairman of the Audit Committee;

- €11,250 for each member of the Audit Committee (reduced to €8,500 if the rate of attendance at Committee meetings is less than 75%);

- €12,000 for the Chairman of the Nominations and Remunerations Committee; and

- €9,000 for each member of the Nominations and Remunerations Committee (reduced to €9,750 if the rate of attendance at Committee meetings is less than 75%).

These principles were applied and gave rise to a payment of a total amount of €265,000 to the directors in 2009.

Moreover, considering the frequency of meetings of the Board of Directors (24 meetings in 2009, averaging a total length of 3 hours and 45 minutes) and the involvement of the directors (attendance rate of 92%), the Board of Directors decided on February 22, 2010, pursuant to a proposal submitted by the Nominations and Remunerations Committee, to distribute the balance of the amount of attendance fees approved by the Shareholders' Meeting, i.e. €135,000, among the directors on a prorated basis relative to their actual presence on the Board (since some directors were appointed during the year).

Exceptional missions

In 2010, three directors of the Company (Philippe LEROY, Jean-Pierre MATTEI and Philippe DOMINATI) completed exceptional missions for the Company and, for that reason, received an exceptional compensation. This remuneration falls within the scope of the Company's financial restructuring plan, considering the work and missions completed by these directors. These missions are described in paragraph *15.2.3 of this Reference Document*]. They led to the payment of a total compensation of €280,000 for the work performed up until the combined general shareholders' meeting dated March 19, 2010 and, in the event of the successful completion of the planned capital increase to occur before August 31, 2010, the directors concerned will receive additional compensation totaling €150,000 for the period from March 19, 2010 to August 31, 2010. These exceptional mission contracts constitute related party agreements pursuant to articles L.225-38 *et seq.* of the French Commercial Code; they were approved by the Board of Directors on March 19, 2010 and will therefore be subject to a Statutory Auditors' report and submitted to the ordinary shareholders' meeting called to approve the financial statements for the financial year ended December 31, 2010.

2.1.2 Executive officers' compensation

The CEOs (CEO and Deputy CEOs) receive fixed and variable compensation determined in accordance with the achievement of targets set by the Board of Directors.

The CEOs are also granted free shares pursuant to the plan rules effective within the Group since December 17, 2009.

The amounts of fixed and variable compensation, as well as the number of free shares granted, were determined by the Board of Directors based on the profiles of the executive officers. These amounts have significantly decreased since the departure of the former CEO on September 28, 2008.

The breakdown of the compensation paid to the executive officers in 2009 as well as the compensation that will have to be paid in February 2010 to the new executive officers of the Company appointed in February 2010 is detailed [in paragraph 15.1 of this Reference Document].

2.2 Specialized committees

2.2.1 Audit Committee

The Audit Committee is composed of:

- Mr. Philippe LEROY, Chairman of the Committee, independent director, who has accounting and financial expertise.
- Mr. Jean-Pierre MATTEI, independent director, who has accounting and financial expertise; and
- Mr. Philippe DOMINATI, independent director.

Main missions of the Audit Committee:

The Audit Committee helps the Board of Directors to ensure the accuracy and true nature of THEOLIA's corporate and consolidated financial statements, the quality of its internal control procedures, the information disclosed to the shareholders and to the market. The Committee formulates any opinion and recommendation to the Board of Directors in the areas described below.

The missions of the Audit Committee were discussed during the Audit Committee meeting dated December 14, 2009, when the charter of the Audit Committee was being discussed. The charter of the Audit Committee was approved by the Board of Directors on April 15, 2010, thereby amending the internal regulation.

The Audit Committee's missions are:

Regarding risk management and internal control:

- To monitor the effectiveness of the internal control and risk management systems and, in particular, to evaluate the internal control systems, to review the program, the results of the work of the audit department, the recommendations and the follow-up work given to such department, as well as the working relationship with internal control in the preparation of the financial statements; and
- To conduct the regular review, with General Management, of the main risks the Group faces, particularly through risk mapping.

Regarding relations with the Statutory Auditors:

- To steer the selection and reappointment of the Statutory Auditors, to formulate an opinion with respect to the amount of the fees requested by them and to submit the results of its work to the Board of Directors;
- To conduct of review so as to establish whether auxilary missions will affect the independence of the Statutory Auditors; and
- To review the work program of the Statutory Auditors, their conclusions and their recommendations.

Regarding financial information and disclosures:

- On the basis of discussions with General Management and the Statutory Auditors, to ensure the relevance and the permanence of the accounting methods used in preparing the corporate and consolidated financial statements, to review and evaluate the scope of consolidation, as well as to review and check the relevance of the accounting rules applied to the Group;
- To review the corporate and consolidated financial statements before they are presented to the Board of Directors; and
- To monitor the process followed in the preparation of financial information and disclosures and, if necessary, to supervise such preparation.

Organization of the Audit Committee:

The term of office of the members of the Audit Committee coincides with their terms of office as directors. The term of office of the members of the Audit Committee may be renewed at the same time as their term of office as directors.

The Board of Directors of the Company selects an independent director to act as Chairman of the Audit Committee. Each member of the Audit Committee must have proven financial expertise. At each meeting of the Committee, the Chairman of this Committee appoints an Audit Committee secretary.

The Audit Committee meets at least four times a year. It determines the schedule of its meetings. However, the Committee may meet at the request of its Chairman, of two of its members or of the Chairman of the Board of Directors.

Its meetings can validly deliberate only if at least two members are present.

Before each meeting, at the request of one or several members, the Chairman of the Audit Committee may decide that the meeting will take place by conference call or videoconference (in this case, the members of the Audit Committee will be considered present for the purposes of calculation of the quorum).

Any person from whom the Committee wishes to hear may attend the meetings of the Audit Committee.

At least once a year, the Committee invites the Statutory Auditors to speak, under the conditions that it determines. If considered necessary in completing its mission, the Committee may ask the Board of Directors for external assistance.

Powers of the Audit Committee:

The Board of Directors authorizes the Audit Committee:

- To review any matter that falls within the scope of its assigned duties;
- To receive all the information necessary to completing its mission and to be provided with all documents that it considers useful;
- To gather advice from independent experts of the Company and to ensure the presence of persons who have the appropriate experience and expertise if it considers that necessary; and
- To provide independent access to the Company's Statutory Auditors.

Work performed by the Audit Committee:

The Audit Committee met three times in 2009, and all of its members, as well as the Statutory Auditors, were in attendance: on April 15, August 28 and December 14, 2009. The current members of the Audit Committee were present at the meeting dated December 14, 2009.

The necessary accounting and financial documents, particularly in connection with the preparation of the annual financial statements and the review of the semi-annual financial statements, were sent to the Audit Committee prior to the relevant meetings.

The Audit Committee invested itself and deliberates validly only when at least two of its members are present. It has the support and the recognition of the directors as regards the clarity and quality of its recommendations.

During the financial year, the Audit Committee was mainly involved in the following matters:

- The review of the annual and semi-annual financial statements (corporate and consolidated financial statements): this review led the Audit Committee to review and approve, in particular:
    - the principal accounting standards that have a significant impact on the financial statements,
    - the accounting consequences of the “Develop, Build, and Sell” strategy,
    - the principal accounting assumptions made by the Group,
    - the judgments and assumptions used to value the assets and goodwill of the Group (impairment tests), in particular, assets that are not very liquid or not liquid at all (non-wind assets) and the level of depreciation of assets, as well as their description in the notes to the financial statements, and
    - the amount of provisions;
- The review of the fees paid to the Statutory Auditors;
- The review of the regulatory changes that occurred following the transposition of the 4th, 7th and 8th European directives, and the review of the operation of the Audit Committee;
- The preparation of the charter of the Audit Committee;
- The review of the risk mapping process developed by the management of the holding company and the subsidiaries;
- The request for specific internal control missions within the subsidiaries; and
- The validation of the schedule for preparing the 2009 annual financial statements, the management report and the report from the Chairman on internal control.

The Chairman of the Audit Committee has reported to the Board of Directors regarding each of the Committees' meetings.

2010 Outlook:

Financial year 2010 will focus on internal control, its deployment within the subsidiaries, as well as the assignment of missions relating to specific issues.

Considering the conclusions contained in the Grant Thornton report, the Audit Committee wishes to pay special attention to improving the internal control process relating to the reporting of information on the cash position within the Group (see section 7.4.2 below). This goal will involve, in particular, the implementation of dashboards that provide clear, reliable and rapidly usable information, as well as and any other measure that may be useful in achieving this result.

The review of the main risks the Group faces, as well as the correct handling of such risks by the various corporate bodies of the Company, will be at the center of the deliberations.

2.2.2 The Nominations and Remunerations Committee

The Nominations and Remunerations Committee is composed of:

- Mr. Louis FERRAN, Chairman of the Nominations and Remunerations Committee, independent director;
- Mr. Georgius HERSBACH, independent director; and
- Mr. Michel MEEUS, shareholder director.

Mr. Eric PEUGEOT, director and Chairman of the Board (formerly independent) was a member of the Nominations and Remunerations Committee until February 9, 2010, which corresponds to the date upon which he resigned because of his appointment as CEO of THEOLIA.

Main missions of the Nominations and Remunerations Committee:

The Nominations and Remunerations Committee receives missions from the Board of Directors, particularly:

Regarding appointments:

- to review all the credentials of candidates for appointment to a position as member of the Board of Directors and to formulate an opinion or make a recommendation on such appointments to the Board of Directors;
- to review the qualification of independent directors among the directors of the Company, the desirable number of independent directors on the Company's Board of Directors; and
- to promptly prepare recommendations for the succession of corporate officers and representatives.

Regarding compensation:

- to make recommendations concerning the compensation, the insurance and pension plan, benefits in kind and the various pecuniary rights including, as the case may be, any grants of stock options and free shares of the Company, to be granted to the CEO, the Deputy CEOs and any potential employee members of the Board of Directors;
- to make recommendations on the compensation of the members of the Board of Directors.

The Nominations and Remunerations Committee can also be consulted with respect to the appointments of the executive officers of the Company and to the terms and conditions applicable to their compensation.

The term of office of the members of Nominations and Remunerations Committee coincides with their terms of office as directors. The term of office of the members of the Committee may be renewed at the same time as their term of office as directors.

The Nominations and Remunerations Committee appoints its Chairman. It meets at least twice a year, including once before the approval of the agenda of the annual shareholders' meeting in order to review the draft resolutions that will be submitted to it concerning the member positions of the Board of Directors and, as the case may be, any observer positions.

It meets, as necessary, when a meeting is called by the Chairman of the Board of Directors, or by the Chairman of the Nominations and Remunerations Committee, or by half of its members.

In order to deliberate validly, at least half of its members must be present. No member of the Committee may be represented by proxy.

Work completed by the Nominations and Remunerations Committee:

During the 2009 financial year, the work of the Nominations and Remunerations Committee concerned:

- the review of the credentials of candidates for appointment as new directors, particularly to serve as Chairman of the Audit Committee;
- the distribution among directors of the attendance fees granted by the ordinary shareholders' meeting dated June 11, 2009;
- The compensation of the CEO and the Deputy CEO; and
- The granting of free shares executive officers and the implementation of the anti-dilution clause applicable to these free shares.

2.2.3 The Strategy Committee (since March 19, 2010)

The Strategy Committee is composed of:

- Mr. Gérard CREUZET, Chairman of the Committee, independent director;
- Mr. Philippe DOMINATI, independent director; and
- Mr. Fady KHALLOUF[3], independent director.

Main missions of the Strategy Committee:

Through its analyses, the Strategy Committee sheds light on the strategic objectives submitted to the Board of Directors and follows the implementation and evolution of significant operations in progress. It ensures that the financial balance of projects and of the Group's business model is maintained. In this context, the Committee reviews the options, transactions or strategic projects presented by General Management along with their economical and financial consequences; in particular, it evaluates the opportunities for acquisitions, disposals, financial transactions and any project that could potentially modify the structure of the balance sheet and affect the financial profitability of the Group.

2.3 Evaluation of the modus operandi of the Board of Directors

On March 30, 2009, the Board of Directors hired the services of an independent expert for the purpose of conducting an evaluation of the organization and operation of the Board of Directors.

That evaluation was undertaken by way of an individual interview with each director. A questionnaire was prepared according to market practices and adapted to the specificities of the Group.

The conclusions were presented to the Board of Directors in August 2009.

The evaluation essentially revealed areas of improvement for the organization and operation of the Board of Directors, which were implemented in whole or in part by the Board of Directors. Areas of improvement include in particular:

- Strengthening the supervisory role of the Board;
- Standardizing and structuring of the agenda;
- Reviewing directors' potential conflicts of interest at the start of each Board meeting;

[3] Mr. Fady Khallouf could not be considered anymore as independant due to his appointment as CEO by the Board of Directors on May 20, 2010.

- Improving the ongoing information of the members of the Board of Directors through a monthly activity report prepared by General Management;

- Distributing the minutes of Board of Directors meetings within a reasonable period of time following the meeting of the Board;

- Annual review of its own modus operandi as well as the modus operandi of the committees;

- Improving the directors' charter; and

- Improving the expertise of the Board of Directors, by researching and defining the necessary profiles of the new members of the Board.

3 ORGANIZATION AND FUNCTIONING OF GENERAL MANAGEMENT

3.1 Combining the positions of Chairman and CEO

On February 9, 2010, as a result of the departure of the former CEO of the Company, the Board of directors decided to end the separation of the positions of Chairman and CEO by appointing Mr. Eric PEUGEOT, Chairman of the Board, to the position of CEO.

The decision to combine these positions serves as proof of the Board of Directors' desire, in the context of carrying out the Company's financial restructuring plan, to gather all parties concerned, and particularly the shareholders, around a single person likely to win their support in order to promote the successful completion of the financial restructuring plan.

Once the financial restructuring plan is complete, the option to keep the Chairman and CEO positions as a single position or, conversely, to separate these positions will be reviewed by the Board of Directors[4].

3.2 Deputy CEOs

Since February 9, 2010, the CEO has been assisted by two Deputy CEOs: Jean-François AZAM in charge of Operations and François RIVIERE, in charge of Finance.

The list of the positions held within the Group and outside the Group and the principal mandates and positions held within the five last years by the Deputy CEOs can be found [*in paragraph 14.1.2.2 of this Reference Document*].

3.3 Limitation of powers of the General Management

A delegation of powers providing a framework for the delegations of the CEO, the Deputy CEOs and the executive officers of the foreign subsidiaries has been set up. This delegation of powers requires the prior authorization of the Board of Directors for any of the following decisions:

- Determining the annual budget and the strategy;

- Signing any commitment to spend or any contractual commitment not approved in the annual budget and/or exceeding 10% of the amount approved in the annual budget

- Any decision to undertake an acquisition or a disposal that is not approved in the annual budget;

- Any decision to pursue development in new geographical territories;

- The commitment of any security, co-signature, and guarantee; and

- Any settlement or transaction concerning a dispute involving an amount higher than €500,000.

4 CODE OF CORPORATE GOVERNANCE

[4] The Board of Directors finally decided during its session on May 20, 2010, to separate the position of Chairman of the Board of Directors and CEO by appointing Mr. Fady Khallouf as CEO alongside Mr. Eric Peugeot, Chairman of the Board of Directors.

As from the 2008 financial year, THEOLIA voluntarily uses the recommendations of the AFEP-MEDEF corporate governance code dated October 6, 2008 as reference for its own corporate governance.

The THEOLIA Board of Directors believes that these recommendations are consistent with the Company's approach to corporate governance, particularly since many of these recommendations are already being applied within the Group.

THEOLIA thus applies these recommendations on a voluntary basis, with the exception of the following:

(a)THEOLIA has not followed the recommendation on the definition of performance conditions governing the allocation of free shares, relative to only a portion of the free shares granted to the Chief Executive Officer in 2009; at the end of the transitional management period following the departure of former chief executive Jean Marie Santander, Marc van't Noordende had accepted the permanent role of Chief Executive Officer and subsequently received, as a welcome package, 199,426 free shares with no performance conditions, yet subject to attendance conditions.

The agreements relative to the terms of office of Marc van't Noordende and Olivier DUBOIS provide that the free shares granted to them will be definitively acquired in the event of their dismissal by the Company. Nevertheless, the Company reserves the right to use the legal resources at its disposal in order to dispute the definitive allocation of these shares (for further details, please refer to *paragraph 15.1.5 of this Reference Document*)].

Similarly, in order to compensate Eric PEUGEOT for his role as CEO of the Company since February 9, 2010, he was granted 80,000 free shares with no performance conditions, yet subject to attendance conditions; these constitute his sole compensation as CEO of the Company, given that he receives attendance fees as compensation for his role as Chairman of the Board of Directors.

All other allocations of free shares to managers are subject to attendance and performance conditions pursuant to the provisions of the AFEP-MEDEF code.

(b) Although the AFEP MEDEF guidelines recommends the sole payment of attendance fees (jetons de presence) to directors, three directors of the Company (Philippe LEROY, Jean-Pierre MATTEI and Philippe DOMINATI) who completed exceptional duties, received additional compensation as a result. This compensation was granted for the work and duties accomplished by these directors in connection with the financial Restructuring plan. The three directors in question received an overall amount of €280,000 in consideration of their work until the date of the combined general shareholders' meeting of the Company dated March 19, 2010, and will receive a total additional compensation of €150,000 for services rendered between March, 19 and August, 31 2010. The Company considers that the exceptional nature of both the duties involved and the corresponding compensation paid out can be used as justification for how necessary they were, given the specific context of the financial Restructuring plan and of the transitional period undergone by the Group. The contracts associated with these exceptional missions were authorized by the Board of Directors on March 19, 2010 and will be subject to a Statutory Auditors' report and to the approval of the general shareholders' meeting under the conditions provided for in articles L.225-38 et seq. of the French Commercial Code (related party agreements). For further details, please refer [*to paragraph 15.2.3 of this Reference Document*].

(c) Insofar as the Company does not wish to increase the financial liabilities placed upon its new managers within the context of the financial restructuring of the Group, and given that it also requires its officers to retain a percentage of the free shares that have been allocated to them for the duration of their term of office, the Board of Directors decided that it would not be useful to force the CEO and deputies to purchase a quantity of Company shares once the holding period applicable to their performance shares has expired.

(d) None of the directors of the Company (with the exception of Mr. HERSBACH and Mr. MEEUS) individually hold a relatively significant portion of the Company's shares and none of them of them have used their attendance fees to acquire any shares. However, a significant number of directors were appointed recently (five of the nine directors of the Company have been appointed since September 2009). In addition, some of the directors were chosen for their professional and technical skills rather than their equity holdings in the Company and, in particular, regarding accounting and financial skills (Philippe LEROY), restructuring (Jean-Pierre MATTEI) and strategy (Gérard CREUZET and Faddy KHALLOUF). These appointments have the added bonus of allowing the Company to comply with the AFEP-MEDEF recommendations relative to independent directors.

(e) Although the Articles of Association of the Company provide that directors are to be appointed for a term of 3 years (in line with the AFEP-MEDEF recommendations), the Company does not follow recommendations on staggering appointments of directors for historical reasons. Accordingly, of the nine directors, six have a term of office set to expire at the general shareholders' meeting to be held to approve the accounts of the financial year ending December 31, 2011 and the remaining three have a term of office set to expire at the general shareholders' meeting to be held to approve the accounts of the financial year ending December 31, 2012.

It is hereby specified that none of the officers or directors has entered into an employment contract with the Company and none of them benefit from a specific retirement plan. Mr. Jean-François AZAM, COO, had an employment contract with THEOLIA France, a subsidiary of the Company, before he was appointed as an officer. His employment contract was terminated on the date of his appointment.

5 TERMS AND CONDITIONS APPLICABLE TO SHAREHOLDERS' PARTICIPATION IN SHAREHOLDERS' MEETINGS

Any shareholder, irrespective of the amount of shares he or she holds, has the right to participate in shareholders' meetings, either by attending in person, or by being represented by his or her spouse or partner or another shareholder, or by remote voting (by correspondence).

To participate in a shareholders' meetings, shareholders must provide justification of their shareholder status by registering their securities in an account in their name or in the name of the intermediary duly registered on their behalf, at the latest three business days before the date of the shareholders' meeting in question, by midnight Paris time (henceforth referred to as "Day-3"), either in registered securities accounts, or in bearer-form securities accounts held by their authorized intermediaries.

For registered shareholders, this account registration by Day-3 in registered securities accounts is sufficient to enable them to participate in the shareholders' meeting.

For bearer-form shareholders, the authorized intermediaries who hold the bearer-form securities accounts must provide direct justification of the shareholder status of their clients to the centralizer of the shareholders' meeting by producing a certificate of participation that they attach to the specific remote voting form (or by proxy), by requesting an admission card made out in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary.

6 ELEMENTS THAT MAY HAVE AN IMPACT IN THE EVENT OF A TENDER OFFER

The required information pursuant to Article L 225-100-3 of the French Commercial Code can be found in section 7.7 of the 2009 management report (Elements that may have an impact in the event of a tender offer).

7 INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

Financial year 2009 was an opportunity for the Group to continue in its internal control efforts.

The process of internal control implemented in the Group takes into account the opinions and recommendations of the *Autorité des marchés financiers* (French financial authority, or "AMF"). This report was drafted based on the implementation guide applicable to small and medium-sized securities of the internal control standard of reference, published by the AMF in February 2008. The Company has applied such standard as from the date of its effective implementation.

Internal control is a Company mechanism, defined and implemented under its responsibility, and that aims to ensure:

- compliance with laws and regulations;
- the application of the instructions and objectives set by General Management;
- the proper functioning of the internal processes of the Company, particularly those that promote the protection of its assets;
- the reliability of the financial information; and
- generally, the contribution to the command the Company has over its business activities, the effectiveness of its operations and the efficient use of its resources.

The Company's control environment aims to control all the risks associated with the Company's business activities and the risks of errors and fraud, particularly in the accounting and financial areas.

However, like any control system, the Company's internal control system can provide only reasonable assurance and not an absolute guarantee of the complete elimination of risks.

7.1 Organization and procedures

Internal control is an integral part of the Group's governance strategy.

The internal control procedures that have been established are applicable to all the companies included in the scope of consolidation. These procedures differ in certain areas, depending on whether the entity concerned is located in France or in another country.

As part of its ongoing efforts to improve its internal control, the Group is very attentive to this subject, particularly by enforcing a stronger deployment of its procedures within its subsidiaries. The Group regularly reviews its operating rules and its procedures according to its business activities, in order to ensure that they are still adequate with respect to the Group's activities at any given moment.

The procedures were implemented by the Group's General Management; the major internal and external parties involved are:

- the Board of Directors;
- the Audit Committee;
- the Financial Management;
- the Office of the General Secretary;
- the Legal Department;
- Internal Control and Internal Audit;
- the General Management of the subsidiaries; and
- the various service providers with respect to accounting, tax or legal matters.

Moreover, in making its portfolio of projects secure, in September 2009 the Company created the position of project oversight manager.

Following the steady consolidation of the Group's subsidiaries, a “wind deposit” inter-subsidiary working group was created. It enables synergy of the Group's experiences and exchanges on key operating matters of the Group. It meets every quarter. Minutes of meetings are drawn up and circulated internally.

Moreover, the French subsidiary’s (THEOLIA France) technical assistance to Italy has been developed for establishing wind turbine contracts.

Finally, a management team has been established within the holding company, comprised of the management of the holding company and the management of the principal subsidiaries (France, Germany and Italy). It meets bi-monthly and allows for the monitoring of plans of action. Minutes are drafted at each meeting.

Each corporate officer or employee of the Company is responsible for the internal control system at his or her level.

The human resources policy helps to improve the internal control environment, particularly by establishing job descriptions, an employee evaluation system and training investments.

7.2 Internal circulation of information

Relevant information must be identified, collected and distributed internally through a process and within a timeframe that allows everyone to manage and control the operations for which they are responsible.

Accordingly, all committees (management team, Audit Committee, and Nominations and Remunerations Committee) are subject to formalized reports centered on decision making and the actions to be taken in order to ensure that relevant information is being shared with all Company employees.

Lastly, meetings are organized with all employees of the head office and General Management in order to present the main actions that have been taken and the upcoming challenges to face.

7.3 Risk management

In order to ensure the continuity of its development and the achievement of its goals, the Group tries to prepare for and manage the risks to which it is exposed through its business activities.

The main risk factors are identified and analyzed in the 2009 management report ([*see paragraph 4 of this Reference Document]* "Main risks factors of the Group") and the measures to be taken to improve their prediction and treatment of these risks are also mentioned thereto.

The definition of significant risks is, in principle, established by the Company's Management, and then implemented by Financial Management. The risk identification and evaluation process continued in the 2009 financial year. This identification of risks is part of an ongoing process and covers risks that may have a significant impact on the Group's financial position. Therefore, the Group's risk map was updated in 2009 by the former management of the Company and by the management of the Company's main subsidiaries. In particular, this new risk map includes all risks faced by the Group's subsidiaries and by projects (the previous risk map had been drawn up for the holding company only). It will be used in connection with the definition of the internal control and audit missions.

The Board of Directors has reviewed the main risks the Company faces as part of its review of the 2009 management report.

7.4 Activities associated with control

7.4.1 Procedures for preparing and processing accounting and financial information

The accounts of the principal French companies, as well as their consolidation packages, were prepared by the holding company's accounting and financial team until the third quarter of 2009. The team worked under the direction of the Group Accounting Director, who was in turn operating under the authority of the Group Financial Director. Beginning in the fourth quarter of 2009, the French subsidiary took over the preparation of the accounts of its subsidiaries, as well as the consolidation packages.

The accounts of the foreign subsidiaries are prepared under the responsibility of the managers of these subsidiaries. The financial reports are transferred to the holding company and checked by the consolidation team under the direction of the Group Financial Director.

For the preparation of the consolidated accounts, validation procedures are carried out every time the information is transferred upstream and processed. Such procedures are designed to verify in particular, on a half-yearly basis:

- correct adjustment and the elimination of internal transactions;
- verification of consolidation operations;
- proper application of standards; and
- the quality and uniformity of the consolidated and published accounting and financial data and, in particular, the consistency between the accounting data and the management data used to establish financial information.

In the context of preparation of the accounts, the Group was assisted by experts from various fields with respect to, in particular, the application of IFRS standards for financial consolidation.

The consolidation and reporting tool used by all the entities ensures the consistency and reliability of the data through blocking controls before it is transferred upstream to the Group.

The manual of consolidation procedures is revised and updated on a regular basis. It states the accounting principles to apply, the standards in effect and the procedures for using computer software.

Training programs for financial staff and employees of the main subsidiaries were organized in 2009, in order to improve familiarity with computer accounting systems and to improve the quality of the information disclosed.

In addition, following the restatements made in the 2007 and 2008 accounts [(detailed in paragraph 9.2.1.3 of this Reference Document)] the Group analyzed the reasons for these restatements and the closing procedures were amended accordingly. In particular, the Company now requires the corporate accounts of its principal subsidiaries to be approved by their Boards of Directors before the Group's consolidated accounts are approved by the Board of Directors of the Company.

Moreover, the organization of the Group, which relies on half-yearly reporting from each subsidiary using IFRS standards and sent by country directly to the parent company in local currency, without any intermediate aggregate, enables optimization of the transmission and the completeness of the information.

The Group possesses a body of accounting and management rules and methods, the application of which is mandatory for all Group subsidiaries. Consolidation instructions are sent to the subsidiaries at the end of each period. These instructions indicate a closing schedule, the team in charge, the scope of consolidation, the Group accounting principles stated in the notes, and the content of the consolidation package.

The accounting standards define the principles necessary for the homogeneous processing of operations. They specify, in particular, the terms and conditions for taking an inventory of and assigning values to off-balance sheet commitments. They are compliant with IFRS standards, which constitute the standards used in establishing the consolidated accounts since 2005. The Group's Financial Department continues to carry out its monitoring of new IFRS standards in preparation in order to share and predict, to the best extent possible, their impact on the Group's accounts.

The processing and centralization of cash flows, as well as rate risk coverage, is the responsibility of the Financial Department, which takes an inventory of the commitments and allows them to be accounted for in the books (see section 7.4.2 below on this matter).

The investment plans are endorsed by the Steering Committee and any change in relation to the forecasts is subject to a specific prior authorization.

All accounting and financial elements prepared by the consolidated subsidiaries are, at least, subject to a limited review at half-year end and to an audit at year end, performed by the Statutory Auditors. This work also includes the validation of the bridging of the gap between local accounting principles and IFRS standards in the accounts.

At each year end, a file is prepared for each of the subsidiaries (corporate accounts) and for the holding company (corporate and consolidated accounts).

The procedures carried out with respect to the internal control of the accounting and financial information are: the budgetary process, the cash position monitoring process, etc... In the area of operations, some procedures aim to guarantee compliance with certain standards that comprise the core of THEOLIA's business activities.

7.4.2 Monitoring of the cash position

The Group is aware that improvements in its internal controls are necessary, in particular regarding the monitoring of the Group's cash position, particulary in a difficult financial climate.

In February 2010, one of the Statutory Auditors (Deloitte & Associés) sent a letter to the Chairman of the Board of Directors indicating, in particular, that it had not received all of the information pertaining to the Group's cash position from the Group's management at the time.

Subsequent to the aforementioned letter, the Board of Directors commissioned Grant Thornton LLP ("Grant Thornton"), a financial expert, to conduct a diagnosis of the Group's cash reporting procedures and to confirm its exact cash position as of December 31, 2009 (as disclosed to the market on January 19, 2010 and specified in the press release dated April

16, 2010). The resulting report, dated March 31, 2010, concluded that there are weaknesses in the Group's internal control over financial reporting as regards liquidity. These weaknesses include, yet are not limited to:

- insufficient procedures implemented by the Company for the collection of financial information from foreign subsidiaries and, in particular, from Germany, rendering it difficult to reconstruct and verify financial data provided by subsidiaries and, therefore, to obtain reliable cash position forecasts;

- the difficulty of obtaining an early relevant estimate of the cash position due to weaknesses in the cash projection process used by subsidiaries in the very short term;

- the faulty nature of financial information provided to the Board of Directors with regard to the amount of available cash (both projected and real); and

- lack of a centralized process to optimize the Group's cash resource.

The Audit Committee and the Group's management are working to define and implement measures allowing to rapidly improve the process for establishing forecasts and account statements of the Group's cash position. In addition, given these weaknesses, in-depth work has been conducted by the Group in order to establish the reliability of and to confirm the information relative to the cash position as of December 31, 2009 as they appear in the corporate and consolidated accounts and in the management report, as well as the cash position forecasts used to justify the application of the continuity of operations principle, based on the assumption that the financial restructuring will be successfully completed.

7.4.3 Financial disclosure

As a listed company, THEOLIA must comply with AMF regulations concerning the disclosure of financial information.

Thus, all financial information disclosed must be documented internally and approved.

In particular, the information systems must include the necessary security mechanisms to preserve the reliability of the operational, financial or regulatory data.

The financial disclosure elements are prepared by Financial Management and disclosed according to the procedures set forth by the AMF:

- publication of the quarterly revenue, of corporate and consolidated financial statements with their corresponding notes, and of the reports of the Board of Directors on the half-year end and year end financial statements of the Group;

- two presentations per year of the Group's results under the aegis of the French Society of Financial Analysts (SFAF); and

- distribution of press releases when the accounts are closed at half-year end and at year end, as well as upon occurrence of events deemed significant and that could potentially have an impact on the price of the Group's security.

Moreover, the persons responsible for financial disclosure establish a precise schedule for the release of updated information pertaining to the Group to the financial markets in a manner compliant with the requirements of market authorities. This schedule is distributed internally.

Finally, the reference document is prepared under the direction of the Secretary General, who ensures coordination of the various teams participating in its preparation.

7.4.4 Compliance with laws and regulations

As a listed company, THEOLIA is subject to the regulations in force that are common to all companies, as well as to the legal and regulatory provisions pertaining specifically to listed companies (the AMF general regulations, in particular).

The Legal Department and Internal Control are responsible for implementing and checking the application of the mechanisms enabling compliance with all of these regulations.

In addition, specific reporting on the monitoring of disputes and contracts has been adopted at the Group level, in order to ensure compliance with applicable laws and regulations.

7.5 Monitoring of internal control mechanisms

The positions of Internal Control Manager and Internal Audit Manager were created during the 2009 financial year. They are tied to the Financial Management Department.

Their main duties are:

- formalization of procedures;
- updating of the risk mapping;
- informing and raising the awareness of service managers with respect to internal control;
- the establishment of recommendations in the context of auditing work;
- the establishment of plans of action for risk management;
- the evaluation of internal control; and
- completing missions expressly assigned to them by the Audit Comittee.

Over the course of the 2009 financial year and in early 2010, horizontal studies were conducted in order to identify areas for improvement and reinforcement of internal control.

This work resulted in the establishment of a plan of action for the year 2010, concerned with, in particular:

- the extension of risk mapping to all areas of activity;
- the constant safeguarding of the project portfolio and project monitoring; and
- the use of control in all of the Group's subsidiaries.

16.4.4.2 Report of the Auditors on internal control procedures

THEOLIA

Société Anonyme

75, rue Denis Papin

BP 80199

13795 Aix-en-Provence Cedex 3

Statutory Auditors' report, prepared in accordance with Article L.225-235 of French company law (Code de Commerce) on the report prepared by the Chairman of the Board of Directors of the company

Year ended December 31, 2009

This is a free translation into English of the statutory auditors' report issued in French prepared in accordance with Article L.225-235 of French company law on the report prepared by the Chairman of the Board of Directors on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users.

This report should be read in conjunction and construed in accordance with French law and the relevant professional standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of THEOLIA and in accordance with Article L.225-235 of French company law (Code de Commerce), we hereby report on the report prepared by the Chairman of your company in accordance with Article L.225-37 (limited liability company with a Board of Directors) of French company law (Code de Commerce) for the year ended December 31, 2009.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by Article L.225-37 (limited liability company with a Board of Directors) of French company law (Code de Commerce), particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and

- to attest that this report contains the other disclosures required by Article L.225-37 of French company law (Code de commerce), it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;

- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;

- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board (or Supervisory Board) in accordance with Article L.225-37 of French company law (Code de Commerce).

Other disclosures

We hereby attest that the Chairman’s report includes the other disclosures required by Article L.225-37 of French company law (Code de commerce).

Marseille, April 20, 2010

The Statutory Auditors

Coexcom	Deloitte & Associés
French original signed by	French original signed by
Frédéric DUCHEMIN	Anne-Marie MARTINI

16.4.5 Regulations to prevent the risk of insider trading

Pursuant to the provisions of Article 5.6 of the internal regulation, 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 employees

The personnel of the Group includes all employees of the companies belonging to the scope of consolidation. As of December 31, 2009, the Group had 270 employees.

The evolution of the number of Group employees, by geographical area, over the course of the last three years, was as follows:

	12/31/2009	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

Of these 270 employees, 178 worked in wind activities and 92 worked in non-wind activities.

A social plan was implemented within the holding company at the end of 2008. It came to an end in early 2009 with the redundancy of 10 employees. Following Mr. Jean-Marie Santander's departure in September 2008, four employees resigned and their departures were effective at the beginning of 2009. Four additional economic redundancies took place in 2009 within the holding company.

Some foreign subsidiaries were closed (Spain, EEC, Greece) and staff was also reduced in the environmental subsidiaries of the Group (Seres, Therbio): three employees were subject to economic redundancies, two to individual redundancies, and five employees resigned.

17.1.2 Employee compensation

The Group strives, in each country, to award compensation that is proportionate to the level of skills, training, responsibility and performance of each employee and to provide a standard of living in accordance with local legislation pertaining to labor law.

For some positions, there is a variable portion to the compensation that allows employee compensation to be associated with the attainment of targets.

For the 2009 financial year, salaries and associated charges totalled €11,320 thousand in the income statement, compared to €20,838 thousand for the 2008 financial year.

THEOLIA strives to motivate and retain its employees, and to attract new talent. With this objective in mind, the Group is continuing to offer the free shares plan to its key employees in France and in its foreign subsidiaries. In 2009, 459,407 free shares were granted to Group employees, of which 390,000 are part of a three-year-plan allowing for the definitive acquisition of such shares subject to attendance and performance conditions (see paragraph 15.6 of the Report). The 69,407 free shares granted to employees in the 2009 financial year and subject to none of these conditions will be acquired at the end of a period of two years and must be held for an additional period of two years.

A discretionary profit-sharing scheme (a French *plan d'intéressement*) was carried out over the course of the 2008 financial year. The conditions applicable to this scheme will be reviewed during the first half of the 2010 financial year. Furthermore, the Company intends to implement specific discretionary profit-sharing schemes for each French company of the Group.

Employees hold less than 1% of the share capital (in the meaning of the IAS – Euronext index).

Over the course of 2009, no share subscription warrants were granted to employees and no share subscription warrants were exercised by employees.

17.1.3 Human resources policy

The Group follows a policy of professional equality. The recruitment, career management and the personal development of employees are implemented fairly and without discrimination pursuant to provisions prevailing in each country in which the Group is established.

In terms of the organization of working hours in France, the number of working hours applicable to all French subsidiaries corresponds to the legal maximum of 35 hours per week, bearing in mind that the terms and conditions governing such organization of working hours differ as follows:

- 39 hour employment contracts: 35 hours + 4 additional hours per week, and

- fixed 218 annual working days contract with additional rest days, in accordance with the *Convention Collective Nationale des Cadres de la Métallurgie* (National Collective Agreement of Metalworker Executives) dated March 13, 1972, as amended.

Certain senior executives (*cadres dirigeants*) are subject to contracts that do not impose limits on the number of working hours (*forfait tous horaires*).

Persistent absenteeism is very low, which demonstrates the solid involvement of the employees. Overtime is awarded only in the context of 39 hours/week contracts.

As regards recruitment, the search for new talent is carried out without major difficulty. Available positions are advertised on the Group's website and/or on the websites of its subsidiaries, by external advertising or via recruiting agencies. 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. Recruitment has, however, slowed down due to the staff reduction plan initiated at the end of 2008 and to the economic redundancies of senior managers that took place in the second half of the 2009 financial year.

The Companies of the Group in France make use of sub-contracting, particularly in the form of structural assistance contracts in the areas of prospecting and studies. Sub-contracting is most widespread in Germany as a result of local practice.

In terms of training, all companies of the Group follow legal guidelines with respect to ongoing professional development. This training is focused around technical and managerial areas.

Concerning professional relations in France, it should be noted that company dialogue is open and active. The Group encourages direct dialogue with its employees.

17.2 PARTICIPATION OF THE COMPANY DIRECTORS AND TRANSACTIONS REALISED BY THE MEMBER OF THE BOARD OF DIRECTORS ON THE COMPANY'S SHARES

The transactions relating to the Company's shares disclosed to the AMF by the directors during the 2009 financial year are the following:

Declarant	Date of transaction	Nature of transaction	Unit price (in €)	Amount of transaction (in €)
Windreich AG GMBH (corporate entity related to Mr. Willi Balz)	08/06/2009	Sale	4.78	1,433,400
	08/07/2009	Sale	4.62	166,608.20
	08/10/2009	Sale	4.66	298,068.29
	08/13/2009	Sale	5.04	252,100
	09/29/2009	Sale	5.13	1,936,540
	09/30/2009	Sale	4.92	492,000
	10/01/2009	Sale	4.82	482,000

The participation of Company directors in the capital as of December 31, 2009 is set out in paragraph 15.3 of this Reference Document.

The history of allocations of share subscription or purchase options is set out in paragraph 15.5 of the Reference Document.

18. MAIN SHAREHOLDERS

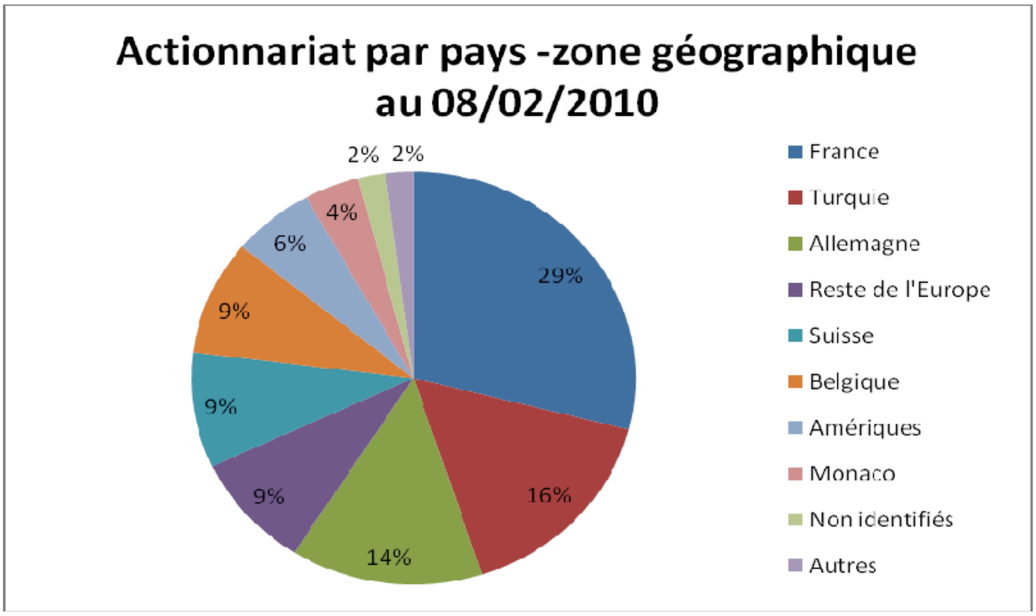
18.1 MAIN SHAREHOLDERS

Shareholding	Situation as of 03/15/2010			Situation as of 09/30/2010		
	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
Gama Enerji	6,462,000	16.03	15.47	6,462,000	16.2	15.57
Concert(1)	3,658,274	9.08	8.76	na		
Willi Balz(2)	3,614,988	8.97	8.66	3,614,988	9.06	8.71
Pierre & Brigitte Salik (3)	na			2,108,471	5.29	5.08
BlackRock Investment Mgt Ltd	na			na		
Personnel THEOLIA		<1%			<1%	

Shareholding	Situation as of 12/12/2008			Situation as of 03/10/2008		
	Number of shares	% of share capital	% of voting rights	Number of shares	% of share capital	% of voting rights
Gama Enerji	6,462,000	16.42	15.77	6,462,000	16.71	16.04
Concert(1)	na			na		
Willi Balz(2)	4,170,188	10.6	10.18	4,170,188	10.78	10.35
Pierre & Brigitte Salik (3)	2,108,471	5.36	5.15	na		
BlackRock Investment Mgt Ltd	na			2,119,440	5.48	5.26
Personnel THEOLIA		<3%			<3%	

(1) Concert declared by letter dated March 12, 2010 comprising: CRC Active Value Fund Ltd with 1,500 shares, Michel Meeus with 1,337,250 shares, Pierre Salik with 1,377,788 shares, Brigitte Salik with 941,736 titres
(2) Directly or through the companies Windreich GmbH and Financial Consulting GmbH
(3)Part of the concert mentioned in note (1)from now on.

Following the performance of a TPI (identifiable bearer security) study conducted in February 2010, the distribution of the share capital of the Company held by shareholders as of February 8, 2010 can be broken down as follows:



The crossings of shareholding thresholds announced to the AMF over the course of the 2009 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
10/05/2009 10/06/2009	Mr. Willi Balz, in his own name and through the German companies Windreich AG GmbH and Financial Consulting GmbH which he controls	Downward crossing	09/29/2009	9.06%	8.71%

Threshold crossings that were notified to the AMF by the concert at the beginning of the 2010 financial year (see paragraph 4.1.13 above) are the following:

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
01/28/2010 01/29/2010	Mr. Willi Balz, in his own name and through the German companies Windreich GmbH and Financial Consulting GmbH which he controls. The company CRC Active Value Fund Mr.Michel Meeus Mr. Pierre Salik Mrs Brigitte Salik	Upward crossing	01/25/2010	18.23%	17.55%
03/11/2010	The company CRC Active	Downward crossing	03/08/2010	9.08%	8.76%

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
03/12/2010	Value Fund Mr.Michel Meeus Mr. Pierre Salik Mrs Brigitte Salik (without Willi Balz)				

18.2 TRADING ON THE EURONEXT PARIS STOCK EXCHANGE

The evolution of stock market prices from January 1, 2007 to May 31, 2010 is shown below:

It should be noted that the Company's stock 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 registered.

As far as the Company is aware, no actions in concert were declared to the Company or to the AMF to the exception of the followings:

In relation to the notification of the crossing threshold and action in concert filed with the AMF on January 28-29, 2010, the company CRC Active Value Fund Ltd1 (CRC), Mr. Willi Balz, acting directly and indirectly through companies subject to German law, Windreich GmbH2 and Financial Consulting GmbH2 he controls, Mr. Michel Meeus, Mr. Pierre Salik et Mrs Brigitte Salik, declared acting in concert and having crossed upwards on January 25, 2010, the thresholds of 5%, 10% and 15% of the share capital and voting rights of the company THEOLIA and holding 7,273,262 shares in THEOLIA representing as many voting rights, i.e. 18.23% of the share capital and 17.55% of the voting rights of this company.

Thereafter, Mr. Balz withdrew from the condert, and the other members of the Concert (the company CRC Active Value Fund Ltd1 (CRC), Mr. Michel Meeus, Mr. Pierre Salik et Mrs Brigitte Salik), declared to the AMF on March 11-12, 2010 acting in concert and having crossed downwards on March 8, 2010, the thresholds of 15% and 10% of the share capital and voting rights of the company THEOLIA and holding 3,658,274 shares in THEOLIA representing as many voting rights, i.e. 9.08% of the share capital and 8.76% of the voting rights of this company (see paragraph 4.1.13).

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 capital increase contemplated within the Restructuring, and the subscription commttments undertaken by certain investors, may lead to a significant dilution of the existing shareholders, a recomposition of the Company's share capital and potentially a chane in control of the Company as indicated in paragraph 9.1.4.

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 transactions with the related parties appears in the notes to the consolidated financial statements for the financial year ended December 31, 2009.

The following table proposes a summary of the transactions carried out with related parties (excluding transactions that were carried out between the Group's companies):

Parties	Type of contract	Date	Financial counterpart	Duration/Term
– Windreich AG (company controlled by Mr. Willi Balz); – THEOLIA Naturenergien GmbH (formerly Natenco); and – THEOLIA (for which Mr. Willi Balz was director in 2009 before	Non exclusive marketing agreement under which Windreich AG is awarded commission (ranging from 2.5 % to 5 % according to the origin of the client-contact) in the event of disposals, negotiated by Windreich AG, of wind projects held by THEOLIA Naturenergien GmbH (formerly Natenco GmbH).	February, 2, 2007	All commissions paid by the Group to Windreich AG under this contract as of the date of this report amount to €6,3 million for the 2007 financial year; €2,2 million for the 2008 financial year (owed with respect to the 2007 financial	In force until December 31, 2011.

Parties	Type of contract	Date	Financial counterpart	Duration/Term
resigning)	After an amendment dated December 21, 2007, applicable from January, 1st to December, 31, 2008, Windreich AG's commission percentage was modified. In addition, for this period, Windreich AG was awarded an exclusive marketing right over the first 100 MW sold in German speaking countries by THEOLIA Naturenergien GmbH (formerly named Natenco GmbH). Since January 1, 2009, this exclusivity is no longer applicable and the provisions of the initial agreement are again in force.		year) and €0,2 million for the 2009 financial year (in the absence of disposals in 2008, they were equal to zero in this financial year).	
– Windreich AG (company controlled by Mr. Willi Balz); and – THEOLIA (for which M. Willi Balz was director in 2009 before resigning)	As part of the corporate name change of Natenco Holding GmbH's (to THEOLIA Holding GmbH) and of Natenco – Natural Energy Corporation GmbH (to THEOLIA Naturenergien GmbH), a sales agreement of the trademark "Natenco" was concluded with Windreich AG subject to the condition that Windreich AG does not use this trademark for a period of two years.	April 4, 2008	N/A	Immediate execution
– Windreich AG (company controlled by Mr. Willi Balz); – M. Willi Balz; and – THEOLIA (for which Mr. Willi Balz was director in 2009 before resigning)	Amendment to the acquisition contract of the Natenco company dated October 11, 2006 whereby THEOLIA waives the right to benefit from the non-competition clause in consideration of a right of first refusal granted to THEOLIA. This right concerns the sale of wind farm projects by M. Willi Balz or by an entity/ company affiliated with the latter, for the benefit of third parties. This right must be exercised within ten business days of receipt of the notice informing THEOLIA of the sale in question and of the conditions of such sale.	April 4, 2008	N/A	Immediate execution
– Windreich AG (company controled by Mr. Willi Balz); and	Agreement organizing the removal of the pledge of 1,117,273 THEOLIA shares in guarantee of representations and	April 4, 2008	N/A	Immediate execution

Parties	Type of contract	Date	Financial counterpart	Duration/Term
– Natenco (in which, Mr. Willi Balz, was director in 2009 before resigning)	warranties granted by Windreich AG in connection with the acquisition of Natenco under the condition of compliance with a lock-up period applicable to the shares corresponding to the remaining term of the representations and warranties.			
– THEOLIA; and – GE Wind Energy. (companies for which Mr. Jean-Marie Santander was a corporate officer)	Provision of a guarantee of €2,879,800 for commitments made by Natenco regarding the supply two turbines of 1.5 MW by GE Wind Energy	August 1, 2008	N/A	Expired guarantee
– Natenco; – THEOLIA (1); and – Corseol (1). (1) Companies in which Mr. Jean-Marie Santander was a corporate officer	Assignment of debt by which Natenco (assignor) assigned to THEOLIA (beneficiary) a debt of €2 596 109 that he held against Corseol (assignee)	2008	2,596,109	Immediate execution
– Faracha; and – THEOLIA. (companies for which Mr. Jean-Marie Santander was a corporate officer)	Contract for strategic consulting services delivered by the company Faracha for the benefit of THEOLIA	March 13, 2008	The Faracha company charged THEOLIA €450,000 and charged THEOLIA Emerging Markets €273,000 for its services in 2008 (see paragraph 4.1.8)	Contract terminated on September 29, 2008
– THEOLIA; – Mr. Jean-Marie Santander; and – Mohamed Habbal	Shareholders agreement within THEOLIA Emerging Markets	November 28, 2007	N/A	This agreement ended in January 2009
– THEOLIA; and – Mr. Jean-Marie Santander.	Settlement agreement, providing, in particular, for the payment of an indemnity in return for compliance with a non-compete covenant	September 29, 2008	THEOLIA has paid €450,000 transferred to Mr. Santander in return for his non-compete commitment	Executed
– THEOLIA; and – Longview Management Services (companies for which Mr. Marc Van't Noordende was	Service supply agreement under which Longview Management Services offers managerial transition services.	September 29, 2008	€195,000 (taxes excluded) for the 2008 financial year and €275,000 (taxes excluded) for the 2009 financial year.	Contract terminated on April 30, 2009

Parties	Type of contract	Date	Financial counterpart	Duration/Term
a corporate officer)				
– THEOLIA; and – Heartstream Corporate Finance B.V. (companies for which Mr. Georgius Hersbach was a corporate officer)	Service agreement through which the company Heartstream Corporate Finance B.V. provides advice relating to the sale by THEOLIA of a wind farm in Germany.	September 22, 2009 (as modified on May 7, 2010)	Completion commission of 1.25% of the enterprise value and the net current value of any earn-outs. A deposit of €150,000 (cancellable in the absence of completion of the transaction by December 31, 2010) has also been set out.	Agreement to end on July 1, 2010 (renewable for a period of 12 months).
– Ventura SA (1); – THEOLIA France SAS; and – Vol-V (1). (1) Companies for which François Bouffard, Arnaud Guyot and Cédric le Saulnier de Saint Jouan were corporate officers.	Sales agreement of the PSC's shares (CEBDP, CECAN, CELHV, CEHAB et CESOU) held by VOL-V to THEOLIA France SAS and sale of Ventura SA's shares to THEOLIA France SAS.	September 8, 2009	Sale of PSC's shares: €478,050; and Sale of Ventura SA's shares: €3,349,420.	Executed
Ventura SA (1); THEOLIA France SAS; and Vol-V (1). (1) Companies for which François Bouffard, Arnaud Guyot and Cédric le Saulnier de Saint Jouan were corporate officers.	Joint guarantee granted by the Company for amounts owed by Ventura SA and THEOLIA France to VOL-V.	September 16, 2009	Guarantee granted for an amount of €966,083	Ongoing (until January 31, 2012)

19.2 AUDITORS' REPORT ON REGULATED AGREEMENTS DURING THE 2009 FINANCIAL YEAR

THEOLIA

Société Anonyme

75, rue Denis Papin

BP 80199

13795 Aix-en-Provence Cedex 3

Statutory auditors' report on regulated agreements and commitments

Year ended 31 December 2009

This is a free translation into English of the statutory auditors' report on regulated agreements and commitments with related parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the Shareholders,

In our capacity as statutory auditors of your Company, we hereby report to you on regulated agreements and commitments.

1 – Agreements and commitments authorised during the year

Pursuant to Article L.225-40 of the French Commercial Code (Code de commerce), the following agreements and commitments, previously authorised by your Board of Directors, have been brought to our attention.

The terms of our engagement do not require us to identify such other agreements and commitments, if any, but to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention, without expressing an opinion on their usefulness and appropriateness. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code, to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

We conducted our procedures in accordance with the professional guidelines of the French National Institute of Statutory Auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement. Those procedures consisted in verifying the information provided to us with the relevant source documents.

1.1 Board of Directors' meeting of April 3, 2009

Provision of services agreement with Longview Management Services

Person concerned:

Marc van't Noordende, Chief Executive Officer and director of your Company and Chief Executive Officer of Longview Management Services.

Purpose and terms and conditions:

THEOLIA signed a provision of services agreement with Longview Management Services pursuant to which the latter agreed to make available to THEOLIA a transitional Chief Executive Officer (Marc van't Noordende) for a period of 26 weeks commencing September 29, 2008, i.e., until April 29, 2009. This agreement was authorised by the Board of Directors' meeting of September 29, 2008. At its April 3, 2009 meeting, the Board of Directors of THEOLIA decided to appoint Mr. Marc van't Noordende interim Chief Executive Officer of the Company and to grant an end of contract bonus of €100,000 to Longview Management Services.

1.2 Board of Directors' meeting of August 28, 2009

Sale & transfer agreement dated September 8, 2009 for the minority rights held by Ventura SA to THEOLIA SA

Person concerned:

Marc van't Noordende, Chief Executive Officer and director of your company and director of Ventura SA, a wholly-owned subsidiary of your company.

Purpose:

Sale and transfer of the rights held by the minority shareholders of Ventura SA to THEOLIA SA, with a completion date set at September 16, 2009, for a consideration of €3,349,420.

Terms and conditions:

This agreement has been performed.

1.3 Board of Directors' meeting of September 22, 2009

Surety agreement dated October 15, 2009 granted by THEOLIA SA to Vol-V

Person concerned:

Marc van't Noordende, Chief Executive Officer and director of your Company, director of Ventura SA (a wholly-owned subsidiary of your company) and legal representative of your Company, and Chairman of THEOLIA France SAS (a wholly-owned subsidiary of your Company).

Purpose:

Pursuant to the surety agreement, THEOLIA SA agrees to act as guarantor for the amounts owed by Ventura SA and THEOLIA France SAS to Vol-V and Vol-V SAS pursuant to the accompanying agreement entered into between the parties on September 16, 2009 on the one hand, and the acquisition agreement for the rights held in several programme support companies (20% of CEBDP, CECAN, CECHP, CELHV, CEHAB and CESOU) entered into on September 8, 2009, on the other hand, for an amount of €966,083 and for a period which shall expire on January 31, 2012.

Terms and conditions:

The guarantee is still in place.

1.4 Board of Directors' meetings of September 22, 2009 and May 7, 2010

Provision of services agreement between Theolia and Hearstream Corporate Finance B.V. dated September 22, 2009 and amendment to this agreement dated May 7, 2010

Person concerned:

Mr. Georgius Hersbach, director of your Company and Chairman and Chief Executive Officer of Hearstream Corporate Finance BV.

Purpose:

Advice and assistance in connection with the sale of the Alsleben (Germany) wind farm as from July 1, 2009, for a period of 12 months, renewable once, and in consideration for a success fee of 1.25% of the enterprise value used for the transaction.

Terms and conditions:

This agreement is currently being performed.

No fees have been paid or invoiced in respect of 2009.

An advance payment of €150,000 shall be paid in May 2010. Such amount must be repaid if the final sale fails to take place before December 31, 2010.

1.5 Board of Directors' meeting of October 20, 2009

Sale & transfer agreement dated November 26, 2009 covering 500,000 shares held by THEOLIA SA in the share capital of Ventura SA to THEOLIA France SAS

Person concerned:

Marc van't Noordende, Chief Executive Officer and director of your Company, and legal representative of THEOLIA SA, Chairman of THEOLIA France SAS, a wholly-owned subsidiary of your Company.

Purpose:

Reorganisation of activities as part of the restructuring of THEOLIA France SAS via a sale and transfer granted and accepted in consideration of a price of €28,333,966 in principal amount, corresponding to the market value of Ventura as determined in connection with the transaction of September 8, 2009 with the Ventura minority shareholders.

Terms and conditions:

This agreement has been performed.

1.6 Board of Directors' meeting of December 17, 2009

Person concerned:

Marc van't Noordende, Chief Executive Officer and director of Theolia Emerging Markets, a 95%-held subsidiary of your Company.

Acquisition by THEOLIA of the shares held by Theolia Emerging Markets in Ecolutions GmbH & Co.KGaA on January 20, 2010

Purpose:

Acquisition by THEOLIA from THEOLIA Emerging Markets of the interest (10,000,000 shares equivalent to 35.21% of the share capital) held in Ecolutions GmbH & Co.KGaA.

Terms and conditions:

This agreement was performed on January 20, 2010. The acquisition price was settled by offset against a shareholder's loan in the nominal amount of €25 million granted by Theolia to THEOLIA Emerging Markets at the 2007 year-end and provided in the amount of €10.65 million as of December 31, 2009, to take account of the recoverable value of the assets transferred (Ecolutions Gmbh & Co.KGaA shares) in January 2010 in consideration of this loan.

Loan to Theolia Emerging Markets

Purpose and terms and conditions:

As part of the financing of the acquisition of 35% of the share capital of the German company Ecolutions GmbH & Co.KGaA, in 2007, THEOLIA granted to its subsidiary THEOLIA Emerging Markets a loan in the nominal amount of €25,000,000, the balance of which totals €27,709,862 at the Decembe 31r year-end after capitalization of interest at 5%. The interest recorded in income in respect of financial year 2009 amounts to €1,316,026.

As part of the acquisition by THEOLIA of the shares held by THEOLIA Emerging Markets in Ecolutions GmbH & Co.KGaA on January 20, 2010, THEOLIA waived, as of this same date, its debt in the amount of €2,709,862 arising from the interest on the €25,000,000 loan with no impact on financial year 2010 since it was fully written off as of December 31, 2009, in addition to the provision of M€ 10.65 million which was also recorded on the €25 million loan.

1.7 Board of Directors' Meeting of April 3, 2009

Non-compete indemnity of the Chief Executive Officer

Person concerned:

Marc van't Noordende, Chief Executive Officer from September 29, 2008 to February 9, 2010 and director of your Company.

Purpose and terms and conditions:

Mr. Marc van't Noordende has a non-compete clause.

The indemnities owed under the non-compete clause entered into between the Company and Mr. Marc van't Noordende amount to 18 months of gross fixed remuneration (including the expat bonus), i.e., €594,000. These indemnities will not however be due in the event of gross negligence or serious misconduct. The contracts entered into with this senior executive also provide that the Company shall be entitled to extend the duration of the non-compete obligation by an additional six-month period, provided that the latter makes such request before the expiry of the first year. In such case, the Company would be obliged to pay to this senior executive an additional non-compete indemnity equal to six-months of his gross fixed remuneration (including the expat bonus). Marc van't Noordende left the Company on February 9, 2010. As of the date hereof, no indemnity has been paid to him under this non-compete clause.

1.8 Board of Directors' Meeting of April 24, 2009

Non-compete indemnity of the Deputy Chief Financial Officer

Person concerned:

Olivier Dubois, Chief Financial Officer from May 1, 2009 to February 9, 2010

Purpose and terms and conditions:

Mr. Olivier Dubois has a non-compete clause.

The indemnities owed under the non-compete clause entered into between the Company and Mr. Olivier Dubois amount to 12 months of gross fixed remuneration i.e. €200, 004. These indemnities will not however be due in the event of gross negligence or serious misconduct. The contracts entered into with this senior executive also provide that the Company shall be entitled to extend the duration of the non-compete obligation by an additional 12-month period, provided that the latter makes such request before the expiry of the first year. In such case, the Company would be obliged to pay to this senior executive an additional non-compete indemnity equal to six-months of his gross fixed remuneration. Olivier Dubois left the Company on 9 February 2010. As of the date hereof, no indemnity has been paid to him under this non-compete clause.

1bis – Agreements and commitments authorised between January 1 and May 12, 2010

Pursuant to Article L. 225-40 of the French Commercial Code, the following agreements, previously authorized by your Board of Directors, have been brought to our attention.

1bis.1 Board of Directors' Meeting of March 19, 2010

Exceptional assignment contracts entrusted to Messrs Philippe Leroy, Jean-Pierre Mattei and Philippe Dominati

Persons concerned:

Philippe Leroy, Jean-Pierre Mattei and Philippe Dominati, directors of your Company.

Purpose:

In 2010, Messrs Philippe Leroy, Jean-Pierre Mattei and Philippe Dominati conducted exceptional assignments for your Company and received exceptional indemnities as part of the financial restructuring plan. This agreement was authorized by your Board of Directors on March 19, 2010.

Terms and conditions :

These three directors collectively received a total indemnity of €280,000 for their work up until the Combined Shareholders' Meeting of March 19, 2010 and shall receive an additional total indemnity of €150,000 for the period from March 19, 2010 to August 31, 2010.

The indemnity of €280,000 was paid on 31 March 2010 and split as follows:

- Philippe Leroy received €120,000, i.e., €110,688 net of CSG (general social security contributions) and CRDS (contributions for the repayment of social debt).
- Jean-Pierre Mattei and Philippe Dominati each received €80,000, i.e., €73,792 net of CSG and CRDS.

1bis.2 Board of Directors' Meeting of April 15, 2010

Non-compete indemnity, supplementary pension and unemployment insurance scheme for the Deputy Chief Executive Officers

Persons concerned:

Jean-François Azam, Executive Vice President in charge of Operations and François Rivière, Chief Financial Officer

Purpose and terms and conditions:

Messrs Jean-François Azam and François Rivière benefit from the mandatory supplementary pension schemes and health and disability insurance set up within the Company for employees, i.e., MEDERIC (supplementary pension) and IPECA and AGF (healthy and disability insurance), unemployment insurance subscribed to by the Group with no attached performance conditions, as well as the indemnity owed under the non-compete clause.

The indemnity owned under the non-compete clause between the Company and Jean-François Azam amounts to (i) 24 months of gross fixed remuneration if his duties are terminated before April 1, 2011, (ii) 18 months if his duties are terminated between April 2, 2011 and April 1, 2012 and (iii) 12 months if his duties are terminated subsequently. This indemnity shall be repaid by Jean-François Azam should a court of law render a final and non-appealable decision stating that he has committed gross negligence.

The indemnity owed under the non-compete clause between the Company and François Rivière amounts to 18 months of remuneration. This indemnity shall be repaid by François Rivière should a court of law render a final and non-appealable decision stating that he has committed gross negligence.

2 – Agreements and commitments approved in previous years with continuing effect during the year

Furthermore, pursuant to the French Commercial Code, we have been informed that the performance of the following agreements and commitments, approved in previous fiscal years, continued during the year.

2.1 Centralised cash management agreement

A centralised inter-company cash management agreement was signed on February 6, 2007 between the various companies of the THEOLIA Group. Pursuant to this agreement, THEOLIA SA is responsible for coordinating and centralising all of the group's cash requirements and surpluses. This agreement is currently being performed. Interest income in respect of 2009 totals €9,267,900.

2.2 Shareholders' loans

Pursuant to the wind farms financing agreement, THEOLIA granted several shareholders' loans to its subsidiaries as follows:

- A loan to SAS CEMDF for an amount at the year-end of €4,273,937, capitalising interest at a rate of 5%. 2009 interest totalled €212,454.
- A loan to SAS CEPLO for an amount at the year-end of €1,548,720, capitalising interest at a rate of 5%. 2009 interest totalled €78,147.
- A loan to SAS CESAM (SEGLIEN) for an amount at the year-end of €3,249,629, capitalising interest at a rate of 5%. 2009 interest totalled €124,129.
- A loan to SAS CEFF for an amount at the year-end of €1,892,414, capitalising interest at a rate of 5%. 2009 interest totalled €81,275.
- A loan to SAS CESA for an amount at the year-end of €3,266,862, capitalising interest at a rate of 5%. 2009 interest totalled €155,153.
- A loan to SAS CESAL for an amount at the year-end of €2,877,291, capitalising interest at a rate of 5%. 2009 interest totalled €136,651.

2.3 Surety in favour of Crédit Industriel d'Alsace

THEOLIA granted a surety in the amount of €250,000 for an open period guaranteeing the repayment of the negative balances on the current accounts of its subsidiary Natenco SAS (which was substituted by THEOLIA France SAS following the transfer to this company of the net assets of NATENCO SAS) in favor of Crédit Industriel d'Alsace-Lorraine.

This surety is still in place.

2.4 Debtors agreement

Agreement entered into by the bank RBS and the companies Royal Wind, CEFF, CESAM, Ventura, Vol-V and THEOLIA to enable the financing of the construction of the THEOLIA Group wind farms.

This agreement is still in place.

2.5 Tax group agreement

Pursuant to the terms of this agreement, THEOLIA is solely liable for the income tax payable in respect of the taxable profits of the tax Group. This agreement was entered into for a period of 5 years commencing July 1, 2005, between THEOLIA and its French subsidiaries. The participating companies and their contribution to the taxable profits of the tax group, are presented in Appendix 1.

2.6 Standby guarantee granted by THEOLIA as part of the CERON and CELGC financing

THEOLIA granted standby guarantees in favour of Société Générale covering swap contracts set up between the operating companies Centrale Éolienne du plateau de Ronchois (CERON) and Centrale Éolienne du Grand Camp (CELGC) and Société Générale, pending the signature of a project financing contract.

These guaranteed expired on the termination of the swap contracts, that is, on October 21, 2009 for CERON and December 14, 2009 for CELGC.

2.7 Guarantee in favour of the buyer of the wind farm in Germany

Pursuant to the sale of a wind farm in Germany with a capacity of 24 MW on December 28, 2007, for a total consideration of €40.8 million, THEOLIA granted an unconditional and irrevocable guarantee covering the repayment of the purchase consideration, in the event of cancellation of the sale by one of the buyers and failure by THEOLIA Naturenergien GmbH (previously Natenco GmbH) to repay the purchase consideration.

This agreement expired on June 30, 2009.

2.8 Contracts with FC Holding (subsequently renamed Windreich AG)

Several contracts have been signed with FC Holding, a shareholder with over 10% of the share capital of your Company:

- Contract for the sale of the Natenco brand to FC Holding, subject to FC Holding not using this brand for a period of 2 years commencing the date of sale;
- Agreement to waive the non-compete clause initially contained in the purchase contract for Natenco (now THEOLIA Naturenergien GmbH) dated October 11, 2006, in return for a right of first refusal granted to THEOLIA and its subsidiaries for all wind-related transactions dealt with by FC Holding;
- Agreement to release the pledge covering 1,117,273 THEOLIA shares pledged to guarantee the vendor warranties granted by FC Holding pursuant to the acquisition of Natenco (now THEOLIA Naturenergien GmbH), subject to a share lock-up clause covering the residual period of the warranty.

These agreements were authorized by the Board of Directors on March 13, 2008.

2.9 Comfort letter

The Board of Directors authorised the signature of a comfort letter under the terms of which THEOLIA undertakes to provide Theolia Deutschland GmbH, a wholly-owned subsidiary, with the necessary resources to meet its obligations to third parties (and primarily banks), up to a maximum of €2,000,000.

This agreement expired on June 30, 2009.

2.10 Guarantee covering THEOLIA Naturenergien GmbH (previously Natenco GmbH) commitments in favour of GE Wind Energy

THEOLIA granted a guarantee in the amount of €2,879,800 covering commitments given by THEOLIA Naturenergien GmbH under the terms of a contract dated July 18, 2008 with GE Wind Energy Gmbh, for the supply of 2 turbines with an individual capacity of 1.5 MW.

This guarantee expired in 2009 on the definitive reception of the wind farm.

2.11 Surety in favour of Vereinigte Volksbank

THEOLIA granted a guarantee in the amount of €3,500,000 covering commitments given by THEOLIA Naturenergien GmbH (formerly Natenco GmbH) under the terms of a loan agreement dated July 28, 2008 with the bank, Vereinigte Volksbank, to finance the acquisition of 3 turbines with a total capacity of 2.4 MW as part of the Meersbuch Osterath project.

This guarantee expired in 2009 on the repayment in full of the loan by THEOLIA Naturenergien GmbH.

2.12 Shareholders' agreement between THEOLIA, Mr. Jean-Marie Santander, Mr. Mohamed Habbal and Theolia Emerging Markets

A shareholders' agreement was entered into on November 28, 2007 between THEOLIA, Mr. Jean-Marie Santander, Mr. Mohamed Habbal and Theolia Emerging Markets (hereafter referred to a "TEM") to organise relations between TEM shareholders and confer control of TEM on THEOLIA.

This agreement was entered into for a period of 5 years commencing the date of signature and terminated on the sale on by Mr. Jean-Marie Santander of his entire shareholding in TEM to THEOLIA in January 2009.

2.13 Provision of services agreement with Longview Management Services

THEOLIA signed a provision of services agreement with Longview Management Services pursuant to which the latter agreed to make available to THEOLIA a transitional Chief Executive Officer (Marc van't Noordende) for a period of 26 weeks commencing September 29, 2008.

Longview Management Services invoiced an amount of €175,000, excluding VAT, for the period January 1, to April 29, 2009. This amount does not include the bonus of €100,000, excluding VAT, granted by the Board of Directors on April 3, 2009 under the conditions set out in Section 1.1 of this report.

Marseilles, May 12, 2010

The Statutory Auditors

Coexcom	Deloitte & Associés
French original signed by	French original signed by
Frédéric DUCHEMIN	Anne-Marie MARTINI

APPENDIX 1

Tax group agreement

Taxable profit or loss for the period from January 1, 2009 to December 31, 2009

E00001 SA THEOLIA	22,960,882
E00010 ECOVAL TECHNOLOGY SAS	(1,201,068)
E00011 SERES ENVIRONNEMENT	(3,325,449)
E00012 THERBIO	(2,726,028)
E00013 ECOVAL 30 SA	(1,134,409)

E00014 NEMEAU SAS	(355,278)
E00020 THEOLIA FRANCE	(3,895,879)
E00022 THEOLIA PARTICIPATIONS	(544,000)
E00025 CS2M	(25,657)
E00026 SAEE	826,610
E00027 SAPE	679,702
E00030 VENTURA	(797,925)
E00031 ROYAL WIND	(104,514)
E00033 CENT EOL DE SEGLIEN	356,375
E00037 CENT EOL DES SABLONS	757,516
E00041 CENT EOL DES COSTIERES	(60,847)
E00068 NATENCO SAS	(289,624)

20. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS, FINANCIAL SITUATION AND INCOME

20.1 FISCAL YEAR ENDING DECEMBER 31, 2009

20.1.1 Consolidated financial statements as of December 31, 2009

Statement to the financial statements *in thousands of euros*

Assets	Notes	12/31/2009	12/31/2008
Goodwill	9	79,460	78,084
Other intangible assets	10/11	99,883	94,152
Property, plant, and equipment	10/11	311,858	341,678
Equity interests	12	10,915	21,729
Other non-recurrent financial assets	13	9,867	10,458
Deferred taxes assets	31	8,140	9,483
Non-current assets		**520,123**	**555,584**
Inventories and work in progress	14	51,814	169,923
Trade receivables	15	32,492	24,885
Other non-current assets	16	22,623	53,900
Tax receivables on income		5,222	3,475
Current Share of financial assets	13	236	296
Cash and cash equivalents	17	94,187	90,823
Current assets		**206,574**	**343,302**
Assets related to discontinued activities	18	17,072	19,817
TOTAL ASSETS		**743,769**	**918,703**

LIABILITIES AND SHAREHOLDER'S EQUITY			
Share capital l	19	39,895	39,747
Issue premiums		307,546	307,695
Other reserves		(176,201)	67,149
Net income – Group share		(20,765)	(244,454)
Shareholder's equity – Group share		**150,475**	**170,137**
Minority interest		(1,823)	(1,489)
Shareholder's Equity		**148,652**	**168,648**
Non-current financial liabilities	21	366,179	442,582

Assets	Notes	12/31/2009	12/31/2008
Provisions – non-current share	23	14,439	4,955
Personnel benefits	22	79	61
Deferred tax liabilities	31	25,003	22,033
Other non-current liabilities		561	561
Non-current liabilities		**406,261**	**470,192**
Current financial liabilities	21	124,302	146,666
Provisions – current share	23	-	66
Trade payables and other current liabilities	24	41,285	103,228
Tax and social liabilities	24	10,715	14,352
Corporation tax debts		1,516	2,480
Current liabilities		**177,818**	**266,742**
Liabilities related to discontinued projects	18	11,038	13,121
TOTAL LIABILITIES AND EQUITY		**743,769**	**918,703**

Balance sheet *in thousands of euros*

	Notes	12/31/2009	12/31/2008
Revenue		**328,593**	**69,956**
Purchase and changes in inventory		(255,366)	(25,945)
External expenses		(33,613)	(36,540)
Taxes and duties		(1,215)	(1,240)
Personal costs	26	(11,714)	(20,838)
Amortization and provisions	10/11	1,446	(57,458)
Other current operating income and expenses	27	(319)	3,656
Current operating income		**27,811**	**(68,411)**
Other non-current operating income and expenses	28	(140)	(22,584)
Operating income before impairment		**27,671**	**(90,995)**
Impairment of goodwill	29	4,509	(106,577)
OPERATING INCOME (after impairment)		**32,180**	**(197,572)**
Cost of gross financial debt	30	(29,490)	(33,009)
Income from cash and cash equivalents	30	960	6,384
Cost of net financial debt	30	**(28,530)**	**(36,625)**

Other financial income	30	2,685	3,988
Other financial expenses	30	(4,964)	(16,445)
Financial income		**(30,809)**	**(39,082)**
Share in income of associated enterprises	12	(13,470)	(3,842)
Tax expenses	31	437	11,936
Net Income from ongoing activities		**(11,662)**	**(228,560)**
Income net of corporate tax from discontinued activities or those in the process of being sold	18	(9,439)	(16,650)
NET INCOME		**(21,101)**	**(245,210)**
Group income		(20,765)	(244,454)
From minority interests		(335)	(755)
Income per share (in euros)	24	(0.52)	(6.15)
Diluted income per share (in euros)	24	(0.49)	(4.33)

Overall income *in thousands of euros*

	12/31/2009	12/31/2008
Net income	**(21,101)**	**(245,210)**
Foreign exchange differences	(125)	112
Total earnings and expenses posted	**(125)**	**112**
OVERALL INCOME	**(21,227)**	**(245,098)**
Earnings per share (in euros)	(0.53)	(6.17)
Diluted earnings per share (in euros)	(0.51)	4.33

Cash flow table *in thousands of euros*

	12/31/2009	12/31/2008
Total net income of consolidated companies	**(21,100)**	**(245,210)**
Income from discontinued activities	9,439	16,650
Elimination of amortization, depreciation and provisions	18,652	157,792
Elimination of change in deferred taxes	(425)	(11,936)
Elimination of capital gains/losses from disposals	6,139	(4,887)
Elimination of the share of income from equity	13,470	3,842
Financial expenses	30,318	30,819
Other income & expenses with no effect on cash	2,733	44,863
Gross self-financing margin (A)	**59,225**	**(8,067)**
Effect of WCR variation related to activity (B)	54,280	(129,193)
Corporation tax paid ©	(1,370)	(8,715)
Flows related to discontinued activities (D)	(2,902)	(1,751)
CASH FROM OPERATIONAL ACTIVITIES (a) = (A+B+C+D)	**109,233**	**(147,725)**
Acquisitions of fixed assets	(27,877)	(46,404)
Acquisitions of financial assets	(80)	(16)
Disposals of fixed assets	3,391	3,045
Change in income	26,304	36,514
Effect of subsidiary acquisitions net of cash required	(19,879)	(64,573)
Flows related to discontinued activities	-	(2,295)
Linked account	0	0
NET FLOW GENERATED BY INVESTMENT ACTIVITIES (b)	**(18,139)**	**(73,727)**
Dividends paid to minority shareholders	-	(0)
Treasury shares	(1)	373
Capital increase (decrease)	(0)	1,589
Loans and other debts	37,482	102,304
Repayment of loans and other liabilities	(110,325)	(91,063)
Interest paid	(14,904)	(24,497)
Financing operations with no effect on cash	24	(0)
Flows linked by discontinued activities	-	(890)
NET FLOWS GENERATED BY FINANCING ACTVITIES (c)	**(87,724)**	**(12,184)**
Effect of variations on exchange rates	(8)	70
CHANGES IN CASH AND CAS EQUIVALENTS (d) = (a) + (b) + (c)	**3,361**	**(233,567)**
Net cash and cash equivalents – opening balance	90,819	325,920

	12/31/2009	12/31/2008
Net cash and cahs equivalents of discontinued activities – closing balance	-	1,533
Net cash and cash equivalents – closing balance*	94,180	90,819
CHANGES I CASH AND CASH EQUIVALENTS	**3,361**	**(233,568)**
*Cash posted on the the balance sheet	94,187	90,823
Bank overdrafts	(7)	(4)
Net cash and cash equivalents – closing balance	***94,180***	***90,819***

Table of changes in shareholder equity *in thousands of euros*

	Capital	Premiums	Conversion losses/gains	Consolidated Reserves and Income	Equity Group share	Minority interests	Total Shareholder Equity
Situation at 01/01/2008	38.682	307.171	226	58.064	404.143	227	404.420
Expenses and income directly recorded under Equity			112		112		112
Net income				(244.454)	(244.454)	(755)	(245.209)
Overall income			112	(244.454)	(244.454)	(755)	(245.097)
Capital increase	1.065	524			1.589		1.589
Free shares				8.045	8.045		8.045
Cross-holding shares				(709)	(709)		(709)
BSA issue				1.615	1.615		1.615
Change in scope				130	130		130
Other reclassifications				(334)	(334)	(1.011)	(1.345)
Situation at 12/31/2008	39.747	307.695	338	(117.643)	170.137	(1.489)	168.648
Expenses and income directly recorded under Equity			(117)		(117)		(117)
Net income				(20.765)	(20.765)	(336)	(21.101)
Overall income			(117)	(20.765)	(20.883)	(336)	(21.219)
Capital increase	148	(148)					
Free shares and options				939	939		939
Cross-holding shares				(35)	(35)		(35)
Other reclassifications				319	319	2	321
Situation at 12/31/2009	**39.895**	**307.546**	**221**			**(1.823)**	**146.652**

APPENDIX TO THE CONSOLIDATED FINANCIAL STATEMENT

1. GENERAL INFORMATION

The company THEOLIA ("The Company") is a French limited liability corporation, whose head office is located in Aix-en-Provence, France.

The financial year for which the financial statements are presented began on January 1, 2009 and ended on December 31, 2009.

The Company, as well as its subsidiaries ("The Group") conducts their business in the development, construction, operation and sale of wind farms.

The Group operates mainly in Europe.

The financial statements for the Group were adopted by the Board of Directors on April 15, 2010.

2. ACCOUNTING PRINCIPLES

2.1 General principles

- **Statement of compliance**

In accordance with EC regulation n° 1606/2002 of July 19, 2002, the consolidated financial statements for January 1 2009 through December 31, 2009 are prepared in accordance with the IFRS (International Financial Reporting Standards) published by the IASB (International Accounting Standards Board) on December 31, 2009 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) which are available from their website: http://ec.europa.eu.

The accounting policies used on December 31, 2009 are coherent with those of the previous financial year.

New standards, amendments and interpretations applicable as of January 1, 2009

The standards, amendments or interpretations presented below were applied continuously to all periods presented in the financial statements.

Standard N°	Description	Potential effect on the Group's financial statements
IAS 1 revised	**Presentation of financial statements**	**The impact on financial statements is presented below**
IAS 23 amended	Loan costs	This amendment has no effect on the financial statements The Group has already activated directly attributable borrowing costs
Amendment to IAS 32 and IAS 1	Financial instruments subject to early repayment	This amendment does not apply to the Group
Modified amendment to IAS 39 and IFRS 7	Reclassification of financial assets	This amendment does not apply to the Group
Amendment to IAS 39 and IFRIC 9	Embedded deritatives	This amendment does not apply to the Group
Amendment to IFRS 2	Conditions of acquisition and cancellations	This amendment does not apply to the Group
Amendment to IFRS 7 and IFRS 4	Information on financial instruments	Information supplied at note 21

Standard N°	Description	Potential effect on the Group's financial statements
IFRS 8	**Operating segments**	**The effect on the financial statements is presened in note 2.21**
IFRS 13	Customer loyalty programes	This interpretation does not apply to the Group
Ifrs 14	IAS 19 – Asset cap	This interpretation does not apply to the Group
Annual improvements (2006-2008)	**Amendment IAS 16**	**The effect on the financial statements is presented in "change of strategy"**

New standards, amendments and interpretations applicable as of January 1, 2010

The Group decided not to apply the following standards, interpretations and amendments in advance which were published by the IASB and adopted by the European Union and whose application is not obligatory in these financiall statements.

Standard N°	Description	Potential effect on the Group's financial statements
IAS 27 amended	Consolidated and individual financial statements	The analysis of the effect of these standards, interpretations and amendments to the financial statement is being analyzed
IFRS 3 revised	Business combinations	
Amendment IAS 32	Classification of rights	
Amendment IAS 39	Items eligible for hedging	
IFRIC 12	Service provision contracts	
IFRIC 15	Agreements for the construction of a real estate asset	
IFRIC 16	Hedging of net overseas investments	
IFRIC 17	Distribution of non-monetary assets to owners	
IFRIC 18	Transfer of assets from clients	

Standards, amendments and interpretations not yet applicable

The following rules, amendments and interpretations were published by the IASB but have not yet been adopted by the European Union.

Standard No	Description	Potential impact on the Group's financial statements
IAS 24 revised	Related partries	The analysis of the impact of these rules, interpretations and amendments on the financial statements is under analysis
Amendemnt IFRS 1	Additional exemptions	
Amendment IFRS 2	Intra-group transactions	
IFRS 9	Financial instruments	
Amendment IFRIC 14	Early payments of minimum finance obligations	
IFRIC 19	Extinction of debt	
Annual improvements (2007-2009)		

- **Change of strategy: Accounting system applicable to the sale of assets**

On September 1, 2009, the THEOLIA management confirmed a change in the Group's economic model. The Group's activity would from now on be focused on Developing, Building, Operating then Selling wind farms. Therefore, all of the farms are intended to be sold.

This means that the sale of these farms forms part of the main activity of the Group, and must therefore be posted under Profits from ordinary activity.

In accordance with IAS 8.16, the application of the accounting principle does not entail a change of principle. The principle applies to transactions which differ in substance from those which applied previously. The change applies prospectively as of September 1, 2009 as part of the review of the IAS 16 standard, applicable as of January 1, 2009.

As a consequence, the repayment schedule must reflect this change, as the assets must be paid off on a new duration of use, and a residual value must be used to determine the repayments.

The reporting which applies to wind farms depending on their life cycle is described below:

- Filing of building permit and creation of the SSP (development): reporting of development costs under fixed assets

- Construction - reporting under current tangible assets of building costs

- Commissioning of the wind farm - keep under capital until the sale is finalized:

- Operation:

    - Purchase/sale flows: transferred to earnings (costs & profits)

    - Amortization: over the planned duration of ownership of the farm

- From disposal of assets under a sales contract, the transfer to an inventory account for their book value is made at that date (IAS 16.68A),

- Transfer – profit of transfer broken down into:

    - Revenue (IAS 16.BC35C)

    - Sale cost of the farm (to be reported under stored purchases)

To give an idea, the sales of wind projects made over the course of the first six months of 2009 represented the equivalent of an income of €3.2m. They were not reprocessed. There were no sales in July and August 2009. The sales of 38.5 MW of wind farms in Germany, Natenco's traditional activity of the sale of Natenco turnkey farms, in the first six months of 2009 were already posted in the revenue.

- **Change of system: 1st application of revised IAS 1**

The application of the revised IAS 1 standard entails the following changes in the presentation of the consolidated financial statements:

  - Presentation of an overall profit which includes both profits and costs as reported in profits but also those reported in shareholders' equity; this profit is presented in the changes in shareholders' equity table on a different line so that transactions linked to shareholders can be distinguished from those not linked to shareholders;

  - The name of the balance sheet is changed to "the statement of financial position".

- **Change of method: 1st application of the IFRS 8 standard – Operational segments**

Until 2008, sector activity was (in accordance with IAS 14) presented according to two analytical approaches:

- Activities:
  - Construction/sale of farms
  - Sale of electricity generated by wind (for own account and third parties)
  - Non-wind activities
  - Holding activities
- Geographical:
  - France
  - Germany
  - Rest of the world

As of January 1, 2009, and pursuant to IFRS 8 – Operational segments, the Group presents its sector information using only the Activities approach:

- Sale of electricity (produced by the farms owned by the Group)
- Development/Construction/Sale (DCV in French)
  - o Development
  - o Construction
  - o Sale of structured assets (wind farms)
- Operation of wind farms
  - o Operation & Maintenance management
  - o Sale of the electricity produced by the wind farms being managed (and owned by third parties)
- Non-wind activities
- Corporate (parent company and sub-holding companies composing structuring the legal organizational chart)

The main change resides in the creation of the "Wind farm operation" activity which covers sales of electricity on behalf of third parties, which was previously grouped together with under sales for own own account.

- **Basis for preparing the financial statements**

The comparative information is presented, unless otherwise indicated, as of December 31, 2008.

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

In accordance with IFRS 3, the N-1 accounts (year start and year end) comparatively presented are restated in the event of final goodwill allocation. The same applies to the application of the IFRS 5 standard – Non-current assets held in view of sale and discontinued activities.

- **General valuation principles**

The consolidated financial statements of the Group are produced according to the principles of continuity of operation and of historical cost, with the exception of some financial instruments and financial assets available for sale which are valued at the fair value.

- **Continuity of operation**

At the end of 2008, in a difficult economic environment, which led to a book loss of 245 million euros being posted, the Group set its budget for 2009 on a self-financing basis and had decided upon an asset sale program intended to provide it with the resources necessary to honor its commitments.

Over the course of the financial year, the asset disposal program was implemented as planned.

Furthermore, independently of this, a new strategy was implemented by the Group as of September 2009, which consisted in no being a producer of electricity, but a developer and operator of wind farms.

It should be noted that the Group is currently undertaking a restructuring of its convertible bond and that this restructuring is subject, on the date these accounts were finalized, to a minimum capital increase of 45 million euros before the end of August 2010, based on the expected business forecast and the base assumption of the implementation of the capital increase with irrevocable underwriting as described above, the Group expects to be able to ensure the continuity of its operations over twelve months and has concluded in this context that it was appropriate to apply the continuity of operations principle in preparing its consolidated accounts.

However, if the capital increase is not carried out for this minimum amount, or if it is not done within the scheduled deadlines then the bond restructuring will not be completed and on January 1, 2012 the bondholders would not be able to claim the early reimbursement of the OCEANE convertible bond for an amount of €253 million. The Group believes, at the current time, that it would be unable to meet this repayment maturity.

Furthermore, the Group considers that a failure in the restructuring of the bond loan would increase the risk of financing not being obtained for wind projects currently being developed or of other short term bank credits being terminated. Assuming the Group does not complete its restructuring before July 31, 2010 and/or the ad hoc agent is still in place beyond that date, the banks financing projects in certain Group subsidiaries would be able to claim the early reimbursement of their loans as explained in note 21 of the appendix.

As a result, there is an uncertainty as to Group's capacity to liquidate its assets and pay its debts in the normal course of business. The failure to restructure the convertible bond could oblige the Group to consider a safeguard procedure such as is foreseen in French law and lead to a significant destruction of value. None of the adjustments that may prove necessary in this case has been recorded in the financial statements.

- **Correction of an error – IAS 8**

Pursuant to standard IAS 8, an error noted in the financial statements of the Corseol subsidiary (wind farm) on December 31, 2008 gave rise to the restatement of these same accounts.

A provision for risks of €1.111 million for which the compensation is posted in the balance sheet under the "amortizations and provisions" item was reported in the company accounts after the close of the consolidated financial statements.

This correction has a negative impact on the net income of (€1.111) million during the 2008 financial year which was consequently re-processed for comparative purposes.

2.2 Consolidation methods

▪ Controlled entities

Subsidiaries are consolidated if they are controlled by the Group, and if the Group controls 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, the subsidiaries' financial statements will be restated to harmonize the accounting principles and make them consistent with those of other companies within the scope of consolidation.

All intra-group balances and operations 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 balance sheet 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 the business combination contract involves an adjustment to the purchase price which depends on future events, the value 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 in a reliable manner.

In the event of the sale of a subsidiary or of a jointly controlled entity, 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 under goodwill.

2.3 Foreign currency

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

- Presentation of the financial statements

Balance sheet items of entities located outside the eurozone are converted at the exchange rate prevailing on the closing date in the functional currency and balance sheet items are converted at the average exchange rate prevailing in the functional currency.

- Foreign currency transactions

Foreign currency transactions are converted at the exchange rate prevailing on the day of the transaction.

2.4 Recognition of income

Income is recognized when the Group has transferred to the buyer any significant risks or benefits of ownership, 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.

In accordance with the new Group strategy, the sale of previously operated wind farms and projects are recorded under revenue for the resale value of the asset (see note 2.1).

- **Electricity production**

Sales recorded from peaking units and wind plants 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.

The sales of the electricity produced either from farms owned by the Group, or farms owned by third parties who have entrusted the management of said farms to the Group, are recognized in accordance with the quantities produced and delivered over the course of the financial year.

Income from the electricity produced by farms held on behalf of third parties has been included in the Group’s financial statements because the contract for the sale of electricity to the grid is made with the Group, not with the client for whom the Group manages the asset. The risks are managed by the Group who has the effective control and management on behalf of the client. On account of this, the Group records its gross revenue in accordance with the standard IAS 18.

- **Purchase of wind farms for resale**

Profit margins are achieved when the wind farm is sold, in proportion to the number of masts sold.

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

The operations of development and construction of wind farms which will be operated by the Group with a view to their sale only give rise to the reporting of income on the actual date of sale of the wind farms previously classified as non-current assets. They are classified as inventory when the client has been identified (signature of a sales contract) for the sale of a wind farm. The transfer date therefore corresponds to the date the risks and benefits linked to ownership are transferred.

- **Financial income**

Interest income is posted on a pro rata 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.epreciation, 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.

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 2 to 4 years.

From the date of implementation of the new strategy, the development costs of the wind farms are amortized over a period of 2 to 4 years as a result of their expected length of operation before disposal taking into account a residual resale value at the end of those 4 years. In the pastn they had been amortized over the lifetime of the electricity sales contracts (15 to 20 years).

The amortization expense of the intangibles is recorded under the item “Amortization” in the income statement.

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 main intangible assets accounted for by the Group concern the development costs of the different projects linked particularly to the operation of wind farms. The projects are valued at their production 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 to complete the intangible asset and commission it or sell it;
- the ability to commission or sell the intangible asset;
- the likelihood of generating future economic benefits;
- the availability of technical and financial resources to complete the development of the project;
- the ability to reliably assess the expenses attributed to the asset during the course of its development.

The intangible assets generated internally are depreciated according to the straight line method over their useful life.

When the conditions for posting a fixed asset generated internally are not met, the development costs are posted as expenses in the financial year during 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 according to the provisions of the new strategy; the amortizable base corresponds to the difference between the cost of goods sold and the estimated resale cost, the amortization period being set at 4 years (the period of operation expected by the Group before sale to a third party).

2.6 Tangible fixed assets

- **Valuation of tangible assets**

Tangible fixed assets are stated at their acquisition cost less depreciation and potential 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
- Wind farms	2-4 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

From the date of application of the new strategy, the wind farms are depreciated over 2 to 4 years depending on the expected duration of operation before the sale taking into account a residual resale value at the end of those 4 years. They were previously depreciated over the life of the electricity sale contracts (15 to 20 years).

Asset depreciation expense is posted under the heading “Depreciation and Amortization” in the income statement

2.7 Lease agreements

The capital financed via lease agreements - finance, transferring to the Group almost all of the risks and benefits inherent to ownership of the leased asset, are processed under the balance sheet assets at the fair value of the leased property or at the present value of the minimum payments under the lease if the latter is lower. The corresponding debt is recorded under 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.

The assets used for the financial lease agreement are immaterial.

2.8 Impairment of assets

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.

Unless an exceptional event arises, the annual test is carried out during the yearly process of medium-term budget planning.

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.

As required by the application of IFRS 8 "operational sectors", Group activities are classified as follows:

- Sale of electricity for own account corresponds to the sale of electricity produced by wind farms owned by the Group,
- Development, construction, sale includes the development, construction and sale of wind farms and projects,
- Operation includes the management of wind farms on behalf of third parties and the sale of the electricity produced by the wind farms that are managed, but not owned by the Group,
- Non-wind activity is not strategic and is currently in the process of being sold.
- Corporate activity mainly includes the THEOLIA SA holding company.

The Wind Development, construction and sale activity is sub-divided into as many CGUs as countries involved -mainly France, Germany and Italy.

The Sale of electricity on own account and Operation activities are themselves sub-divided into as many CGUs as there are farms in operation.

Non-wind activity is itself sub-divided into as many CGUs as there are legal entities.

Depreciation is posted up to the surplus of the book value on the recoverable value of the asset.

The recoverable value is the higher amount between the fair value of the asset (or of the group of assets) net of sale costs and its utility value.

The utility value is therefore solely determined using expected updated future cash flow from the use of the asset (or of the group of assets).

The provisional cash flow used is coherent with the provisional business plans produced by the Group management.

The assets tested as of December 31, 2009 are mainly goodwill as well as other depreciable intangible and tangible assets.

These assets belong either to the Development, construction and sale CGU or to the Sale of electricity for own account CGU.

The rates selected to update the associated cash flow depends on the activities attributable to each of the individual goodwill and take into account the risks and activities as well as their geographical location. The rate is determined, according to the assets selected, based on the weighted average cost of capital (WACC) for the Sale of electricity for own account activity, based on the cost of capital for the Development, construction, sale activity.

CGU	Discount rate	
	2009	2008
Development, Construction, Sale		
France	6.76%	7.00%
Germany	6.76%	7.00%
Italy	6.76%	8.00%
Sale of electricity for own account		
Germany	5.73%	7.00%
France	5.73%	7.00%
Morocco	9.00%	9.00%

These different rates have been determined mainly using the following items:

	2009	2008
Risk free rate	4.00%	4.10%
Risk premium	4.00% / 5.00%	4.75%

For Development, construction, sale CGU, the recoverable values correspond to the business plans of the entities concerned by country.

- For Germany, this business plan concerns trading in wind farms
- For France and Italy, these business plans relate to the ability of these entities to develop then build wind farms for operation over 2 to 4 years, then sell them to third parties.

For the Sale of electricity for own account CGU, the main hypotheses chosen are as follows:

- Rate of probability of effective wind hours: P75, which corresponds to the annual level of production whose probability of excess over the long term is 75%.
- Duration of forecast: expected duration of operation, i.e. 20 years from the date the wind farm is commissioned.
- Terminal value: as a general rule, this corresponds to 20% of the original investment;

This method of valuing the wind farms earmarked for sale is the one chosen by the market. The recoverable value of a farm which is to be sold corresponds to the updated sum of its updated future cash flow including a terminal value equivalent to 20% of the original investment.

Any impairment of assets on goodwill is posted as a priority then, if applicable, minus other CGU assets, on a pro rata basis of their book value. Impairment tests on goodwill cannot be reversed. Impairment of assets is posted directly under expenses in the operating profit.

Figures on the sensitivity of goodwill and CGU depreciation can be found in note 11 "Impairment of assets" for all the assets tested.

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:

- Wind projects purchased to be resold (trading activity in Germany)
- Projects earmarked for sale after 2 to 4 years of operation according to the new Group strategy.

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.

Wind farms (previously posted under intangible and tangible assets) earmarked for sale are reclassified under inventory when these assets are about to be sold and the client has been identified (when there is a signed sales contract).

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.

This heading also includes, where applicable, non-current financial debts:

- which are to be repaid early at the initiative of the lender;
- those that become due because of failure to adhere to covenants.

The fair value is determined using the following hierarchy:

- prices (non adjusted) quoted on active markets for identical assets or liabilities (Level 1);
- data other than the prices mentioned at Level 1, which are directly or indirectly observable (Level 2); and
- data relating to assets and liabilities which are not based on observable market data (non observable data) (Level 3).

- **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 “Other financial 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 main assets and liabilities affected are the hedge derivatives linked to bank loans and short term financial investments.

- **Financial assets held to maturity**

This category shows fixed-term assets acquired and fixed or anticipated interest payments 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 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 financial income.”

- **Financial assets available for sale**

Financial assets available for sale include non-consolidated equities, as well as debt securities not labeled in the other categories. 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.

- **Financial debt and supplier debt**

Financial debt and supplier 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.

The note 2.17 provides additional information regarding loans.

- **Derivative financial instruments**

  - **Type**

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

  - **Valuation and posting**

Derivative financial instruments are posted at original fair value. 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, 2009 derivative instruments contracted by the Group were not recorded as related to hedging for accounting purposes.

2.11 Trade receivables and other debtors

Trade receivables derive from sales of assets, wind farms and services realized by the Group within the context of its activity. Other debtors essentially include tax receivables (VAT accounts) and social receivables.

The client receivables are at amortized cost.

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 used to meet cash needs.

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.

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 (BSA) and bonus share plans

- **Stock warrants**

Prior to 2009, the Group allocated 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.

- **Free shares**

The Group allocates free 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 plan**

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 additional plan over and above the minimum legal pension for employees has been signed by the Group for its employees or directors.

- **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 only be established if the restructuring was subject to an announcement and a detailed plan or a start of execution at the close of the period.

Litigation (mainly involving labor courts) is applicable when a Group obligation to a third party exists at the close. The provision is valued according to the best estimate of the foreseeable expenditure.

Any dismantling costs are not subject to provision, as the Group considers that the recovery value of the steel of the wind turbines equals their dismantling liability.

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 as follows:

- 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 bonds are analyzed as hybrid instruments, with a debt component and an equity capital component taking into account the issuance fees:

- the debt component is determined by the present value of the contractual payment flows at a rate of a similar instrument without a conversion option (pure debt) based on the market conditions at time of issue;
- the equity component is valued by the difference between the issue price and the value of the debt component, net of the effects of deferred taxes.

2.18 Deferred taxes

The “tax expense” category includes tax due for the period and deferred tax included in the income for the period.

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

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

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

Deferred taxes are calculated 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

2.19 Calculation of current operating income

The income statement is presented by type of expenditure.

Current operating income corresponds to operating income restated for other non-current income and expenses 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; and
- expenses and income that would result from litigation of a significant amount, deployment activities or major capital transactions (expenses from incorporating a new activity, etc).

2.20 Earnings per share

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

2.21 Sector information

Pursuant to standard IFRS 8 and for improved readability, the Group has redefined its business segments as follows:

- Sale of electricity for own account corresponds to the sale of electricity produced by the wind farms owned by the Group,
- Development, construction, sale includes the development, construction and sale of wind projects and farms,
- Operation includes the management of the wind farms on behalf of third parties and the sale of electricity produced by the wind farms which are managed but not owned by the Group,
- Non-wind activity is a non-strategic area and is currently in the process of being sold.
- Corporate mainly refers to the THEOLIA SA holding company.

Moreover, the Group considered that the implementation of the new strategy on September 1, 2009, which consisted of the following:

- developing and building wind farms
- operating them for 2 to 4 years
- transferring them at the end of this operation period

did not have an influence on the definition of its existing operating sectors.

The note on Sector Information sets out, by business segment, information on product and income as well as some information concerning assets, liabilities and investments.

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

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.

3. JUDGMENTS AND ESTIMATES

The production of the financial statements according to the IFRS standard has led the Group Directors to make estimates and formulate hypotheses which affect the book value of certain asset and liability items, income and expenditure, as well as information given in certain notes of the appendix.

The key assumptions are as follows:

- Likelihood of success and commissioning of the different wind projects;
- Adjustment assumptions applied in the various selected valuation models;
- Hypotheses for the financing of different wind projects.

Accounts and information subject to significant estimates specifically concern intangible fixed assets, tangible fixed assets, goodwill, other non-current assets, derivative financial instruments, provisions for risks and expenses, and deferred 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 the 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 and goodwill

The Group has access to estimations and must use certain assumptions in order to (i) assess the duration of the expected use of the assets in order to determine their amortization period and (ii) report, if applicable, an impairment of the value of any asset on the balance sheet.

The estimates used to determine the expected duration of use of the assets are applied by all Group entities.

With a view to ensuring the correct valuation of its assets on the balance sheet, the Group regularly reviews certain indicators which would lead, if necessary, to an impairment test being carried out.

Group Management believes that the performance of annual depreciation tests is subject to estimates and judgment as determining these recoverable values entails the use of assumptions with regard to the following:

- Determining the necessary discount rates to obtain the present value of the future cash flows generated by the assets or by the cash generating units; the results of a change in the discount rate are presented in note 11.

- Determining the future operating cash flows as well as their terminal value;

- Estimating the increase in revenue generated by the assets tested, and

- Estimating the operating margin linked to those assets for the future periods concerned.

The assumptions used by the Group to calculate the recoverable value of its assets is based on past experience and external data.

To determine future growth rates, the operational margin rates and the operational cash flow rates generated by a specific asset, the Group uses each entity's budget for the assets belonging to the Development, construction, sale CGU. For assets belonging to the Sale of electricity for own account CGU, the usage value for THEOLIA is representative of the future cash flows from each farm over the 2 to 4 years of operation taking into account a residual value at the end of this period. These flows are determined using the electricity sale contracts.

These estimates concern goodwill and all tangible and intangible assets.

3.2 **Deferred taxes**

The recoverable value of deferred taxes assets is reviewed on every closing date. This value is reduced if it is no longer likely that sufficient taxable profit will be available to allow the use of the benefit associated with all or some of these deferred tax assets.

The Group’s Board of Directors must therefore identify the deferred tax assets and liabilities and determine the recorded value of the deferred tax assets. When a subsidiary has recently posted tax losses, the existence of a taxable income in the future is assumed to be unlikely, unless the recognition of a deferred tax asset is justified by way of:

- losses linked to the occurrence of exceptional circumstances which will not recur in the near future and/or

- the prospect of exceptional gains, and

- expected future results from long-term contracts.

4. MANAGEMENT OF RISK RELATED TO FINANCIAL INSTRUMENTS

Credit risk

Credit risk corresponds to the risk of default of a financial asset.

As part of its activities of electricity production using wind power, the Group sells the electricity it produces to distributors (such as EDF in France), usually via long term contracts (of 15 years or more).

Although the Group considers the risk of loss or insolvency of one of its distributor clients to be limited, as most of the distributors in the past have been well-established, the occurrence of such an event could have a major negative effect on the Group's activity, financial situation and income, or its ability to meet its objectives.

As part of its activity of the sale of operational wind farms, the Group has an extensive client base, which includes buyers, private and public, individuals, industrial and financial.

The Group strives not to create or maintain any dependency vis-à-vis any of these buyers. This allows it to better identify and manage the exposure which is inherent to these activities.

As of December 31, 2009, the accumulated revenue realized with the first ten clients accounted for 80.60% of total Group revenue; the revenue realized with the first five clients accounting for 71.02% of total Group revenue.

The main Group clients are the buyers of the electricity produced by the Group in France, Germany and Morocco as well as the buyers of wind farms.

Liquidity risk

Liquidity risk corresponds to the obligation to repay the debt (mainly OCEANE bonds) and to the financing of future requirements, which correspond to business development projects and general Group requirements.

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.

Detail of its debts can be found in note 21.

Some loan agreements include early repayment clauses in the event of failure to adhere to financial covenants (see note 21)

Group financing falls into 3 categories:

- Group corporate debt: mainly corresponds to the OCEANE convertible bond
- Germany corporate debt: finance is subject to financial covenants, particularly concerning adherence to financial structure ratios by the borrower (financial debt: equity ratio or financial debt:EBITDA ratio);
- Project debt: financing for the construction of wind farms (France, Germany and Morocco) is subject to financial covenants, particularly concerning adherence to cash flow ratios (cash flow generated by activity: debt servicing ratio) and financial structure (financial debt: shareholder equity ratio).

Information on adherence to banking commitments as of December 31, 2009 appears in note 21.

Moreover, the OCEANE bond agreement in particular requires that the parent company retains control and that the listing of the bond on the Euronext Eurolist stock market is maintained.

Foreign exchange risk

At present, the Group's exposure to foreign exchange risks is low, as most of its operations take place within the eurozone (France and Germany in particular). Nevertheless, the Group is developing and making investments in some countries which entail it being exposed to a foreign exchange risk (Morocco, India and Brazil). As of December 31, 2009, this risk remained low. It is partially controlled by the management of expenses and receipts in the currency of the entity concerned. However, increased exposure to foreign exchange risks could have a major negative effect on the Group's activity, financial situation and income, or its ability to meet its objectives.

Currently, the sensitivity of the Group to foreign exchange risks is slight and does not require the investment of securities to hedge this risk.

As of December 31, 2009:

- 5.15% of assets were in a currency other than the euro
- 1.20% of financial debt was in a currency other than the euro
- 1.92% of revenue was in a currency other than the euro.

Interest rate risk

The financing for wind projects implemented by the Group entails significant debt (of around 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.

In order to limit this risk, for current loan agreements, the Group has a policy of hedging rate risks via interest rate condition contracts (rate swaps). From an economic point of view, the implementation of these rate swaps allows variable rate loans to be converted into fixed rate loans and offer protection against a fluctuation in the amount of interest to be paid.

In general, banking establishments require hedging of 80 to 100% of the finance amount and throughout the whole loan duration.

The Group does not apply hedging accounting. Changes in the fair value of derivatives are therefore posted to income for the financial year.

In the event of a 1% interest rate increase, the financial cost associated with non-hedged borrowings would increase from €1.484million and would be distributed as follows:

-	Loans France	+ €44 million
-	Loans Germany	+ €1.440 million
-	Loans Italy	N/S

5. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- **A new strategy: "Develop, operate and sell"**

Backed by a portfolio of projects under development and positioned in three of the four largest and most dynamic onshore wind markets in Europe (France, Italy and Germany), and in some emerging markets (Morocco, India and Brazil) identified as potential growth centers over the medium term, the Group will focus on developing wind projects up to their commissioning, then it will sell them after having operated them for two to four years, so as to benefit from enhanced visibility on provisional cash-flows and thus boost the return on investment for its shareholders. By offering low risk assets with high cash flow visibility for sale, THEOLIA can make itself available to a wide range of potential buyers, both financial and industrial.

The Group will propose that buyers continue operating the sold farms, thus securing continuous income over the long term.

This new strategy will allow the Group to optimize the performance of its equity, by increasing its rotation on the projects in progress, while at the same time providing reassurance to shareholders that a fair return on their investment will be achieved. This change was announced on August 31, 2009.

- **Change in the scope of activities**

  - **Increase in the interest in THEOLIA Emerging Markets**

THEOLIA SA bought back shares in THEOLIA Emerging Markets, held by Mr. Jean-Marie Santander. This operation was carried out at the nominal share value.

The conditions in the contract signed at the end of 2008 were lifted on January 14, 2009. Since this date, the Group has held 95.24% of THEOLIA Emerging Markets shares, compared to 47.62% previously.

  - **Closure of subsidiaries**

In a press release of January 29, 2009, the Board of Directors presented the conclusions of its review of the Group's geographical repositioning.

THEOLIA has chosen to focus on three large European markets: Italy, France and Germany.

Given their significant growth potential, the Group is considering India, Brazil and Morocco as potential future key markets.

Finally, the Group announced its decision to withdraw from Spain, Greece, the Czech Republic, Poland and Croatia. The operations of sale or closure of these subsidiaries are in progress.

- **Composition of the General Management**

At the beginning of April 2009, the Board of Directors decided to renew, for an indefinite period, the term of office as Chief Executive Officer of THEOLIA of Mr. Marc van't Noordende. Mr. Marc van't Noordende has been the interim Chief Executive Officer of THEOLIA since September 29, 2008.

The Board of Directors also appointed Mr. Olivier Dubois as an officer of the company, Deputy Chief Executive Officer of the Group as of May 1, 2009.

It should be noted that on February 9, 2010 these two officers were revoked by the Board of Directors (Cf. note 6).

- **Sale of non-wind assets and interests**

In accordance with the Group strategy of concentrating on its wind activities, THEOLIA sold, at the end of December 2008, all of its interests (24.02%) in Thenergo to Hestiun Limited. At the beginning of May 2009, the Group collected the 15 million euros due for this sale. The depreciation noted at the close of 2008 was reversed in full during the financial year. The impact on income is 15 million euros and affects the "Amortizations and provisions" item. This is matched under the "Other current assets" item.

This sale was the Group's first significant realization as part of its program to sell its non-wind assets and interests.

In April 2009, the Group also sold the Swiss company Biocarb (manufacture of biofuel) and in July 2009, the transfer of its activity of hydraulic project development in Canada and two of its peaking units. The securities and debts of Biocarb and its activities in Canada were sold for the symbolic amount of 1 euro.

On November 30, 2009, the company SERES Environnement, which belongs to the Environmental division of the Group, concluded a contract on the transfer of its breathalyzer activity to Alcohol Countermeasure Systems (ACS), a Canadian company specializing in the design and sale of instruments for the prevention of drunk driving. The other activities of this company are still earmarked for transfer.

- **Reactivation of sales of German wind farms to third parties**

As announced in November 2008, the Group decided to resume, as of the 2009 financial year, its sales of German wind farms to third parties. As such, 35.5 MW were sold during the first quarter of 2009 and 3 MW were sold during the second quarter of 2009, particularly in the context of its trading activity.

- **Progress of the program to sell around 200 MW of wind projects and assets**

  - **Sale of a wind portfolio of 32 MW in France to Energiequelle**

At the end of June 2009, THEOLIA sold to Energiequelle 32 MW of wind projects in France.

This portfolio included the following 3 wind projects, which are all located in north-eastern 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 construction permits are free of third party claims.

  - **Sale to RheinEnergie of 101 MW of wind farm projects in Germany**

In August 2009, THEOLIA sold to RheinEnergie AG 100.6 MW of operational wind farms and wind projects.

The portfolio includes 19 wind farms in Germany. Of the 100.6 MW sold, around 80 MW were operational and the balance was expected to begin production by the end of the year.

The sale was made by Natenco, the German subsidiary of THEOLIA, which will operate the farms throughout their lifetime on behalf of the buyers.

  - **Sale of a 9.2 MW wind project in France to Boralex**

In October 2009, THEOLIA sold a 9.2 megawatt (MW) wind project to Boralex, an important international player in the renewable energy sector.

The project, located in the département of la Somme (France), will be equipped with four Enercon turbines, each with a capacity of 2.3 MW. The building permit is free of third party claims.

  - **Sale of a portfolio of 47 MW wind projects in France to Boralex**

In December 2009, THEOLIA sold a wind portfolio of 47 megawatts (MW) in France to the Canadian company Boralex.

This portfolio included:

- a farm in operation since December 2006, located in the département of Côtes d'Armor with a capacity of 7 MW,
- a project under construction located in the département of Seine-Maritime, with a capacity of 30 MW,
- a project under construction located in the département of Eure-et-Loir, with a capacity of 10 MW.

For these two projects, construction is assured by THEOLIA France; their industrial commissioning is scheduled for mid-2010.

- **Draft agreement for a financial restructuring and debt reduction plan (OCEANE)**

In June 2009, in anticipation of the difficulties which would be encountered in repaying the 253 million euros of the bond loan on January 1, 2012 in the event of an early repayment request on the entire bond, THEOLIA's management requested, as a preventive measure, the nomination of an ad hoc representative. Its purpose was mainly to assist THEOLIA until the end of the debt restructuring in negotiations with its main bondholders with a view to restructuring its bond debt, in liaison with the financial and legal advisers chosen by the Group.

THEOLIA announced on December 29, 2009 the signature of agreements with its main bond holders, representing 65.5% of the nominal amount of the issue, with a view to making the necessary modifications to the OCEANE issue contract.

The restructuring of the convertible loan is subject to a capital increase of a maximum of 100 million euros, which will strengthen the THEOLIA equity, accelerate the reduction of its debt and give it the financial means to adopt a pace more suited to the development of its project portfolio.

An independent financial expert, Ricol Lasteyrie, was appointed by the Board of Directors to rule on the equity of the proposed operations. It presented its preliminary analyses to the Board on December 21, 2009. Its final report can be viewed on the Group's website.

The implementation of this restructuring plan should ensure both the continuity of the operations of the Company beyond 2011 and the pursuit of its new strategy. The plan is based on 3 conditions:

- favorable vote by 2/3 of bonds at a meeting of bond holders. At a meeting held on February 18, 2010 the bondholders approved the plan.
- favorable vote by 2/3 of shareholders at a shareholder meeting. At a meeting held on March 19, 2010 the shareholders approved the plan.
- the completion of a capital increase of at least € 45 million undertaken by the Board of Directors is planned for the end of the first half of 2010.

6. POST-CLOSING EVENTS

- **Financing of a 30 MW wind project in Italy**

Maestrale Green Energy, an Italian subsidiary of THEOLIA, secured finance for a 30 megawatt (MW) project located in the province of Enna on Sicily. This financing, purged of all objections, of 51 million euros has been signed with the Unicredit and WestLB banks.

Construction of the project began in the second half of 2009 and the commissioning of the farm is expected to take place during the first half of 2010.

- **Change in the governance of THEOLIA**

At the board meeting of February 9, 2010, Eric Peugeot, Chairman of the Board of Directors, was named Chief Executive Officer of THEOLIA. He replaces Marc van't Noordende in this role, who had been in the role since September 2008, and implemented the first phase of the company's development.

Eric Peugeot will be supported in his role by 2 Deputy chief executive officers: Jean–François Azam who will be Director of Operations and François Rivière, in charge of Finance.

The board considered that the two former directors, Marc van't Noordende and Olivier Dubois, no longer had the support necessary from all parties concerned. In this context, the nomination of Eric Peugeot is likely to favor an emergence of a majority of shareholders and bondholders in favor of the financial restructuring.

- **Agreement to restructure the financial debt of bond holders and shareholders**

At the combined general meeting of March 19, 2010, the THEOLIA shareholders approved the financial restructuring of the convertible bond by a very wide majority.

The meeting also authorized the modification of the terms of the OCEANE bond issue contract, as approved by the general meeting of OCEANE bond holders held on February 18, 2010, as well as granting the board of directors the authority to decide on a capital increase which does not rule out the preferential subscription rights of shareholders.

7. CHANGES IN THE SCOPE OF CONSOLIDATION

As of December 31, 2009, the scope of consolidation included, other than the parent company:

- 163 companies in which it held directly or indirectly exclusive control (compared to 129 as of December 31, 2008).
- 7 companies in which it exercises a considerable influence (compared to 8 as of December 31, 2008).

An exhaustive list of these companies can be found in note 35 "List of Group companies".

8. BUSINESS COMBINATIONS

Assets and liabilities previously acquired

- **Maestrale Green Energy (Developer of wind farms in Italy)**

in thousands of euros	Maestrale Group	Goodwill	Price adjustments	Price adjustments	Maestrale Group (GW allocated)
Date of acquisition	*11/22/2007*				
Goodwill		5,831	23,078	(109)	28,800
Intangible fixed assets	2,498				2,498
Tangible fixed assets	2,222				2,222
Non-current financial assets	3,615				3,615
Deferred taxes 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 and other creditors	3,342				3,342
Tax and social liabilities	19				19
Deferred tax liabilities	0				-

in thousands of euros	Maestrale Group	Goodwill	Price adjustments	Price adjustments	Maestrale Group (GW allocated)
Date of acquisition	*11/22/2007*				
Total net assets acquired	**931**	**5,831**	**23,078**	**(109)**	**29,731**
Stock purchase price	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 posted as of December 31, 2008, amounting to €28.909 million fluctuated by -€1.09 million during the financial year following price supplement adjustments connected with the building permits being obtained for the Giunchetto, Pergola and Bovino projects.

The Maestrale Group acquisition would see price supplements being paid as part of the obtaining of building permits for the first 100 MW. They are calculated 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 less development costs already invoiced by the developer.

Thus, the additional goodwill posted remains allocated to Maestrale Green Energy and demonstrates the company's ability to develop and sell wind farms and proves the future income which will come from these activities.

The methods for calculating the price supplements connected with the acquisition of the Italian developer Maestrale Green Energy are presented below:

As of December 31, 2008:

Name of projects *in thousands of euros*	Number of MW	Price per MW	Project Value	Development	Price Supplement
Giunchetto	30	500	14,875	(5,172)	9,703
Bovino	24	500	12,000	(4,500)	7,500
Pergola	25	500	12,500	(8,125)	4,375
Martignano					1,500
TOTAL	**79**	**500**	**39,375**	**(17,797)**	**23,078**

Note: The price complement linked to the Martignano project is all inclusive and is not calculated based on development costs.

As of December 31, 2009:

Name of projects	Number of MW	Price per MW	Project Value	Development	Price Supplement
in thousands of euros					
Giunchetto	30	500	14,875	(5,172)	9,703
Bovino	45	500	22,500	(14,909)	7,591
Pergola	25	500	12,500	(8,325)	4,175
Martignano					1,500
TOTAL	**100**	**500**	**49,875**	**(28,406)**	**22,969**

Note: The price complement linked to the Martignano project is all inclusive and is not calculated based on development costs.

In 2009, due to the application of the extra payment rule for the first 100 MW which obtained construction permits, the permits for the Bovino project were issued before the permits for the Giugianello project.

9. GOODWILL

▪ Change in the item

	Valeur brute	Perte de valeur	Valeur nette
Values at the beginning of 01/01/2009	**212,155**	**134,071**	**78,084**
Impairment	-	2,862	(2,862)
Business combinations	9	-	9
Disposals	(8,412)	(8,009)	(403)
Price supplements			-
Reclassifcations of assets available for sale		-	-
Other changes	4,632	-	4,632
Reclassification of abandoned activity	-	-	-
Values at close 12/31/2009	**208,383**	**128,923**	**79,460**

Cumulated impairment

The other changes correspond to the following operations:

- Purchase of minority SSP shares in development as well as the developer Ventura +€3 887 K€
- Change in price supplements connected with the acquisition of Maestrale Green Energy - €1.09m
- Acquisition of minority interests in TEM (of which € 892,000 goodwill posted in 2008) +€817,000
- Other changes +€37,000

Impairment can be broken down as follows:

- Depreciation of the goodwill associated with the purchase of minority interests in TEM -€1.709m

- Depreciation on the farms operated in France -€123,000
- Depreciation on the farms operated in Morocco -€436,000
- Depreciation on the farms operated in Germany -€563,000
- Other depreciations - €31,000

Disposals concern the sale operations performed during the financial year. These are as follows:

- Sale of wind farms in Germany - €5.436m
- Sale of wind farms in France - €1.411m
- Sale of companies from the non-wind sector - €1.565m

The goodwill transferred in this way was almost fully depreciated at the close of the previous financial year. The non-depreciated balance concerns the sale of wind farms in Germany.

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

Categories		Gross value	Impairment	Value at 31/12/2009	Net value at 31/12/2008
Development and construction of wind farms in France		11,319	-	11,319	2,681
Development and construction of wind farms in Germany	(1)	75,957	44,636	31,321	36,105
Development and construction of wind farms in Italy		28,801	-	28,801	28,909
Development and construction of wind farms in Spain		1,650	1,645	5	5
Development and construction of wind farms in other countries		1	-	1	
Wind energy production activity	(2)	88,835	80,823	8,012	10,384
Non-wind activity		109	109	-	0
Corporate activity		1,711	1,709	2	
Total		**208,383**	**128,923**	**79,460**	**78,084**

Reclassification over the financial year of €(4.779) million linked to Natenco SAS previously classified incorrectly in CGU Germany.

The Development, construction, sale activity comprises as many CGUs as there are countries involved.

The Sale of electricity for own account comprises as many CGUs as there are wind farms in operation.

10. INTANGIBLE AND TANGIBLE ASSETS

- **Intangible assets**

The item "Depreciation for impairment" can be analyzed by CGU as follows:

	Project in development	Development costs (1)	Software and similar rights	Other intangible assets	TOTAL
Gross values at 01/01/2009	**40,130**	**4,176**	**602**	**91,638**	**136,546**
Acquisitions and assets generated internally	4,753	72	69	9	**4,903**
IFRS 5 reclassifcation					**-**
Industrial commissioning					
Business combinations	9,487				**9,487**
Decrease	(25)			(300)	**(325)**
Disposals	(4,867)	(21)	-	(10,239)	**(15,127)**
Changes in method of consolidation					
Impact of change in scope of consolidation					
Currency translation adjustment	10			(515)	**(505)**
Other changes	8,977				**8,977**
Reclassifcation of discontinued operations					
Gross values at 31/12/2009	**58,465**	**4,227**	**671**	**80,593**	**143,956**
Total depreciation and amortization at 01/01/2009	**(9,934)**	**(488)**	**(460)**	**(31,511)**	**(42,394)**
Amortization	-	(209)	(113)	(4,163)	**(4,485)**
Depreciation for impairment	(1,204)	-	-	2,675	**1,471**
Business combinations	-	-	-		**-**
Reversals on sales	179	-	-	990	**1,169**
Impact of change in method of consolidation		-	-	-	**-**
Currency translation adjustment	(7)	-	-	247	**240**
Other changes	(75)	-	-	(22)	**(97)**
Reclassification of discontinued operations	-	-	-	22	**22**
Total depreciation and amortization at 31/12/2009	**(11,041)**	**(697)**	**(573)**	**(31,762)**	**(44,073)**
Net value at 01/01/2009	**30,196**	**3,688**	**142**	**60,127**	**94,152**
Net values at 31/12/2009	**47,424**	**3,530**	**98**	**48,831**	**99,883**

(1) Most of the item covers the developmetn coasts of wind projects

	IAS 36 Impairment	Non-IAS 36 impairment	Total
Wind development, construction, sales, France		(685)	(685)
Wind development, construction, sales, Germany			-
Wind development, construction, sales, Italy		(519)	(519)

	IAS 36 Impairment	Non-IAS 36 impairment	Total
Wind development, construction, sales, France		(685)	(685)
Wind development, construction, sales, Spain			-
Wind development, construction, sales, other countries			-
Electricty sales, own account	+2,675		+2,675
Non-wind activity			-
Corporate activity			-
TOTAL	**+2,675**	**(1,204)**	**+1,471**

The gross value of current wind projects rose by €18,335 K, due to the following: acquisitions, progress of projects developed internally, and allocations of goodwill.

The acquisitions and non-current assets generated internally during the year for €4,753 K primarily reflect the wind projects in development in France for €1,157 K and Italy for €3,596 K.

The business combination transactions, representing €9,487 K primarily reflect the acquisition of rights and licenses for a wind project in Italy carried by GARBINO EOLICA SRL.

Disposals of projects in development represent the following transactions:

- Sale of a portfolio of 32 MW in wind projects in France to Energiequelle €(3,285) K
- Sale of a portfolio of 47 MW of wind projects in France to Boralex €(1,056) K
- Sale of a 9.2 MW wind project in France to Boralex €(348) K
- Other disposals €(178) K

"Other changes" represents the allocation of the goodwill on the price supplement paid in the acquisition of the Bovino Italian project carried by Avalon Ltd.

Depreciation for impairment of projects in development can be analyzed as follows:

- The Giunchetto wind project in Italy was depreciated in the amount of €(519) K in the accounts of the developer Maestrale Green Energy;
- The projects located in France were depreciated for €(685) K because of the risks related to the development phases.

The gross value of the development costs did not change significantly because of the absence of any commissioning during the year.

The item "other intangible assets" decreased for a total of €(11,045) K in gross value, primarily because of the sale of the Heckelberg wind farm in Germany corresponding to a gross value of €(10,239) K.

Second, as the use of the NATENCO Gmbh brand expired (3 years), the residual value was depreciated for the total amount of €(300) K. Moreover, it should be noted that NATENCO Gmbh is now THEOLIA Naturenergien Gmbh.

The impairment of €2,675 K of the other intangible assets was generated by the following:

The review of the maintenance plan for the wind farm in Morocco led to the recognition of a depreciation of €(2,093) K.

In 2009, the useful values (in the context of impairment tests) were determined with discount rates lower than the previous year (see Note 2.8). The result was an increase in the useful values and the recognition of reversals on the 2008 depreciations in the amount of €+4,907 K.

However, depreciation had to be posted on a German farm for €(139) K.

- Tangible assets

	Land	Fitting & fixtures	Projects under construction	Technical facilities (1)	Assets under concession	Other tangible assets	TOTAL
VGross values at 01/01/2009	**6,737**	**3,442**	**30,097**	**388,350**	**-**	**3,551**	**432,177**
Acquisitions	20	36	25,020	970	-	149	26.195
Business combinations	-	33	-	922	-	-	955
Disposals	(495)	(507)	(18,491)	(43,952)	-	(249)	(63,694)
Currency trans. adjustments	-	(15)	28	(2)	-	31	42
Other changes	-	2	(1,314)	7,207	-	(33)	5,862
Reclassificatin of discontinued operations	-	-	-	200	-	-	200
Gross values at 12/31/2009	**6,262**	**2,991**	**35,340**	**353,695**	**-**	**3,449**	**401,737**
Total depreciation and amortization at 01/01/2009	**(1,220)**	**(1,664)**	**(3,847)**	**(81,876)**	**-**	**(1,894)**	**(90,499)**
Amortization	-	(289)	-	(16,071)	-	(676)	(17,036)
Depreciations for impairment	-	-	396	5,489	-	18	5,903
Business combinations	-	-	-	(12)	-	-	(12)
Reversals on disposals	43	500	620	8,942	-	72	10,177
Impact of change in consolidation method							-
Currency trans. adjustments	-	(3)	-	(1)	-	(1)	(5)
Other changes	-	(5)	-	1,589	-	7	1,591
Total depreciation and amortization at 31/12/2009	**(1,177)**	**(1,461)**	**(2,831)**	**(81,940)**	**-**	**(2,474)**	**(89,881)**
Net values at 01/10/2009	**5,517**	**1,778**	**26,250**	**306,474**	**-**	**1,657**	**341,678**
Net values at 12/31/2009	5,085	1,530	32,509	271,755	-	975	311,858

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

The item "Depreciation for impairment" is analyzed by CGU as follows:

	IAS 36 depreciation	Non-IAS 36 depreciation	Total
Wind development, construction, sales, France		+60	+60
Wind development, construction, sales, Germany			-
Wind development, construction, sales, Italy			-
Wind development, construction, sales, Spain			-
Wind development, construction, sales, other countries	+336		+336
Electricty sales, own account	+5,489		+5,489
Non-wind activity		+18	+18-
Corporate activity			-
TOTAL	**+5,825**	**+78**	**+5,903**

The main changes in property, plant and equipment were on projects under construction and the technical facilities (wind farms), which decreased €(29,412) K in gross value because of the disposals made during the year in line with the group's new strategy.

The gross value of the projects under construction increased by €5,243 K. The primary changes were as follows:

Increase: €+25,020 K

- France:
  - Plateau de Ronchois wind farm €+5,986 K
  - Other farms €+2,059 K
- Italy (primarily on the Giunchetto wind farm) €+16,910 K
- Other countries €+64 K

Disposals of current projects can be analyzed as follows: €(18,491) K

- Sale of a portfolio of 32 MW of wind projects in France to Energiequelle and the sale of a portfolio of 47 MW in wind projects and a 9.2 MW project in France to Boralex representing total tangible assets of €(18,084) K;
- Deconsolidation of the Canadian subsidiary THEOLIA Première Nation INC for €(648) K;
- Other adjustments in the amount of €241 K.

Other changes reflect a credit related to the Spanish PESA project for €(1,336) K.

The depreciation for impairment primarily represent PESA (Spain) for €+336 K.

The reversals on disposals are related to the deconsolidation of the Canadian subsidiary THEOLIA Première Nation for €+620 K.

The gross value of the technical facilities decreased by €34,655 K. This change can be analyzed as follows:

The principal disposals for a total €(43,952) K were as follows:

- As a result of the sale of 101 MW of wind farms in Germany to RheinEnergie, the tangible assets booked on the Group's balance sheet declined by €(30,022) K because of the sale of the Heckelberg farm;

- The sale of a delivery station in Germany generated a decrease of €(3,230) K

- The sale of a 47 MW wind portfolio in France to Boralex (incl. Parc de Bel Air) €(10,060) K

Other changes in the amount of €+7,207 K primarily reflect:

- Reclassification of wind turbine assets in Germany to inventories held for sale pursuant to the Group's new strategy, in the amount of €(5,660) K;

- Reclassification of the German solar facility from inventories to assets pending subsequent sale, in the amount of €+12,800 K.

The Acquisitions and business combinations for €+922 K primarily concern Germany.

Depreciation for impairment in the amount of €+ 5,489 K can be analyzed as follows:

- Wind farms located in Germany €+5,668 K

- Wind farm in France €(179) K

Reversals on disposal for €+8,942 K primarily reflect the deconsolidations in Germany for €6,901 K and in France for €+1,995 K€ (Parc de Bel Air).

The other changes in the technical facilities represent the reclassifications between financial statements between amortization and gross values, primarily on the Wolgast wind farm in Germany for €+1,654 K.

11. IMPAIRMENT OF GOODWILL, INTANGIBLE AND TANGIBLE ASSETS

The methodology and assumptions used for the impairment tests are described in Note 2.8 "Impairment."

As in 2008, and to take into account decreases in market values and fewer transactions, the Group systematically calculated a useful value, with the exception of the Spanish company PESA (which belongs to the CGU Development, construction, sale) for which the Group used an LOI (Letter Of Intention) to determine the recoverable value. This LOI expired on the closing date. However, negotiations are still in progress and do not call into question the value used.

○ Production of wind energy, own account – Germany

The impairment tests led to a depreciation on the German wind farm (Zabelsdorf) in the amount of €(563) K affecting goodwill and the Falkenwald farm for €(142) K affecting intangible assets.

○ Production of wind energy, own account – France

A farm located in France (SNC Les Eoliennes du Plateau) resulted in a depreciation of €(301) K, chargeable against:

- goodwill: €(123) K

- tangible assets: €(179) K

○ Production of wind energy, own account – Morocco

Updating discounted future cash flows on the basis of provisional and actual operating data led to recognition of a depreciation of €(2,529) K, chargeable against:

- goodwill: €(436) K
- intangible assets: €(2,093) K

The summary of the provisions for depreciation as defined by IAS 36 per CGU is as follows:

CGU	Country	Provisions for depreciation	On goodwill	On intangible assets	On tangible assets
Wind development, construction, sale	France	-	-	-	-
	Germany	-	-	-	-
	Italy	-	-	-	-
	Spain	-	-	-	-
Electricity sales, own account	France	(302)	(123)	-	(179)
	Germany	(705)	(563)	(142)	-
	Morocco	(2,529)	(436)	(2,090)	-
Non-wind activity		-	-	-	-
Corporate activity		-	-	-	-
Total		**(3,536)**	**(1,121)**	**(2,232)**	**(179)**

○ Sensitivity analysis

The sensitivity analysis was conducted by using two axes:

- One axis for the Group's activity: the change of + or - 10% in wind hours used for each farm in operation
- One axis outside the Group: the change of + or - 1 point in the discount rates used

The amount in the table below represents the net r eversal recognized as of December 31, 2009 for impairment tests.

The other amounts indicate the net reversals or (depreciations) which the Group would have recognized if the assumptions for discount rates and/or wind hours had changed.

Recoverable value of the assets tested:

Change discount rate \ Change in wind hours	10%	0%	-10%
1%	578,395	536,687	494,657
0%	643,327	598,572	553,485
-1%	721,478	673,322	624,824

Net impairment noted:

Change discount rate \ Change in wind hour	10%	0%	-10%
1%	7,838	2,880	(5,655)
0%	11,451	7,375	1,306
-1%	13,698	9,824	6,539

Thus, for example, a 1-point increase in the rate would have resulted in a lower reversal of €4,495 K (7,375 - 2 880).

The threshold for transition from net reversal to a net depreciation would have taken place:

- By increasing the discount rates used by **147** basis points, or:
  - **8.23%** in discount rate for the Wind Development, Construction, Sale CGU; and
  - **7.20%** in discount rate for Electricity Sales for Own CGU;
- Or by decreasing the wind hours used by **11.41%.**

The impact of the depreciations on the posted income is detailed in Note 30.

- **Reversal on depreciations**

  - **Wind development, construction, sale**

On the basis of the assumptions described in Note 2.8 "Impairment", only a reversal of depreciation on the Spanish company PESSA was recognized in the amount of €+336 K affecting the tangible assets.

  - **Wind energy production, own account – Germany**

A total reversal of €10,575 K for the activity of wind energy production, own account – Germany.

This reversal can be analyzed as follows:

CGU	Country	Reversals on provisions	On intangible assets	On tangible assets
Wind development, construction, sales	France	-	-	-
	Germany	-	-	-
	Italy	-	-	-
	Spain	336	-	336
Electricity sales, own account	France	-	-	-
	Germany	10,575	**4,907**	5,668
	Morocco	-	-	-
Non-wind activity		-	-	-
Corporate activity		-	-	-
Total		**10,911**	**4,907**	**6,004**

12. ASSOCIATED ENTERPRISES

As of December 31, 2009, the income for entities consolidated using the equity method represents the following companies:

In thousands of euros	% of control	Share of net position of associates	Share of income/loss of associates
Erneuerbare Energie Ernte Vier Gmbh	48.00%	(126)	(16)
Naturstromez	43.80%	-	-
Ecolutions	33.53%	10,497	(13,331)
Theolia India Wind Power	50.00%	544	(107)
Theolia Sitac Wind Power	50.00%	0	(0)
Asset Electrica	50.00%	0	(15)
Total at 12/31/2009		**10,915**	**(13,469)**

The companies Asset Electrica, Sitac Wind Power and Seres China, held at 50%, are not fully consolidated because of the lack of exclusive control. The group does not hold a majority of the votes on the Boards of Directors of these companies. In addition, the governance rules are not subject to joint control.

In 2009, the item changed as follows:

	Ecolutions	Asset Electrica	EEEV	Theolia Wind Power (dont participations)	**Total**
Value of stock at beginning of years	**24,772**	**(3,579)**	**(110)**	**646**	**21,729**
Allocation of goodwill		5	-		5
Depreciation of the interest	(10,649)				(10,649)
Increase in percentage of control (relution)	(642)				(642)
Capital increase					-
Group share of income/loss for the year	(2,682)	(15)	(16)	(107)	(2,820)
Other changes	(303)	3,590		5	3,292
Value of stock at year end	**10,497**	**0**	**(126)**	**544**	**10,915**

In the last quarter of 2009, the events within Ecolutions led the Group to depreciate the amount of the interest in this company. In effect, the recent changes in strategic direction and management have been indices of impairment and the position has been tested in accordance with the standard IAS 36.

The main financial data for the associates is as follows:

	Ecolutions	Asset Electrica	EEEV	Theolia Wind Power (dont participations)	**Total**
% held	33.53%	50.00%	48.00%	50.00%	
Financial data at 100%					-
Revenue	375	-	187	4,745	5,307

	Ecolutions	Asset Electrica	EEEV	Theolia Power	Wind (dont participations)	Total
Operating expenses	(8,338)	(26)	(120)		(381)	(8,865)
Net income	(7,995)	(31)	(33)		(213)	(8,272)
- Group share of consolidated income	(2,681)	(15)	(16)		(107)	(2,818)
Goodwill		5				5
Shareholders' equity at 12/31/2009	31,305	(7,189)	(261)		1,088	29,943
- Group share of equity	10,497	(3,595)	(125)		544	7,321
Value of the stock in associates	**10,497**	**0**	**(126)**		**544**	**10,915**

13. FINANCIAL ASSETS

- Maturity of financial assets as of 12/31/2009 :

12/31/2009	Less than 1 yr	1 to 5 yrs	More than 5 yrs	TOTAL
Unconsolidated securities	-	634	293	927
Other financial assets	-	-	-	-
Related receivables	-	-	2,000	2,000
Loans	-	4,572	-	4,572
Other non-current receivables	-	-	1,957	1,957
Deposits & securities	129	403	8	540
Other financial assets	107	-	-	107
Financial assets	**236**	**5,609**	**4,258**	**10,103**

- Maturity of financial assets at 12/31/2008

12/31/2008	Less than 1 yr	1 to 5 yrs	More than 5 yrs	TOTAL
Unconsolidated securities	-	-	2,909	2,909
Other financial assets				
Related receivables	243	15	1,987	2,245
Loans	-	-	5,182	5,182
Other non-current receivables	-	-		-
Deposits & securities	53	209	155	417
Other financial assets				
Financial assets	**296**	**224**	**10,233**	**10,753**

- Analysis

Non-current financial assets integrate the loans made to the customers of THEOLIA Naturnergien in the context of the activity to sell wind farms. At the end of the year, the net amount of these loans totaled €4,572 K compared with €5,182 K at the end of the previous year.

The receivables attached to the equity interests represent the advances made to THEOLIA Wind Power India for €2,000 K.

Securities available for sale totaled €927 K and primarily represent equity interests in companies in the renewable energy sector. At the close of the previous year, this item also includes units in investment funds which were reclassified as "Other non-current receivables."

Following the 2008 sale of its interest in Thenergo €(15,000 K), the Group has 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 booked at fair value in the accounts closed as of December 31, 2009 with a contra entry as income. The impact on the financial income for the year was €+107 K.

14. INVENTORIES

	12/31/2009	12/31/2008
Wind projects	42,324	137,033
Other energy projects	-	12,954
Materials	15,205	25,565
Depreciation	(5,715)	(5,629)
Net value	**51,814**	**169,923**

Inventories by geographic region break down as follows:

	2009			2008
	Gross value	Depreciation	Net value	Net value
Germany	31,160	(1,550)	29,611	149,374
France	1,938	(826)	1,112	1,735
Italy	772	-	772	291
Rest of world	2,158	(220)	1,938	1,533
Corporate	21,500	(3,119)	18,381	16,991
	57,528	**(5,715)**	**51,814**	**169,923**

Inventories in German equaling €31,160 K, consist of wind projects stored as part of the "trading" activity in the amount of €17,101 K and turbine components in the amount of €14.060 K. Because of the many sales made in 2009, the inventory level at the end of the year was down sharply from 2008. The risks on certain projects required the recognition of a provision of €(1,550) K.

Inventories for the "rest of the world" segment were:

The projects developed in Brazil €794 K

The spare parts used for maintenance of the farm in Morocco	€1,144 K

The farms currently being operated have not been reclassified as inventory because at year end, their sale had not been finalized, nor were they in the process of being finalized.

The inventory for €21,500 K was for THEOLIA. It primarily represents Suzlon turbines acquired in 2008 for a total of €20,110 K. Because of the decline in their recoverable value, an impairment of €(3,119) K was posted at the end of the preceding year. At the end of the year, the Group estimated that their sale value was unchanged.

15. TRADE CREDITORS

- Change

	Gross value 12/31/2009	Provisions 12/31/2003	Net Value 12/31/2009	Net Value 12/31/2008
Trade creditors	36,449	(3,957)	32,492	24,884
Total	**36,449**	**(3,957)**	**32,492**	**24,884**

Trade creditors (gross) in the amount of €36,449 K, can be analyzed as follows:

Germany: €30,118K
France: €4,072K
Other countries: €1,677 K

The depreciation recognized is primarily related to the receivables on the sales of wind farms. The depreciation to be recognized is calculated receivable by receivable based on the date and the level of risk estimated by management.

- Schedule at 12/31/2009

12/31/2008	Outstanding amounts not due	Amounts due			TOTAL
		0 to 6 months	6 to 12 months	> 12 months	
Trade creditors	9,706	19,157	1,825	5,182	35,867
Doubtful receivables	-	-	-	582	582
Provisions and trade creditors	-	(3)	-	(3,959)	**(3,957)**
Total trade creditors	9,706	19,154	1,825	**1,805**	**32,492**

Gross receivables due for less than 6 months are on the Development, Construction, Sale business for €16,702 K and for €2,113K for the electricity sale activity.

Receivables due for more than 12 months consists of receivables from the sales of wind farms made by Natenco prior to 2009 in the amount of €4,719 K. These receivables were depreciated in the amount of €(3,511) K.

All receivables are analyzed for the recovery risk. A provision for impairment of the receivables was recorded for receivables presenting a risk. The non provisioned receivables beyond 12 months are limited and subject to careful review by the Group. As a result of this review, the Group did not determine it was necessary to make additional provisions.

The balance of this amount represents the receivables related to the non-wind business.

16. OTHER CURRENT ASSETS

	Gross value 12/31/2009	Impairment 12/31/2009	Net value 12/31/2009	Net value 12/31/2008
Suppliers, advances & installments	5,130	-	5,130	14,196
Receivables on disposal of assets	3	-	3	-
Tax receivables (ex-corp. tax)	12,580		12,580	32,579
Soc. Security receivables	95		95	100
Current accounts	185	(28)	157	190
Other debtors	4,519	(2,696)	1,823	2,938
Prepaid expenses	2,777		2,777	3,824
Currency trans. adjustments	59		59	73
Total	**25,348**	**(2,724)**	**22,623**	**53,900**

Advances and installments primarily represent payments made in the amount of €4,096K for the reservation of turbines by THEOLIA SA and for €815K by THEOLIA Naturnergien.

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

Turbines acquired by THEOLIA SA:	€4,772 K
Progress on wind projects in Italy	€3,807 K
Progress on wind projects in France	€2,287 K
Wind projects acquired in Germany (THEOLIA Naturnergien):	€1,382 K
Other	€331 K

17. CASH AND CASH EQUIVALENTS

- Position

	12/31/2009	12/31/2008
Marketable securities (net)	25,503	24,874
Treasury shares	-	-
Liquid assets	68,684	65,950
Total cash and cash equivalents	**94,187**	**90,824**
Bank loans	(7)	(4)
Net cash	**94,180**	**90,820**

-

- Details of cash available / not available

	12/31/2009	12/31/2008
Cash available	69,266	34,223
Cash blocked	24,914	56,596
Total cash and cash equivalents	**94,180**	**90,819**

The Group's cash consists of a portion that is available and a blocked portion.

As of December 31, 2009, the cash available amounted to €69,264 K, including €30,013 K at THEOLIA SA and €39,251 K in the subsidiaries. This cash is allocated directly for the operations of the companies, sometimes with limited possibilities of return to the holding company.

Blocked cash totaled €24,914 K. This blocked portion corresponds to cash that the project support companies cannot, due to financing conditions, give back to shareholders or use for current operations. It mainly corresponds to pledges with banks to the degree that it contributes to the reimbursement of these subsidiaries' loans.

Marketable securities totaled €25,504 K, including €22,694 K for THEOLIA SA. They represent secured investments and consist essentially of money market cash SICAV (approximately 90% of the investments).

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

18. ASSETS HELD FOR SALE, ACTIVITIES DISCONTINUED, SOLD OR IN THE PROGRESS OF BEING SOLD

In the context of its reorganization, the Group decided to sell all its assets considered to be non-strategic, primarily the assets of the non-wind operations. This decision was approved by the Board of Directors of THEOLIA in November 2008. As of December 31, 2009, the process of withdrawal had moved forward since certain assets and liabilities were sold during the year. Negotiations are currently in progress for the other elements of this item.

The assets and liabilities in question, which represent an activity, are recognized in the following companies:

Environment division:

- Seres environnement
- Ecoval 30
- Nemeau
- Therbio

Dispatchable power production plants:

- CS2M
- SAPE
- SAEE

These companies sold their assets during the year and will be closed in 2010.

The offer of these assets for sale was recognized in the annual financial statements as of December 31, 2008 pursuant to IFRS 5 "Non-current assets held for sale and discontinued activities."

Thus, all the transactions for the year relating to the environment division and the peaking units were combined on the line of the income statement "Net income from activities to be sold." The assets and liabilities were combined on a line on the asset and liabilities side of the balance sheet "Assets/liabilities connected with discontinued activities."

The asset values were depreciated on the basis of the probable selling prices. Thus, a depreciation of €(6,034) K was recognized.

Information on the financial statement

As of December 31, 2009

in thousands of euros	THEOLIA Group before IFRS 5 12/31/2009	IFRS 5 re-processing	THEOLIA Group IFRS 5 12/31/2009
Goodwiil	80,058	(598)	79,460
Intangible assets	99,507	376	99,883
Tangible assets	318,620	(6,762)	311,858
Equity securities	10,935	(20)	10,915
Non-current financial assets	9,953	(86)	9,867
Deferred tax assets	8,795	(655)	8,140
NON-CURRENT ASSETS	**527,869**	**(7,746)**	**520,123**
Inventory	54,015	(2,201)	51,814
Clients	35,615	(3,123)	32,492
Other current assets	25,330	(2,707)	22,623
Current tax	5,227	(5)	5,222
Current financial assets	365	(129)	236
Cash and cash equivalents	95,348	(1,161)	94,187
CURRENT ASSETS	**215,900**	**(9,326)**	**206,574**
		17,072	17,072
TOTAL ASSETS	**743,769**		**743,769**
Capital	39,895		39,895
Premiums	307,546		307,546
Reserves	(176,201)		(176,201)
Income	(20,765)		(20,765)
Shareholders' equity – Group portion	**150,475**		**150,475**
Monitory stakes	(1,823)		(1,823)
Shareohlders' equity	**148,652**		**148,652**
Non-current financial liabilities	371,252	(5,073)	366,179
Deferred tax liabilities	25,003		25,003
Retirement provision	539	(460)	79
Provisions (non-current)	14,547	(108)	14,439
Other non-current liabilities	691	(130)	561

in thousands of euros	THEOLIA Group before IFRS 5 12/31/2009	IFRS 5 re-processing	THEOLIA Group IFRS 5 12/31/2009
Non-current liabilities	**412,031**	**(5,770)**	**406,261**
Current financial liabilities	125,189	(887)	124,302
Provisions (current)			
Suppliers and other creditors	44,121	(2,836)	41,285
Tax and social security debts	12,260	(1,545)	10,715
Current tax	1,516		1,516
Current liabilities	**183,086**	**(5,268)**	**177,818**
		11,038	11,038
TOTAL DEBTS AND SHAREHOLDERS' EQUITY	**743,769**		**743,769**

As of December 31, 2008

in thousands of euros	THEOLIA Group before IFRS 5 12/31/2009	IFRS 5 re-processing	THEOLIA Group IFRS 5 12/31/2009
Goodwill	78,682	(598)	78,084
Intangible assets	94,428	(275)	94,152
Tangible assets	349,908	(8,229)	341,678
Equity securities	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 tax	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 to be transferred		19,817	19,817
TOTAL ASSETS	**918,703**		**918,703**
Capital	39,747		39,747
Premiums	307,695		307,695
Reserves	67,150		67,150
Income	(243,343)		(244,455)
Shareholders' equity – Group portion	**170,137**		**170,137**
Minority stakes	(1,489)		(1,489)

in thousands of euros	THEOLIA Group before IFRS 5 12/31/2009	IFRS 5 re-processing	THEOLIA Group IFRS 5 12/31/2009
Shareholders' equity	**168,648**		**168,648**
Non-current financial liabilities	448,419	(5,838)	442,581
Deferred tax liabilities	22,033		22,033
Retirement provision	499	(438)	61
Provisions (non-current)	5,113	(158)	4,956
Other non-current liabilities	681	(120)	561
Non-current liabilities	**476,745**	**(6,553)**	**470,192**
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 debts	16,254	(1,902)	14,352
Current tax	2,480		2,480
Current liabilities	**273,310**	**(6,568)**	**266,742**
Liabilities relating to asets to be transferred		13,121	13,121
TOTAL DEBTS AND SHAREHOLDERS' EQUITY	**918,703**		**918,703**

- **Information on the profit and loss account**

As of December 31, 2009

in thousands of euros	THEOLIA Group before IFRS 5 12/31/2009	IFRS 5 re-processing	THEOLIA Group IFRS 5 12/31/2009
Revenue	**338,367**	**(9,775)**	**328,593**
Other income from ordinary activities	3,306	(279)	3,027
Income from ordinary activities	344,823	(10,053)	334,770
Purchases and inventory changes	(257,577)	2,211	(255,366)
Self-constructed assets	(394)	394	0
External costs	(38,766)	5,153	(33,613)
Staff costs	(16,214)	4,500	(11,714)
Duties, taxes and similar payments	(1,664)	450	(1,215)
Net allocations to amortizations and provisions	(1,256)	2,702	1,446
Other operational income and expenditure	(1,682)	(1,665)	(3,346)
Current operating income	**24,119**	**3,692**	**27,811**
Impairment	4,509	0	4,509
Other non-current income and expenditure	188	(328)	(140)
Operating income	**28,816**	**3,364**	**32,180**

in thousands of euros	THEOLIA Group before IFRS 5 12/31/2009	IFRS 5 re-processing	THEOLIA Group IFRS 5 12/31/2009
Net cost of debt	(28,876)	346	(28,530)
Other financial income and expenditure	(8,295)	6,016	(2,279)
Financial income	**37,171**	**(6,362)**	**30,809**
MEE portion of income	(13,470)	0	(13,470)
Taxes	724	(287)	437
Profit net of activities maintained	**(21,102)**	**9,439**	**(11,663)**
Net profit from activities due to be transferred	0	(9,439)	(9,439)
NET INCOME	**(21,101)**	**0**	**(21,101)**
Grop portion	(20,765)	0	(20,765)
Minority portion	(335)		(335)

As of December 31, 2008

in thousands of euros	THEOLIA Group before IFRS 5 12/31/2009	IFRS 5 re-processing	THEOLIA Group IFRS 5 12/31/2009
Revenue	**82,633**	**(12,678)**	**69,956**
Other income from ordinary operations	6,106	(58)	6,049
Income from ordinary ops	88,739	(12,735)	76,004
Purchases and changes in inventories	(29,229)	3,284	(25,945)
Production of assets	(588)	588	
External expenses	(42,676)	6,136	(36,540)
Personal expenses	(25,977)	5,139	(20,838)
Income and other taxes	(1,647)	407	(1,240)
Net amortization and provisions	(58,115)	657	(57,458)
Other operating income and expenses	(2,068)	(324)	(2,393)
Income from continuing operations	**(70,385)**	**1,975**	**(68,410)**
Impairment	(121,197)	14,621	(106,577)
Other non-current income and expenses	(22,934)	349	(22,584)
Operating income/loss	**(214,517)**	**16,945**	**(197,572)**
Cost of net debt	(26,988)	363	(26,625)
Other financial income and expenses	(12,780)	324	(12,457)
Financial income/loss	**39,769**	**(687)**	**39,082**

in thousands of euros	THEOLIA Group before IFRS 5 12/31/2009	IFRS 5 re-processing	THEOLIA Group IFRS 5 12/31/2009
Share of income/loss of associates	(5,003)	1,160	(3,842)
Income taxes	14,079	(2,143)	11,936
Net income from continuing operations	**(245,210)**	**16,650**	**(228,560)**
Net income from operations held for sale		(16,650)	(16,650)
NET INCOME/LOSS	**(245,209)**		**(245,209)**
Group share	(244,454)		(244,454)
Minority interests	(755)		(755)

19. SHAREHOLDERS' EQUITY AND MINORITY INTERESTS

Share capital

- **Number of shares outstanding**

	Par value (€)	Number of Shares at 01/01/2009	Bonus shares	Number of Shares at 12/31/2009
Number of shares	1	39,747	148	39,895
Number of securities	**1**	**39,747**	**148**	**39,895**
Share capital		**39,747**	**148**	**39,895**

* Inc. 54,037 treassury shares

As of December 31, 2009, the capital was composed of 39,895,207 shares with a par value of €1.

Double voting rights are given to all fully paid-up shares which have been registered for at least two years in the name of the same shareholder, either a French national or a resident of a member State of the European Economic Community.

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

Minority interests

Most of the minority interests correspond to the rights of a partner bank which has assisted the Italian Group Maestrale Green Energy in the development of a wind farm in Italy since its formation, primarily by granting a loan. This partner is committed in the program support company in the amount of the sums paid.

At year end, this shareholder's share on the balance sheet for €(1,713) K was less than the loan made. As the project support company is under construction, it does not generate revenue, which explains the deficit result at the end of the year.

20. SHARE-BASED COMPENSATION

▪ Summary of changes in stock warrants (BSA)

	12/31/2009
BSA exercisable as of Dec 31, 2008	**3,940,650**
BSA cancelled	18,000
Balance as of Dec 31, 2009	**3,922,650**

The Group did not allot warrants or any other option giving rights to capital during 2009.

The expense recognized for the year was €56 K and represents the stock warrants granted previously.

▪ Details of stock warrants

	BSA CS4	BSA CS5	BSA bis	BSA DA06	BSA EP06
Subscription price	0.0001	0.0001	0.00039	0.0001	0.0001
Exercise proce	4.85	4.85	3.90	15.28	15.28
Deadline	12/31/2013	12/31/2014	05/02/2010	05/17/2012	05/24/2012
Parity	1.187	1.187	1.187	1	1
Balance at 12/31/2008	**50,000**	**50,000**	**300,000**	**7,000**	**29,093**
Balance at 12/31/2009	**50,000**	**50,000**	**300,000**	**7,000**	**29,093**
	BSA JMSPC06	**BSA LF06**	**BSA SG06**	**BSA SO06**	**BSA EP07**
Subscription price	0.0001	0.0001	0.0001	0.0001	0.0001
Exercise proce	15.28	15.28	15.28	15.28	15.28
Deadline	06/11/2012	05/19/2012	05/16/2012	05/19/2012	01/01/2013
Parity	1	1	1	1	1
Balance at 12/31/2008	**64,000**	**29,093**	**31,451**	**7,000**	**29,093**
Balance at 12/31/2009	**64,000**	**29,093**	**31,451**	**7,000**	**29,093**
	BSA LF07	**BSA SO07**	**BSA SG07**	**BSA GF**	**BSA GE1**
Subscription price	0.0001	0.0001	0.0001	0.0001	0.001
Exercise proce	15.28	15.28	15.28	15.28	16.50
Deadline	01/01/2013	01/01/2013	01/01/2013	06/28/2009	01/03/2011
Parity	1	1	1	1	1
Balance at 12/31/2008	**29,093**	**29,093**	**31,451**	**18,000**	**1,500,000**
Expired or non exercisable during the year				*18,000*	
Balance at 12/31/2009	**29,093**	**29,093**	**31,451**	**0**	**1,500,000**

	BSA GE2	BSA JMS PC 800M	BSA SG08	BSA LF 08	BSA EP08
Subscription price	0.001	0.0001	0.00010	0.0001	0.0001
Exercise proce	17.50	12.17	12.95	12.95	12.95
Deadline	01/02/2012	12/31/2012	07/02/2013	07/02/2013	07/02/2013
Parity	1	1	1	1	1
Balance at 12/31/2008	**1,500,000**	**80,460**	**31,451**	**29,093**	**29,093**
Balance at 12/31/2009	**1,500,000**	**80,460**	**31,451**	**29,093**	**29,093**
	BSA SO 08	**BSA PC 880 M 2008**			
Subscription price	0.0001	0.0001			
Exercise proce	12.95	15.64			
Deadline	07/02/2013	12/31/2012			
Parity	1	1			
Balance at 12/31/2008	**29,093**	**37,093**			
Balance at 12/31/2009	**29,093**	**37,093**			

Pursuant to the provisions of IFRS 2 governing share-based compensation, only the plans granted after 7 November 2002 have been value and recognized as personnel expenses or other operational expenses.

The conditions for exercising the warrants are the following for each category of BSA:

BSA CS 4: hold an office in the company as of December 31, 2008

BSA CS 5: hold an office in the company as of December 31, 2009

BSA LF/SG/EP/SO 07: on the exercise date, hold an office as director in the company

At the end of the year, these conditions continue to be met.

- **Free shares**

Free 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 8, 2008: 313,500
- February 11, 2009: 44,407
- June 11, 2009: 199,426

- December 17, 2009 1,413,278

which is a total of 2,669,326 shares

The bonus share allotments were valued at the price on the date of allotment (which was, for the 2009 allotments €2.55 for the allotment on February 11, 2009, €3.12 for the allotment on June 11, 2009 and €3.40 for the allotment on December 17, 2009).

The shares allotted in February and December 2009 will be fully vested at the end of a vesting period of two years from the date of the allotment (assuming employment in the company). In addition, the shares granted in December 2009 are also based on presence and performance criteria.

At year end, 2,070,611 shares can be created, corresponding to the 2009 and 2009 allotments.

The expense of €(884) K recognized for the year represents:

- shares granted in 2007: €(66) K
- shares granted in 2009: €(818) K

The estimated expense based on the criteria of employment and performance remaining to be recognized is €(3,298)K. This expense takes into account shares awarded to former executives as their contracts stated that these free shares would be considered as definitively allocated. The Group reserves the right to use the legal means available to it to contest the final allocation of these shares.

21. FINANCIAL DEBTS AND DERIVATIVES

- **Change in financial debts**

	Loans from credit institutions	Convertible bond loan	Lease financing debts	Bank Overdrafts & Equivalents	Other financial debts	TOTAL
01/01/2009	**376,686**	**204,223**	**8**	**4**	**8,325**	**589,246**
Increase	38,761	14,506	-	-	1,163	**54,430**
Redemption	(106,522)	-	-	3	(4,013)	**(110,532)**
Business combinations	814	-	-	-	95	**909**
Change in Scope	(42,496)	-	(8)	-	(1,367)	**(43,871)**
Translation differential	(32)	-	-	-	(125)	**(157)**
Reclassifcation of the equity option						**-**
Other changes	-	-	-	-	456	**456**
Closing values as of 12/31/2009	**267,211**	**218,729**	**-**	**7**	**4,534**	**490,481**

The change in financial debt, a decline of €98,765 K, is due to the events explained below:

▪	Increase in borrowings from credit institutions:	€38,761 K
▪	Financing of Compagnie Eolienne du Détroit	€5,836 K
▪	Financing of some wind farms for own account	€10,326 K
▪	Financing of the THEOLIA Naturnergien activity	€13,901 K
▪	Financing of wind farms in Germany	€6,526 K
▪	Other	€2,172 K
Reduction in borrowings from credit institutions:		€106,522 K
▪	Refinancing of project financing loans	€(12,149) K
▪	Refinancing of THEOLIA Naturenergien corporate loans	€(9,600) K
▪	Reimbursement of operating parks loan	€(27,916) K
▪	Reimbursement of loan for operating farms sold in 2009	€(51,596) K
▪	Reimbursement of loan taken out under CED refinancing	€(5,261) K
Change in the scope of consolidation		€42,496K
▪	Disposal of wind farms in operation in Germany	€(36,505) K
▪	Disposal of wind parks operating in France	€(5,991) K

The change in the OCEANE convertible bond, or €14,506 K is related to the payment of 2008 interest and to the recognition of additional interest owing to the hybrid nature of the loan (existence of a shareholders' equity and liability component) and to application of the Effective Interest Rate (EIR).

The decrease in the other financial liabilities or €(4,013) K concerns mainly the reimbursement of the hedging derivatives after they were closed out on two project support companies under construction in France.

The increase in the other financial liabilities, or €1,163 K, concerns the negative change in the rate hedges put in place in the operational wind farms in France.

- **Covenants**

Group financing falls into three categories:

- Group corporate debt - Oceane bonds
- Germany corporate debt - this finance comes with financial agreements, particularly relating to adherence to financial ratio structures by the borrower (financial debt:equity ratio or financial debt:EBITDA ratio)
- Project debt - this financing, linked to the construction of wind farms (France, Germany Morocco) comes with financial agreements concerning in particular, adherence to cash flow ratios (cash flow generated through activity:debt servicing ratio) and financial structure ratios (financial debt:equity ratio).

As of June 30, 2009, the Group did not respect some of its financial commitments which were required to obtain financing for two wind farms in France and Morocco:

- for the farm operated in France by Centrale Éolienne des Sablons (CESA) with a bank debt of around 9.6 million euros, the minimum six monthly ratio to cover the service of the debt which had not been adhered to during the first half of 2009 due to the unusually weak sales during this period has now been reached in the second half of 2009. THEOLIA is keeping a close eye on this ratio.

- For the farms operating in Morocco, which are subject to a bank debt of about 4.9 million euros (as of June 30,2009), the minimum six monthly debt service ratio was not adhered to during the first half of 2009, mainly due to the delay in cash flow between the first and second half of the year. This ration has been adhered to in the second half of 2009.

For each of the projects above, no waiver was obtained from the lending banks (which could therefore claim that a default had occurred resulting from failure to adhere to these ratios).

Some project finance documents stated that the transactions recently performed by the Company as part of its Restructuring strategy constituted cases of default. The Company has obtained waivers from these banks in the event of defaults.

For the following farms, whose debt liabilities amount to 59.9 million euros in total as of December 31, 2009, the waivers obtained by the Company are temporary waivers, which were granted subject to the following conditions:

- to finance the Centrale Éolienne des Sablons (CESA), the Centrale Éolienne des Plos (CEPLO), the Centrale Éolienne du Moulin de Froidure (CEMDF) and the Centrale Éolienne de Sallen (CESAL), the Company obtained a waiver up to the earliest of the following dates: July 30, 2010, the date the Company does not adhere to the announced Restructuring schedule, 15 days following the date of payment-delivery of the capital increase which must take place as part of the Restructuring and (iv) the end of the ad hoc mandate described and

- for the financing for the Centrale Éolienne de Seglien Ar Tri Milin (CESAM) and the Centrale Éolienne de Fonds de Fresnes (CEFF), the Company obtained a waiver until July 31, 2010.

In the event that the Company does not carry out the Restructuring before July 31, 2010, and/or if the ad hoc executive remains in their post beyond this date, the banks concerned may demand that their loans are paid back, which may have a significant negative effect on the Group.

Finally, on December 31, 2009, the Company proceeded to the reorganization of its business activities in France. The Company transferred to THEOLIA France 100% of the Ventura shares that it held, and at the end of this transfer, Ventura and Natenco SAS were dissolved and all of their assets were transferred to THEOLIA France, without these companies having to be liquidated. Some financing documents class such an operation as a default. The Company has obtained or is in the process of obtaining waivers to resort to in these cases of default with the banks concerned:

- for the financing of the Centrale Éolienne de Fonds de Fresnes (CEFF) and Centrale Éolienne de Seglien Ar Tri Milin (CESAM), the Company obtained a waiver; and

- for the financing of the Centrale Éolienne des Plos (CEPLO), the Centrale Éolienne du Moulin de Froidure (CEMDF), the Centrale Éolienne de Sallen (CESAL) and Centrale Éolienne des Sablons (CESA), the waiver is in the process of being approved by the lenders and its entering into force is subject to commitments being honored by the borrowers concerning the provision of post merger information and the transfer of the contract and of the road, rail and waterways usage authorization.

On the date the accounts were produced, none of the companies from the Group project was the subject of an early repayment request due to a default declared by the lenders concerned.

It should be noted that the liabilities concerned have not been re-posted to the current part, despite the suspensive condition attached to the waivers, €55.1 million of the €59.9 million. The difference had already been posted to the current part.

The same treatment has been carried out for the loan related to the wind farm in Morocco (CED) where the non-current part, €2 million, has been re-posted to the current part.

The following table explains the change in current debt of the item "loans from lending institutions"..

Loans from lending institutions	Current part
Value as of the opening of 01/01/2009	**138,339**
Change in lines of credit (THEOLIA Naturenergien)	(12,509)
Reimbursements – operating wind farms	(27,916)
Reimbursements – operating wind farms sold in 2009	(41,277)
Change in current part of long term loans (not including the loans related to the default clauses in the covenants)	2,255
Refinncing of CED	(5,261)
Loans being refinanced in 2008	(13,655)
Loans being refinanced in 2009	8,400
Bank debt Wind Farms France (default event)	**59,941**
Current part (according to maturity)	*4,855*
Re-posting of the non-current part due to default event relted to covenants	*55,086*
Bank debt Wind Farms Morocco (default event)	**3,982**
Current part (according to maturity)	*1,927*
Re-posting of the non-current part due to default event relted to covenants	2,055
Other movements	2,662
Value at close as of 12/31/2009	**114,961**

The contract for the issuance of the OCEANE convertible bond stipulates the following:

- The control by the Group's parent company to be maintained;
- That the Company's stock must continue to be listed on Eurolist by Euronext market;
- Should the Company or any of its major subsidiaries fail to pay a debt or a guarantee of a financial debt equal to at least one million euros, then the debt shall be payable early.

Moreover, the loss of half the share capital of the Ecoval 30 Company (non-wind activity) at the end of 2009 is a covenant break clause. The debt amount at year end stands at 5.7 million euros and is posted under the item "liabilities from abandoned activities". The Company is now being recapitalized as of the closing date of these financial statements.

As of December 31, 2009, the financial debt covenants in Germany had all been adhered to.

At the date the financial statements were prepared, two banks contributing finance to THEOLIA Naturenergien GmbH (previously called Natenco GmbH), wished to reduce their exposure and both decreased the maximum amount of their revolving credit of 10 million euros to 3 million euros which corresponds to the amounts drawn by THEOLIA Naturenergien GmbH.

In February 2010, Südwestbank indicated by mail that it would maintain the credit facility granted to THEOLIA Naturenergien until June 30, 2010, provided that the Restructuring was approved by the general shareholder meeting (which took place on March 19, 2010). Südwestbank also indicated that its decision would be influenced by the fact that all of THEOLIA's banking partners would remain stable and that Südwestbank could meet with the new management of THEOLIA Naturenergien in April 2010.

On March 22, 2010, Südwestbank and Volrarberger indicated orally that they were willing to examine the modalities of a reopening of the credit lines granted to THEOLIA Naturenergien at their previous level (10 million euros each), provided that the capital increase planned as part of the Restructuring was carried out and that a new management team was appointed within THEOLIA Naturenergien.

- **Analysis of loans by payments**

The table below displays the financial debt according to the expected payments (capital and interest) in the short and medium/long term:

	Less than 1 yr	1 to 5 yrs	More than 5 yrs	TOTAL
	Current	Non-Current		
Loans from credit institutions	125,821	105,775	93,348	324,944
Convertible bond loan	4,800	262,752	-	267,552
Lease financing debts	-	-	-	-
Sub-total loans	**130,621**	**368,527**	**93,348**	**592,496**
Bank overdrafts and equivalents	7	-	-	7
Other financial liabilities	4,534	-	-	4,534
Total financial liabilities	**135,162**	**368,527**	**93,348**	**597,037**

The convertible bond is presented here in accordance with the payments planned in the context of the contract signed with the bondholders (before restructuring of the debt).

The short-term portion of financial liabilities as of December 31, 2009 is broken down quarterly as shown below:

	< 3 months	< 6 months	< 9 months	< 12 months	Total
Financial liabilities (current portion)	49,179	7,527	61,854	12,061	**130,621**

The short-term debt, or € 130,621K, is further broken down as follows:

- Part of the mid/long term bank debts of the wind frms in France and Morocco set up as short term debts due to bank covenants €57,141 K
- Short-term portion of long-term liabilities (1) €32,396 K
- Current loans related to the financing of the THEOLIA Naturenergien activity €21,831 K
- Non-current loans fully classified as short-term (2) €8,400 K
- Interest on convertible bond payable in 2010 €4,800 K
- Interest expense due €6,053 K

(1) This item concerns the loans financing the wind farms in operation and under construction for the short-term redeemable portion of those loans.

(2) This item concerns long-term loans attached to wind farms in operation or at the end of construction in Germany, the sale of which is planned for 2010.

- **Analysis by type of rate**

	12/31/2009	12/31/2008
Fixed rate	360,439	381,070
Variable rate	130,042	208,177
TOTAL	**490,481**	**589,247**

A portion amounting to €218,729K of the fixed rate loans refers to THEOLIA. The remainder loan concerns loans related to projects abroad.

- **Convertible bond**

Redeemable amount:

The Group has the option of early redemption, at its discretion or at the initiative of the bondholders, on or after January 1, 2012.

Year	Amount redeemable	Number of securities	Unit value
01/01/2014	260,111,549	11,538,462	22,5430
01/01/2012	253,151,549	11,538,462	21,9398

When the Effective Interest Rate is used, an additional expense must be shown, as follows:

Year	Interest at the rate of 2%	Interest at the TIE	Addition 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 included in this contract is exercisable in 2012. The restructuring of this debt now underway is going to change the exercise date of this put.

- **Derivatives**

There are 2 types of financial derivatives:

The derivatives set up to manage the rate risk on variable rate loans are recognized at their fair value until December 31, 2009. The adjustments in fair value are recorded as income.

As of December 31, 2009, the rate swaps accounted for in this way total € (4,318) K compared with € (7,947) K as of December 31, 2008.

Following the sale in 2008 of its stake in Thenergo (€15,000K), the Group has the option of exercising a call 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 as of December 31, 2009, with a contra under profit/loss. The effect on financial income for the period is €107K.

Information on the fair value of the financial assets and liabilities

The table below shows the book value on the balance sheet of assets and liabilities by accounting category defined in accordance with IAS 39, as well as their fair value.

	Accounting categories						Fair value			
12/31/2009	Hedging derivatives	Assets (liabilities) valued at by result	Assets available for sale	Loans and receivables	Liabilities cost amortised	**Total net value on the balance sheet**	Listed price	Internal model with observable parameters	Internal model with non-observable parameters	**Fair value**
Unconsolidated equity shares			927			**927**				**927**
Other non-current financial assets				8,529		**8,529**				**8,529**
Deposits and pledges				411		**411**				**411**
Non-current financial assets	**-**	**-**	**927**	**8,940**	**-**	**9,867**	**-**	**-**	**-**	**9,867**
Trade receivables				32,492		**32,492**				**32,492**
Financial assets current account										
Cash equivalents		25,503				**25,503**	25,503			**25,503**
Cash on hand				68,684		**68,684**				**68,684**
Current portion of financial assets				236		**236**				**236**
Total assets	**-**	**25,503**		**110,412**	**-**	**126,915**	**25,503**		**-**	**126,915**
Total assets	**-**	**25,503**	**927**	**110,352**	**-**	**136,782**	**25,503**			**136,782**
										-
Bond loan					213,929	**213,929**				**213,929**
Other bank loans and other financial					152,250	**152,250**				**152,250**

12/31/2009	Accounting categories						Fair value			
	Hedging derivatives	Assets (liabilities) valued at by result	Assets available for sale	Loans and receivables	Liabilities cost amortised	**Total net value on the balance sheet**	Listed price	Internal model with observable parameters	Internal model with non-observable parameters	**Fair value**
debts										
Loans related to lease financing restatements					-	**-**		-		**-**
Non-current financial debts	**-**	**-**	**-**	**-**	**366,179**	**366,179**	**-**	**-**	**-**	**366,179**
Liability derivatives		4,318				**4,318**		4,318		**4,318**
Bond loan					4,800	**4,800**				**4,800**
Other bank loans and other financial debts					114,961	**114,961**				**114,961**
Trade payable					25,482	**25,482**				**25,482**
Other current financial debts					15,803	**15,803**				**15,803**
Financial liabilities current accounts					151	**151**				**151**
Bank overdrafts					7	**7**				**7**
Current financial liabiilties	**-**	**4,318**	**-**	**-**	**161,204**	**165,522**	**-**	**4,318**	**-**	**165,522**
Total liabilities	**-**	**4,318**	**-**	**-**	**527,383**	**531,701**	**25,503**	**4,318**	**-**	**531,701**

As of 12/31/2008

12/31/2008	Accounting categories						Fair value			
	Hedging derivatives	Assets (liabilities) valued at by result	Assets available for sale	Loans and receivables	Liabilities cost amortised	**Total net value on the balance sheet**	Listed price	Internal model with observable parameters	Internal model with non-observable parameters	**Fair value**
Unconsolidated equity shares			2,909			**2,909**				**2,909**
Other non-current financial assets				7,184		**7,184**				**7,184**
Deposits and pledges				365		**365**				**365**
						-				
Non-current financial assets	**-**		**2,909**	**7,549**	**-**	**10,458**				**10,458**
Trade receivables				24,885		**24,885**				**24,885**
Financial assets current accounts				296		**296**				**296**
Cash equivalents		24,874				**24,874**	24,874			**24,874**
Cash on hand				65,949		**65,949**				**65,949**
Current portion of financial assets								-		**-**
Current financial assets	**-**	**24,874**	**-**	**91,130**	**-**	**116,004**	**24,874**		**-**	**116,004**
Total assets	**-**	**24,874**	**2,909**	**98,679**	**-**	**126,462**	**30,056**	**93,497**	**2,909**	**126,462**
										-
Bond loan					204,223	**204,223**				**204,223**
Other bank loans and other financial debts					238,350	**238,350**				**238,350**
Loans related to lease financing restatements					8	**8**				**8**
Non-current financial debts	**-**	**-**	**-**	**-**	**442,581**	**442,581**	**-**	**442,581**	**-**	**442,581**
Liability derivatives		7,947				**7,947**		7,947		**7,947**
Bond loan					138,339	**138,339**				**138,339**
Other bank loans and other financial debts					63,707	**63,707**				**63,707**
Trade payable					39,520	**39,520**				**39,520**
Other current financial debts					376	**376**				**376**
Financial liabilities current accounts					5	**5**				**5**
Bank overdrafts										
Current financial liabilitiess	**-**	**7,947**	**-**	**-**	**241,947**	**249,894**	**-**	**7,947**	**-**	**249,894**
Total liabilities	**-**	**7,947**			**684,528**	**692,475**	**-**	**7,947**	**-**	**692,475**

22. PROVISIONS FOR EMPLOYEE BENEFITS

▪ Components of the expense for the period

_	12/31/2009	12/31/2008
Pension expenses	**22**	**72**

▪ Change in the provision

_	12/31/2009	12/31/2008
Provision at opening	**61**	**251**
Expense for the year	22	72
Reclassification of discontinued activity	(1)	(263)
Provision at closing	**79**	**61**

▪ hypotheses

_	12/31/2009	12/31/2008
Discount rate	5.09%	4.75%
Change in management salaries	1.00%	3.00%
Change in non-management salaries	1.00%	2.00%
Mortality table	INSEE 2008	TGH 05 et TGF 05
Retirement age	Age 65	Age 65

It should be noted that actuarial differences are immaterial.

23. OTHER PROVISIONS

	Provision for disputes	Provisions for subsidiary risks	Other provisions	TOTAL
Closing values as of 12/31/2008	**2,296**	**-**	**1,675**	**4,971**
Allocaitons	1,460	6,034	1,308	8,803
Reversals	(1,666)	-	(778)	(2,444)
Business combinations	-	-	136	136
Currency translation	-	-	(10)	(10)
Other charges	(891)	3,595	279	2,983
Closing value as of 12/31/2009	**2,199**	**9,629**	**2,610**	**14,439**
Current portion				-
Non-current portion	2,199	9,629	2,610	14,439

Provisions for disputes amount to €2,199 K at the end of the period. They concern mainly the following disputes:

- Disputes funded by provisions for THEOLIA SA €704 K
- Business-related disputes (France) €1,461 K
- Business-related disputes (Other countries) €34 K

The amount of €354 K for THEOLIA SA disputes refers to the Windream One dispute and €200 K in disputes are corporate in nature. In the first instance, the Company obtained a favorable outcome in the courts, but it left the amount of the provision at €354 K owing to an appeal in progress.

Provisions for risks on subsidiaries are listed below:

- That portion accounted for by the equity method of Spanish company Asset Electrica, for €3,595 K;
- Risks on current assets related to discontinued activities for €6,034 K.

Due to the net negative situation of the share processed via equity accounting of the company Asset Electrica is also negative, which leads to an equivalent provision being posted because the Group is determined to make up the difference in value.

The other provisions, which amount to €2,610 K, are broken down below:

- Corporate disputes in Morocco (TEM) €807 K
- Provision for nor-recovery of tax credit €1,411 K
- Other €393 K

24. TRADE AND OTHER CREDITORS

	12/31/2009	12/31/2008
Prepayments	56	2,566
Payables	25,482	63,708
Other	15,747	36,954
Total	**41,285**	**103,228**

Trade creditors include the development, construction and wind farm sales activity in the amount of €17,328 K, which can be broken down as follows:

- France: €360 K
- Germany: €11,741 K
- Italy: €5,060 K
- Other countries €167 K

The electricity sales activity for own account represents € 4,716 K to creditors.

The other liabilities, or €15,747 K, concern mainly the following:

- Suppliers of capital assets (mainly for wind projects): €5,275 K

- Additional prices to be paid following the acquisition of projects in Italy: €5,345 K
- Liabilities for the acquisition of companies (Germany): €3,672 K
- Other liabilities €1,455 K

	12/31/2009	12/31/2008
Corporate liabilities	1,932	2,169
Tax liabilities	8,783	12,183
Total	**10,715**	**14,352**

Tax liabilities refer mainly to the VAT collected and not yet repaid.

25. SECTOR INFORMATION

In accordance with the application of IFRS 8 “Operating Segments,” the Group’s activities are broken down into the following categories:

- The **Sales of electricity for own account activity** corresponds to the sale of the electricity produced by the wind farms owned by the Group;
- The **Development, construction, sale Activity** includes the development, construction and sale of wind projects and wind farms;
- **The Operation activity** includes the management of wind farms for third parties as well as the sale of the electricity produced by the wind farms managed but not owned by the Group.
- **The Non-wind activity** is not strategic and is in the process of being sold.
- **The Corporate activity** comprises mainly the THEOLIA SA holding company.

- **As of December 31, 2009**

Financial statement	Sale of electricity for own account	Development construction sale	Operation	Non-wind activities	Corporate	Total
Goodwill	8,012	71,446	-	-0	2	79,460
Intangible assets	47,360	52,514	-	0	9	99,883
Property, plant & equipment	262,252	35,829	84	12,160	1,533	311,858
Other non-current assets	5,978	8,414	(2)	10,533	4,000	28,923
Total non-current assets	**323,601**	**168,204**	**82**	**22,693**	**5,544**	**520,123**
Inventory	1,186	49,238	-	0	1,390	51,814
Receivables	9,884	21,923	237	321	127	32,492
Cash and cash equivalents	26,380	33,510	546	2,348	31,403	94,187
Other current assets	5,714	10,985	783	526	10,074	28,081
Total current assets	**43,164**	**115,656**	**1,566**	**3,194**	**42,994**	**206,574**
Assets held for sale	-	-	-	713	16,359	17,072
TOTAL ASSETS	**366,765**	**283,860**	**1,648**	**26,600**	**64,896**	**743,769**
Non-current financial liabilities	118,769	29,009	-	4,471	213,929	368,233
Current financial liabilities	91,632	22,077	-	5,791	4,803	122,248
Payabless	4,764	27,674	36	870	7,941	41,285
Liabilities held for sale	-	-	-	11,037	-	11,038
Other liabilities	27,636	11,835	782	5,004	7,053	52,311
TOTAL LIABILITIES	**242,801**	**90,595**	**818**	**27,173**	**233,727**	**595,117**
Other information						
Tangible and intangible investments	15,025	26,547	1	2,253	1,205	75,035
Workforce at year-end						

12/31/2009 (in thousands of euros)

Income statement	Wind activities			Non-wind activities	Corporate	Total
	Sale of electricity for own account	Development construction sale	Operation			
Revenue						

Income statement	Wind activities			Non-wind activities	Corporate	Total
	Sale of electricity for own account	Development construction sale	Operation			
France	13 193	38 475	61	17	6 118	**57 865**
Germany	32 425	197,990	38 438	1 610		**270 463**
Italy						
Rest of world	6 300			83	(0)	**6 382**
Inter-actibity sales					(6 118)	**(6 118)**
Total	**51 918**	**236 465**	**38 499**	**1 710**		**328 593**
Current operation income	**15 220**	**(2 596)**	**(1 040)**	**(797)**	**17 024**	**27 812**
Impairment	7 008	(808)		18	(1 709)	4 509
Other non-current income and expenses	303	(318)	(2)	599	(722)	(140)
Operating income	22 530	(3 722)	(1 042)	(179)	14 593	32 181
Share in the results of associates	(16)	(123)		(13 330)		(13 470)

- **As of December 31, 2008**

Statement of financial position	Wind activities			Non-wind Activities	Corporate	Total
	Sale of electricity for own account	Development construction sale	Operation			
Goodwill	10,384	67,700	0	-0	0	78,084
Intangible assets	58,412	35,682	18	0	40	94,152
Property, plant & equipment	310,211	30,246	84	2	1,135	341,678
Other non-current assets	3,491	10,346	0	25,295	2,568	41,673
Total non-current assets	**382,498**	**143,975**	**102**	**25,297**	**3,716**	**555,587**
Inventory	11,145	145,778	-0	13,001	0	169,923
Receivables	7,967	15,508	416	920	73	24,885
Cash and cash equivalents	30,833	34,753	995	2,746	21,494	90,824
Other current assets	10,123	37,320	73	3,073	7,082	57,672
Total current assets	**60,069**	**233,359**	**1,485**	**19,740**	**28,651**	**343,303**
Assets held for sale	0	0	0	9,638	10,179	19,817
TOTAL ASSETS	**442,566**	**377,333**	**1,586**	**54,675**	**42, 546**	**918,707**
Non-current financial liabilities	217,126	21,233	0	-1	204,223	442,581

Statement of financial position	Wind activities			Non-wind Activities	Corporate	Total
	Sale of electricity for own account	Development construction sale	Operation			
Current financial liabilities	41,068	89,675	3	10,772	5,147	146,666
Payables	7,229	60,602	254	1,143	34,001	103,229
Liabilities held for sale	0	0	0	13,121	0	13,121
Other liabilities	25,756	14,295	-0	259	4,147	44,457
TOTAL LIABILITIES	**291,178**	**185,806**	**257**	**25,294**	**247,519**	**750,053**

Other information						
Tangible and intangible investments	38,040	9,229	-	698	169	96,103
Workforce at year-end	-	115		92	30	444

12/31/2008 (in thousands of euros)

Income statement	Wind activities			Non-wind Actibities	Corporate	Total
	Sale of electricity for own account	Development construction sale	Operation			
Revenue						
France	12 264	(1 236)	38	584	4 621	16272
Germany	36 924	(17 000)	43 415	(12 994)		50346
Italy						
Rest of world	6 352			1 608	1036	8995
Inter-actibity sales					(5 657)	(5 657)
Total	**55 540**	**(18236)**	**43 454**	**(10802)**		**69 956**
Current operating income	11 782	(31 115)	1 240	(2179)	(48139)	(68411)
Impairment	(44 847)	(58 547)		(3219)	37	(106 577)
Other non-current income and expenses	485	(507)		(16)	(22 547)	(22 584)
Operating income	**(32 580)**	**(90 168)**	**1 240**	**(5 414)**	**(70 649)**	**(197572)**
Share in the results of associates	(110)	(3 500)		(232)		(3 842)

Comments from the financial statement as of December 31, 2009

Sales of electricity for own account

Revenue from Sales of electricity sales for own account posted by the wind farms owned by the Group fell from €55,540 K in 2008 to €51, 918 K in 2009, which is a slight decrease of seven percent, or €(3,622) K owing to the following factors:

- Unfavorable weather conditions in the first three quarters of 2009;
- Asset disposals made in 2009.

The installed capacity for own account amounts to 319 megawatts (MW) as of December 31, 2009, compared with 360 MW as of December 31, 2008, which is a decline of 11 percent.

Current operating income amounts to €15,220 K compared with €12,894 K and accounts for 30 percent of revenue. The improvement in this item comes mainly from the application of the new strategy. In fact, to sell wind farms after a two-to-four year period in operation, a residual value close to the estimated sale price must be calculated. This results in a reduction of both the amortizable base and the amortization period. For the financial year 2009, amortization amounts to € (19,667) K compared with € (25,542) K in 2008.

As of September 1, 2009, the date the new strategy was applied, the farms already in operation are (for the most part) worth substantially less than the estimated sale price. Therefore, amortization was suspended from that date on.

Operating income was €22,530 K compared with € (31,468) K in 2008. This major difference is due to the outcomes of impairment tests. In 2008, these tests were conducted, leading to goodwill and wind asset write downs in the amount of € (44,847) K. At the end of the period, the impairment item is positive and is up €7,008 K. It breaks down mainly as follows:

- Impairment of goodwill from the wind farm in Morocco (CED) €(439) K
- Impairment of goodwill from a wind farm in Germany €(594) K
- Write -downs of non-current assets:
    - o Wind farm located in Germany €(142) K
    - o Wind farm located in Morocco €(2,093) K
    - o Wind farm located in France € (302) K
- Reversal of 2008 write-downs of non-current assets:
    - o Wind farms located in Germany + € 10,575 K

Wind Development, construction and sales

Revenue from the Development, construction, sale activity amount to €236,465 K in 2009 compared with € (18,236) K in 2008. 234 MW of wind assets and projects were sold in 2009, thus exceeding the 200 MW objective set by the Management.

- As it had announced, in Germany the Group resumed its turnkey wind farm sales program as part of its trading activity. Thus wind farms with total power of 145.7 MW, including 137 MW of installed capacity, were sold in 2009. Revenue from those sales in Germany in 2009 stood at 195 million euros.
- It should be noted that revenue from the sale to RheinEnergie of the portfolio of 100.6 MW of wind farms and wind projects was not fully accounted for in 2009; there is a balance of 10 million euros to be recognized in 2010.

- In France, 88 MW of capacity were sold, including seven MW of installed capacity.

Since September 1, 2009, all sales by THEOLIA of wind projects or wind farms in operation have been booked as revenue, in accordance with IAS 16, as amended, applicable since January 1, 2009. This accounting treatment had a positive impact of 65 million on 2009 revenue. Applying this standard in 2008 would have had no effect on consolidated revenue due to the lack of sales of wind projects and wind farms in the year.

Current operating income stands at €(2,596) K compared with €(31,115) K for 2008. The results of this activity are broken down between:

- Wind farm development and construction €(4,230) K
- Sale of wind farms +€1,635 K

Development activities are carried out in France, Italy, Brazil and Greece (in the process of being closed down). These activities generate revenue only in France. The subsidiaries located in other countries do not have outside sources of income because they work exclusively for the Group. Their profits and losses are broken down below:

In the first half of the year, the sale of wind farms under development yielded a negative result of € (2,434) K.

As a result of wind farm sales in the France division, internal margins previously canceled at the developers (Development, construction, sale activity) were capitalized for a total amount of + €3,175 K.

Development and construction sales resulted in a sufficient margin to absorb the structural costs not capitalized in the cost price of the projects for this entire business sector.

Wind farm sales in France and Germany generated €1,883 K in current operating income.

The cost of maintenance and insurance for the turbines currently stored in Italy (Suzlon turbines) is charged to this activity for a total of € (746) K.

Operating income stands at €(3,722) K compared with €(90,168) K in 2008. The difference is due to:

- The lack of margin for 2008, hence the failure to absorb structural costs;
- The recognition in 2008 of a number of impairments on goodwill and non-current assets.

The transition of current operating income to operating income, or an impairment of €(1,126) K is due to the following:

- Impairments: €(808) K
  - o Wind farm in Spain +€ 336 K
  - o Write -downs on a project in Italy €(519) K
  - o Write -downs of projects under development in France €(624) K
- Other non-current income/expenses €(318) K

Operations

Revenue stands at +€38,499 K compared with + € 43,454 K in 2008. Like the electricity sales for own account sector, the poor weather conditions adversely affected the income generated by this activity.

This activity concerns mainly electricity sales for third parties and the income associated with the operational management by the Group.

Revenue from the Operations business includes electricity sales from wind farms managed for third parties. It stands at 38.4 million euros in 2009, and fell slightly from 2008 levels owing to unfavorable wind conditions over a large part of the year 2009. For the record, it must be specified that for some new Operations and Maintenance (O&M) contracts signed in 2009, the Group no longer receives the proceeds from the sales of electricity that comes from those farms. Only the management services billed to the owners of those farms are recognized as revenue. As of December 31, 2009, the Group managed 458 MW for third parties compared with 311 MW as of December 31, 2008.

Operating income is a negative € (1,040) K, down from + €1,240 K in 2008, or a decrease of € (2,280) K. The gross margin is generally between three and five percent. Given this low margin, the operating costs for this activity cannot be absorbed.

This change is due mainly to the following factors:

- Decline in gross margin	€(581) K
- Increase in sub-contracting costs	€(956) K
- Increase in personnel costs	€(606) K
- Other	€(137) K

Non-Wind Activities

Revenue stands at +€1,710 K compared with €(10,802) K in 2008. The negative turnover of 2008 comes from the cancellation of a sale of a solar power plant which occurred in 2007, due to the buyer being unable to obtain financing. The 2009 sales include income from the following activities:

- Sale of electricity from the solar farm in Germany	+€1,490 K
- Sale of bio-diesel (biofuel)	+€83 K
- Other	+€137 K

Current operating income is €(792) K and includes €(679) K in amortization (of which €640 K for the solar farm operated in Germany) and €(961) K in provisions for disputes (construction of a water treatment unit).

There is little activity in this sector because of the Group's decision to discontinue non-wind activities.

The item "share in income from associates" concerns the Ecolution Company.

Corporate Activity

Current operating income from the Corporate Activity amounts to +€17,024 K of which +€ 19,992 K is related to THEOLIA SA.

The expenses in the Corporate sector correspond mainly to the following activities:

- Overhead (strategy)
- Relations with the stock market and investors
- External growth operations
- Research and financing operations through market calls

Results correspond to the following:

- Reversal of provisions on the Hestiun amount owed by Hestiun (sale of the Thenergo shares) +€15,000 K
- Reversal of provisions for an installment on the turbines reserved + €10,000 K
- Share-based payments to the employees and corporate officers of THEOLIA SA €(884) K
- Layoffs (transactions…) €(361) K
- Remaining sponsorship costs €(356) K
- Other THEOLIA SA structural costs €(3,047) K

Operating income amounts to + €14,593 K compared with € (70,649) K in 2008. In particular, it includes impairments as well as other non-current income and expenses, as shown below:

- Impairment of goodwill resulting from the purchase of the minority share of the TEM stock €(1,709) K
- AMF sanctions committee (decision released December 7, 2009) €(300) K
- Other €(422) K

During the year, THEOLIA SA purchased the stock in the TEM Company. This purchase, at the nominal value, resulted in the recognition of goodwill in the amount of €1,709 K. The Group wanted to obtain exclusive control of the company TEM, the latter having as its only asset a 35% stake in Ecolutions, due to the value of this subsidiary. Ecolutions' situation deteriorated end of 2009, .The goodwill was posted when the TEM securities to Jean-Marie Santander were depreciated in full on December 31, 2009.

26. PERSONNEL EXPENSES

	12/31/2009	12/31/2008
Employee compensation	7,953	9,360
Social security and insurance expense	2,859	3,257
Other personnel expenses	18	33
Other employee benefits and share-based payments (IFRS 2)	884	8,190
Total personnel expenses	**11,714**	**20,840**

Employee compensation is down by €(1,407) K because of the following factors:

- Effects of THEOLIA SA restructurings €(882) K
- Reduction of the workforce at the THEOLIA Emerging Markets Moroccan subsidiary €(595) K
- Closing of the Spanish subsidiary THEOLIA Iberica €(139) K
- Increase in the workforce in Germany + €466 K
- Increase in the workforce in France (developer) + €177 K
- Effect of the sale of the Biocarb Company €(222) K
- Other factors €(212) K

The expense related to share-based payments is down sharply owing to the granting of bonus shares, mainly at the close of 2009, and to the introduction of a rights acquisition period;

Workforce at close of the year	12/31/2009	12/31/2008
Managers, employees and contributors	270	295
Total	**270**	**295**

27. OTHER OPERATING INCOME AND EXPENSES

	12/31/2009	12/31/2008
Share-based payments (granting of stock warrants)	(55)	1,615
Income from ordinary activities	3,027	6,049
Other operating income and expenses	(3,291)	(4,008)
Total	**(319)**	**3,656**

Other Income from ordinary activities comes mainly from:

- Payments to be collected under contracts guaranteeing income from electricity: €1,385 K
- Other income, particularly from re-invoicing and commercial leases: €1,247 K.

Other operating income and expenses concern the following operations;

- Loss from the sale of wind projects under development €(2,797) K

- Income from the deconsolidation of Canadian subsidiaries + €980 K
- Impairment of wind assets in France following final adjustments in the amount of construction contract € (595) K
- Other operating expenses €(870) K

28. OTHER NON-CURRENT INCOME AND EXPENSES

	12/31/2009	12/31/2008
Disposal of Thenergo stock	-	(22,649)
Effect on changes in scope		
Other non-current income and expenses	140	65
Total	**(140)**	**(22,584)**

29. IMPAIRMENT

▪ Breakdown of item

The impairments recognized at the end of the period are presented in the table below:

	12/31/2009	12/31/2008
Impairment intangible assets	2,103	(27,713)
Impairment PP&E	5,271	(1,283)
Impairment goodwill	(2,865)	(77,581)
Total	**4,509**	**(106,577)**

Note that the net impairments on capital assets as of 12/31/2009 correspond to provision takeover

▪ Breakdown by geographical area and by activity

	12/31/2009	Writedown	Goodwill	12/31/2008
Wind farm construction and development activity	(624)	(624)		(809)
Wind energy production activity	(302)	(179)	(123)	(2,519)
Non-wind activity	18	18		(574)
Corporate	(1,709)		(1,709)	
Impairment - France	**(2,617)**	**(785)**	**(1,832)**	**(3,901)**
Wind farm construction and development activity				
Wind energy production activity	9,841	10,435	(594)	(71,985)
Non-wind activity				
Impairment - Germany	**9,841**	**10,435**	**(594)**	**(71,985)**
Wind farm construction and development activity	336	336		(12,938)
Impairment - Spain	**336**	**336**	**-**	**(12,938)**
Wind farm construction and development activity	(519)	(519)		
Wind energy production activity				
Non-wind activity				

Impairment - Italy	**(519)**	**(519)**	**-**	**-**
Wind farm construction and development activity				
Wind energy production activity	(2,532)	(2,093)	(439)	(14,950)
Non-wind activity				
Impairment - Morocco	**(2,532)**	**(2,093)**	**(439)**	**(14,950)**
Wind farm construction and development activity	-			(194)
Wind energy production activity	-			
Non-wind activity	-			(2,609)
Impairment – rest of the world	**-**	**-**	**-**	**(2,803)**
Total	**4,509**	**7,374**	**(2,865)**	**(106,577)**

30. NET FINANCIAL RESULT

- **Analysis of the item**

Income from cash and cash equivalents	12/31/2009	12/31/2008
Interest income generated by cash and cash equivalents	308	3,574
Income from disposals of cash equivalents	572	2,794
Other income	80	15
Income from cash and cash equivalents	**960**	**6,384**

Cost of gross financial debt	12/31/2009	12/31/2008
Interest expense on financing operations	(29,490)	(33,009)
Effect of accretion		
Income and losses from the extinction of debts		
Total	**(29,490)**	**(33,009)**
Cost of net financial debt	**(28,530)**	**(26,625)**

Cash income amounts to €960 K and comes from investments made by THEOLIA Naturnergien, the German wind plants in operation, THEOLIA SA and the other entities in Morocco.

The interest expense breaks down as follows:

OCEANE bond	€13,226 K
Wind farms in Germany	€6,480 K
Wind farms under development in Italy	€ 247 K
Solar farm in operation in Germany	€584 K
Wind farms in operation in France	€5,168 K

Wind farms under development in France	€57 K
Financing of the THEOLIA Naturnergien activity	€3,383 K
Wind farms in operation in Morocco	€325 K
Other	€20 K

- **Breakdown of other financial income**

Other financial income	12/31/2009	12/31/2008
Change in the fair value of financial instruments	108	23
Reversals of provisions	94	-
Foreign exchange gains	1,163	1,613
Other financial income	1,321	2,352
Other financial income	**2,685**	**3,988**

The reversals of provisions concern mainly Germany (+€75 K) as well as the Eastern European subsidiaries (€19 K) for a total of + €94 K.

Other financial income concerns mainly the late interest on loans and non-Group commercial receivables in Germany.

- **Breakdown of other financial expenses**

Other financial expenses	12/31/2009	12/31/2008
Variations negative JV / hedging derivatives / debts	(891)	(8,949)
Difference negative JV on investment securities and other speculative instruments	(174)	(38)
Foreign exchange losses	(1,569)	(1,124)
Net expenses on disposals of investment securities	-	-
Other financial expenses	(2,330)	(6,333)
Other financial expenses	**(4,964)**	**(16,445)**
TOTAL OTHER FINANCIAL INCOME AND EXPENSES	**(2,279)**	**(12,457)**

The exchange rate loss €(1,569) K comes from interest on current accounts or loans, as well as foreign exchange differences on third party accounts denominated in currency. This concerns mainly the subsidiaries located in Morocco and Brazil.

Other financial expenses, mainly on Germany, for around € (850) K concern commissions on bank guarantees.

31. TAXES ON EARNINGS

- **Analysis of tax expense**

in thousands of euros	12/31/2009	06/30/2008
Corporate income tax owed	(976)	180
Deferred taxes	1,413	11,756
Total	**437**	**11,936**

The valuation of deferred tax assets and liabilities is based on the manner in which the THEOLIA Group expects to recover or settle the book value of the assets and liabilities, using the tax rates expected to be applied to the year in which the asset is realized or the liability paid.

A deferred tax asset is recognized only if it is probable that the THEOLIA Group will have future taxable income to which this asset can be charged.

- **Proof of taxes**

Description	12/31/2009	12/31/2008
Consolidated net income	**(21,101)**	**(245,210)**
Tax expense recognized	(437)	(11,936)
Share of income from equity affiliates in net income	13,470	3,842
Share of income from equity affiliates reclassified as discontinued activities	-	983
Taxes related to discontinued activities	(259)	(2,143)
Consolidated net income before taxes	**(8,327)**	**(254,464)**
Theoretical tax rate applicable	33.33%	33.33%
Theoretical tax expense	2,775	84,813
Tax expense recognized (including discontinued activities)	696	14,079
Tax difference	**(2,079)**	**(70,734)**
Items reconciled:		
Permanent differences	(2,480)	2,725
Badwill from acquisitions		-
Share-based payments (IFRS2)	(313)	(3 220)
Profit from dilution / PL from deconsolidation	4 654	(9 083)
Tax credits	73	97
Foreign exchange differences		
Rate variance France / Foreign countries	30	(8 538)
Impairment	(811)	(26 922)
IDA capitalization	787	(5 111)
Tax losses not capitalized	(4 127)	(20 976)
Other	107	294
Total	**(2 080)**	**(70 734)**

- **Type of deferred assets**

Assets

in thousands of euros	12/31/2009	12/31/2008
Intangible assets	261	102

in thousands of euros	12/31/2009	12/31/2008
Property, plant & equipment	591	301
Eliminations internal margins	1,331	2,116
Eliminations internal disposals	3,129	2,980
Provisions for pension commitments	21	19
Financial instruments	1,682	2,927
Taxes carried forward	26,765	27,276
Other assets	1,034	250
Deferred tax assets/liabilities offset	(26,671)	(26,487)
Total	**8,140**	**9,483**

Liabilities

in thousands of euros	12/31/2008	12/31/2007
Intangible assets	14,482	12,655
Property, plant & equipment	11,327	8,720
Derogatory depreciation	17,338	15,781
Adjustment depreciation period	645	-
Financial instruments	8,958	12,190
Other liabilities	(1,076)	(826)
Deferred tax assets/liabilities offset	(26,671)	(26,487)
Total	**25,003**	**22,033**

Tax losses, mainly in France, resulted in the capitalization of deferred tax assets in the amount of €26,765 K. These amounts, with the exception of Germany for €3300 K are justified by the existence of deferred tax liabilities concerning the same entities.

- **Change in deferred taxes**

In thousands of euros	Deferred tax assets	Deferred tax liabilities	Net deferred taxes
Opening	**9,483**	**22,033**	**(12,550)**
Expenses/Income	(95)	1,280	(1,375)
Change in scope	(1,805)	(668)	(1,137)
Effect on reserves	563	2,358	(1,795)
Translation differences	(6)	-	(6)
Closing	**8,140**	**25,003**	**(16,863)**

- **Use of losses**

	12/31/2008	New losses generated	Impact of change in rate	Other	12/31/2009
Deferred taxes capitalisable as losses	27,276	90	-	(601)	26,765
Deferred tax assets recognized	**27,276**	**90**	**-**	**(601)**	**26,765**

- **Tax assets not recognized**

In thousands of euros	12/31/2009	12/31/2008
Unlimited	(25,438)	(21,311)
Total	**(25,438)**	**(21,311)**

32. EARNINGS PER SHARE

Description	12/31/2009	12/31/2008
P/L owed to shareholders in the Company (in € K)	(20,765)	(244,454)
Weighted average number of shares outstanding (in thousands)	39,853	39,747
Basic earnings per share (in euros)	**(0.52)**	**(6.15)**
P/L owed to shareholders in the Company (in € K)	(20,765)	(244,454)
Number of shares outstanding as of 12/31/2009	39,895	39,747
Adjustments related to stock warrants		4,415
Convertible bonds	-	11,538
Adjustments related to free shares awarded	2,071	562
Number of shares on a diluted basis	41,966	56,262
Diluted earnings per share (in euros)	**(0.49)**	**(4.33)**

Stock warrants not yet exercised as well as convertible bonds were not included in the dilution calculations owing to an exercise price much higher than the current THEOLIA share price.

33. RELATED PARTIES

- **Transactions with associated companies**

Transactions with associated companies concern operations with companies in which the Group exerts notable influence and which are accounted for by the equity method.

Transactions with associated companies are conducted based on the market price.

- **Transactions between the Group and directors**

These include transactions conducted during the financial year with the FC Holding Company (subsequently renamed Windreich AG), of which Mr. Willi Balz was a member of the THEOLIA Board of Directors until October 20, 2009 (when his resignation was accepted), as summarized in the table below:

in thousands of euros	**12/31/2009**	**12/31/2008**
Operating income	42,177	70
Operating expenses	(457)	(5,477)
	41,720	(5,407)

in thousands of euros	**12/31/2009**	**12/31/2008**
Operating receivables	2,601	2,154
Operating debts	(1,164)	(1,887)
	1,437	**267**

The operating income generated with the FC Holding Company, or €42,177 K, was earned in the normal course of disposing of wind farms in Germany, and this occurred prior to the appointment by the June 11, 2009 Shareholders' Meeting of Mr. Willi Balz as a member of the THEOLIA SA Board of Directors.

Mr. Marc Van't Noordende had, prior to his appointment as administrator, a service contract under which Longview Management Services offered transitional managerial services to the order of € 195 K for the 2008 financial year and € 275 K for the 2009 financial year. This contract ended on April 30, 2009.

Mr. George Hersbach, administrator of THEOLIA, signed a consultancy provision contract under which the company Heartstream Corporate Finance B.V. offered consultancy services as part of the transfer by the Group of a wind farm in Germany. The conditions for remuneration are as follows: success premium of 1.25% of the value of the wind farm transferred. This contract ends on July 1, 2010 and did not have any effects in 2009.

- **Transactions between the Group and subsidiary directors**

Mr. François Bouffard, Mr. Arnaud Guyot and Mr. Cedric de Saint Jouan occupied the posts of Deputy Chief Executive Officers and transferred on September 8, 2009 the company rights held on the companies CEBDP, CECAN, CELHV, CEHAB and CESOU held by VOL-V for € 478 K to THEOLIA France SAS, as well as the company rights within Ventura SA to THEOLIA France SAS for €3,349 K.

The Group also granted a co-surety on September 16, 2009 until January 31, 2012 to guarantee the amounts due to VOL-V for an amount of €966 K.

- **Executive compensation**

The compensation of executives with a technical function within the Company is broken down below.

In thousands of euros	**12/31/2009**	**12/31/2008**
Salaries and bonuses	581	572
Share-based payments	676	5,237
Executives' fees		
Directors' fees	400	261
Other compensation	280	1,223
	1,937	**7,293**

The compensation due under the antitrust clauses by the Group with its previous executives amount to 18 months of the fixed gross pay for one and 12 months' fixed gross pay for the other; however, these compensations are not due to directors in the event of serious error or failings. The contracts made with these directors also state that the company has the right to extend the duration of the antitrust obligation for an additional period of six months for one and 12 months for the other, provided that a request is made prior to expiry of the first year, the Group in this case having to pay to the director an additional antitrust compensation of an amount equal to six months of their gross fixed pay.

Given the conditions under which the Group directors departed from their roles, the Group does not intend to pay them an additional remuneration as the variable portion or under the antitrust clause for the 2009 financial year.

The item "salaries and premiums" includes the variable portion of the remunerations of the former company executives (dismissed on February 9, 2010). Pursuant to the prudence principle, the Group has however set aside amounts of € 151 K in these financial statements.

The amount of directors' fees paid to the members of the THEOLIA Board of Directors amounted to €400 K (€261 K in 2008).

For the year 2009, the Group booked a charge (note 20) for share-based payments of €676 K for free shares for the corporate officers of THEOLIA SA.

The other compensation includes compensation paid to the Managing Director in connection with the transition management.

34. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

1. Commitments given

As part of its normal business activities, the Group generally sets up a subsidiary in each country where it has a presence. When the Group develops a wind project in a country, the corresponding subsidiary constitutes a SSP to hold the assets and liabilities specific to the project. This subsidiary is the main debtor in financing the project. These receiving structures can be direct Company subsidiaries in some jurisdictions, or indirect subsidiaries via intermediary holding companies.

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

However, as a holding company of the Group, the Company may be obliged by its lenders, suppliers and clients to contribute loans, liquidities or other types of support to its direct and indirect subsidiaries in the form of guarantees and other commitments. When a subsidiary is not consolidated in the consolidated IFRS financial statements of the Group, these loans, liquidities or other types of support to deal with market risk do not appear in the consolidated balance sheet of the Group.

These off-balance sheet commitments comprise the following:

- letters of credit to ensure working capital funds for subsidiaries;
- guarantees for wind farm suppliers;
- subsidiary finance guarantees for the development of wind projects;
- guarantees on repayment obligations of the purchase price to clients; and
- other commitments.

Further, in some cases, non-consolidated entities may also contribute to the Group loans, liquidities or other types of support to deal with market risks which also constitute off-balance sheet commitments.

▪ **Commitments undertaken by the Company or other Group companies**

The table below gives a synthesis of the current off-balance sheet commitments within the Company as of December 31, 2009.

Type of contract	Subsidiaries involved	Beneficiary	Purpose	Duration/ Term	Amount (in millions of euros)
Guarantee	THEOLIA Naturenergien GmbH (formerly Natenco GmbH)	Südwestbank	Initial guarantee of a maximum amount of 7.5 million euros under the credit line guarantee for an amount of 10 million euros to finance the working capital requirement of THEOLIA Naturenergien GmbH.	1 year renewable	7.5
Guarantee	THEOLIA Naturenergien GmbH	Vorarlberger Bank	Initial guarantee of a maximum amount of 7.5 million euros under the credit line guarantee for an amount of 10 million euros to finance the working capital requirement of THEOLIA Naturenergien GmbH.	1 year renewable	7.5
Letter of comfort	THEOLIA Deutschland		THEOLIA awarded a letter of comfort to the banks of this company		2.0
Joint guarantee	Aero-Chetto Srl	Vesta Italia Srl	Joint guarantee awarded on September 24, 2008 guaranteeing the obligations undertaken by the subsidiaries of Maestrale Green Energy, Aero-Chetto Srl, under the terms of a sales contract of 35 wind farms on August 8, 2008	31 December 2011	36.4
Joint guarantee	CESAM CEFF	Credit establishments	Signature of two different commitments of joint guarantees with the ROYAL BANK OF SCOTLAND for SAS SEGLIEN and SAS CEFF;		17.2
Pledge on SSP	SSPs	Credit	Some Group	Variable	74.7

Type of contract	Subsidiaries involved	Beneficiary	Purpose	Duration/ Term	Amount (in millions of euros)
securities		establishments	companies – about which more is included at note 34 of the Annex to the consolidated financial statements for the 2009 financial year – may be led to grant guarantees as part of the financing for wind farms and projects by financial establishments or for the dismantling of wind farms (1)	depending on the term of the loan granted	
Pledge on SSP securities	CED	BMCI	Pledging of CED securities to BMCI on June 9, 2008 following the acquisition of CED in Morocco on January 6, 2008 and as part of the refinancing of the CED debt by BMCI.	March 15, 2012	5.9
Pledge on opened accounts	THEOLIA Naturenergien GmbH	Banking establishments	Pledging with different banking establishments of a certain number of accounts open in their books with a view to guaranteeing the costs which may be revealed when dismantling some German farms.	Variable	7.9
Lease contract for the head office	THEOLIA SA	LA HALTE DE SAINT PONS SAS	Contractual commitment of January 28, 2008 to lease the premises of the company headquarters for 9 years (as of March 1, 2008) with no possibility of early termination.	February 28, 2016	4.4
Joint guarantee	ECOVAL 30	SOCIETE GENERALE	Joint guarantee on the loan signed on June 27, 2005 by Ecoval 30 with Société Générale which matures on June 14, 2012. Under the terms of this guarantee, the latter	June 14, 2012	2

Type of contract	Subsidiaries involved	Beneficiary	Purpose	Duration/ Term	Amount (in millions of euros)
			remains in principle in place in the event that Ecoval 30 is transferred by THEOLIA to a third party.		
Guarantee	ECOVAL Technology	BFCC	Guarantee awarded in 2005 for an overall maximum amount of 140,000 euros. This guarantee is now blocked to the tune of 111,086 euros due to the dispute with the purification plant and drinking water station in Cabries.	N/A	0.1
Guarantee	Ventura SA	Vol-V	Caution solidaire du Groupe des montants dus par Ventura SA et THEOLIA France SAS à VOL-V	January 31, 2012	1
Guarantee	THEOLIA SA	ALCOLOCK France	Guarantee commitment given to buyer of breathalyser business.	1 year from date of transfer	01
Total					**166,7**

- **Guarantees to finance wind farms:**

The companies in the group have to grant guarantees in connection with the financing of wind farms by financial institutions or for the dismantling of windmills.

These guarantees are pledges of the stock of the companies owning the wind projects for the duration of the long-term loan. The table below shows the assets pledged by the Group as of December 31, 2009.

Country	Entities	Capital assets	Intangible assets	Property, plant & equipment
	SNC Plateau	798	-	-
	CESA	30	-	-
	Royal Mind	2,492	-	-
	CEFF	61	-	-
France	CESAM	680	-	-
	THEOWATT	40	-	-
	CEPLO	184	-	-
	CESAL	645	-	-

Country	Entities	Capital assets	Intangible assets	Property, plant & equipment
	CEMDF	56	-	-
	CORSEOL	1,908	-	-
		6,892	**-**	**-**
Morocco	CED	45,385	-	-
Italy	Aerochetto	530	-	-
	THEOLIA WP WERBIG GMBH & CO. KG	2,606	-	-
	BUSMAN WIND GMBH (LADBERGEN I)	548	-	-
	UPEG WINDPARK GMBH (LADBERGEN II)	554	-	-
	UPEG WINDPARK GMBH (LADBERGEN III)	555	-	-
Germany	ASLEBEN	15,075	-	-
	SAERBECK	15,075	-	-
Total as of 12/31/2009		**74,704**	**-**	**-**

In addition to the asset pledges to the banks summarized in the table above, the master agreements with the banks call for a joint commitment by THEOLIA, THEOLIA France and Theowatt to provide the SSP, through capital contributions and/or loans from shareholders, the sums corresponding to the percentage of wind farm construction costs agreed upon with the banks. Likewise, under those agreements, THEOLIA, THEOLIA France and Theowatt are jointly and severally liable for covering, through new capital contributions and/or loans from shareholders, any and all overruns in the construction budget validated with the banks.

These commitments concern following project support (SSP) companies:

1. Centrale Éolienne des Plos ("CEPLO"),

2. Centrale Éolienne du Moulin de Froidure ("CEMDF"),

3. Centrale Éolienne de Sallen ("CESAL"),

Lastly, the master agreements with the banks contain a joint guarantee by THEOLIA regarding the repayment of any amounts owed in connection with bridge loans granted by the banks to the SSP for the purpose of financing the VAT related to the construction of the Wind Farms.

- **Dismantling of wind farms**

The decision to no longer keep the wind farms in operation until the term of the electricity sale contract releases the Group from any dismantling commitment vis à vis the lessors.

2. Commitments received

Lastly, 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. The Company retains the option to buy back those shares if it wishes at the agreed upon price of 110 percent of the sale prices in under twelve months (option not exercised) and 120 percent of that same price in under twelve additional months.

35. LIST OF GROUP COMPANIES

Companies	% interest	% control	Methods of consolidation	Country	Activity
SA THEOLIA	100.00%	100.00%	Full consolidation	Parent	Holding
THEOLIA DEUTSCHLAND GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
THEOLIA DEUTSCHLAND VERWALTUNGS GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
THEOLIA WINDPARK WERBIG GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
DRITTE BUSMANN WIND GmbH & Co. BETRIEBS KG (LADBERGEN I)	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
ZWANZIGSTE (20) UPEG GmbH & Co. KG (LADBERGEN II)	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
NEUNZEHNTE (19) UPEG GmbH & Co. KG (LADBERGEN III)	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
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
CENT EOL DE FRUGES LA PALETTE	99.94%	99.94%	Full consolidation	France	Development Construction Sale
WP SAERBECK GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
CENT EOL AQUEDUC	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE SORBIERE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
THEOLIA FRANCE	100.00%	100.00%	Full consolidation	France	Corporate
THEOLIA PARTICIPATIONS	100.00%	100.00%	Full consolidation	France	Corporate
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
ROYAL WIND	100.00%	100.00%	Full consolidation	France	Corporate
CEFF	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DE SEGLIEN	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DES PLOS	100.00%	100.00%	Full consolidation	France	Sale of electricity

Companies	% interest	% control	Methods of consolidation	Country	Activity
CENT EOL DU MOULIN DE FROIDURE	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DES SABLONS	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DE SALLEN	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DES COSTIERES	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DES GARGOUILLES	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE CROIX BOUDETS	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DU MAGREMONT	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE LA VALLEE DE LA TRIE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
THEOLIA IBERICA	100.00%	100.00%	Full consolidation	Spain	Corporate
ASSET ELECTRICA	50.00%	50.00%	Equity Method	Spain	Development Construction Sale
PESA	100.00%	100.00%	Full consolidation	Spain	Development Construction Sale
NATENCO HOLDING GmbH	100.00%	100.00%	Full consolidation	Germany	Development Construction Sale
NATENCO GmbH	100.00%	100.00%	Full consolidation	Germany	Development Construction Sale
CORSEOL SA	95.20%	95.20%	Full consolidation	France	Sale of electricity
LES 4E	100.00%	100.00%	Full consolidation	France	Development Construction Sale
AIOLIKI ENERGEIA CHALKIDIKI AEBE	100.00%	100.00%	Full consolidation	Grece	Development Construction Sale
THEOLIA BRAZIL	100.00%	100.00%	Full consolidation	Brazil	Development Construction Sale
WP WOLGAST INVESTITIONS GmbH & Co. OHG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
NATENCO WP VERWALTUNG GMBH	100.00%	100.00%	Full consolidation	Germany	Corporate
WP BETRIEBS GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
SOLARKRAFTWERK MERZIG Gmbh & Co. KG	100.00%	100.00%	Full consolidation	Germany	Non-wind activities
WP TUCHEN RECKENTHIN INVESTITIONS	100.00%	100.00%	Full consolidation	Germany	Operation of wind farms
CENT EOL DE CANDADES	100.00%	100.00%	Full consolidation	France	Development Construction Sale

Companies	% interest	% control	Methods of consolidation	Country	Activity
ERNEUERBARE ENERGIE ERNTE ZWEI GmbH & Co. KG	89.60%	80.00%	Full consolidation	Germany	Sale of electricity
WINDPARK RABENAU Gmbh	100.00%	100.00%	Full consolidation	Germany	Operation of wind farms
WP GROSS WARNOW GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Development Construction Sale
AIOLIKI ENERGEIA SITHONIA AEBE	80.00%	80.00%	Full consolidation	Grece	Development Construction Sale
ERNEUERBARE ENERGIE ERNTE VIER GmbH	48.00%	48.00%	Equity Method	Equity Method	Sale of electricity
Avalon Ltd.	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale
MGE Idea Srl	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale
THEOWATT	100.00%	100.00%	Full consolidation	France	Corporate
CENT EOLIENNE DES SOUTETS	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENTRALE EOL CHEM DE FER	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENTRALE EOL FORET BOULTACH	100.00%	100.00%	Full consolidation	France	Development Construction Sale
THEOLIA GREECE	95.00%	95.00%	Full consolidation	Greece	Development Construction Sale
THEOLIA CEE Gmbh	100.00%	100.00%	Full consolidation	Austria	Development Construction Sale
THEOLIA EMERGING MARKETS	95.23%	95.23%	Full consolidation	Morocco	Corporate
NATENCO WINDPARK 1 MANAGEMENT GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
NATENCO WINDPARK MANAGEMENT GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
FALKENWALD R.E.W. Gmbh & Co. ELF WIND-KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP ZABELSDORF GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP KRIBBE-PREMSLIN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP GROSSVARGULA GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDPARK ALSLEBEN I Gmbh & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDPARK NETZBETRIEB Gmbh & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity

Companies	% interest	% control	Methods of consolidation	Country	Activity
Maestrale Green Energy Sri	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale
Maestrale Project Holding SA	50.32%	50.32%	Full consolidation	Italy	Development Construction Sale
Neo Anemos Srl (Martignano 21 MW)	47.81%	95.00%	Full consolidation	Italy	Development Construction Sale
MGE Giunchetto Wind Park SA	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale
Aerochetto Srl (Giunchetto 29.75 MW)	90.00%	90.00%	Full consolidation	Italy	Development Construction Sale
MPH 1 SA (Giuggianello 28 MW)	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale
THEOLIA MAROC	95.23%	95.23%	Full consolidation	Morocco	Development Construction Sale
THEOLIA POLSKA	99.90%	99.90%	Full consolidation	Poland	Development Construction Sale
WP NOTTULN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Operation of wind farms
WP RUHLSDORF GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Operation of wind farms
WP MUEHLA NGER GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Operation of wind farms
WINDENERGIE COESFELD-LETTE GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Development Construction Sale
WINDWIN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDWIN VERWALTUNGS GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
CENT EOL DE COUME (CECOU)	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE MOTTENBERG	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE DAINVILLE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE DEMANGE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
WINDREAM ONE	100.00%	100.00%	Full consolidation	France	Non-wind activities
WiWi WINDKRAFT GmbH & Co. WiWo KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
CED	100.00%	100.00%	Full consolidation	Morocco	Sale of electricity
Belmonte Green Energy Srl	90.00%	90.00%	Full consolidation	Italy	Development Construction Sale
SNC LES EOLIENNES DU PLATEAU	100.00%	100.00%	Full consolidation	France	Sale of electricity

Companies	% interest	% control	Methods of consolidation	Country	Activity
SNC BIESLES	100.00%	100.00%	Full consolidation	France	Development Construction Sale
SNC DAINVILLE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
SNC DEMANGE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
SNC LES PINS	100.00%	100.00%	Full consolidation	France	Development Construction Sale
SNC SAINT BLIN	100.00%	100.00%	Full consolidation	France	Development Construction Sale
SNC L'ARDECHE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
THEOLIA SITAC WIND POWER PVT LIMITED (INDIA)	50.00%	50.00%	Full consolidation	India	Development Construction Sale
Mendicino Green Energy Srl	90.00%	90.00%	Full consolidation	Italy	Development Construction Sale
WP Kreuzbuche Gmbh & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
SERES MAGHREB	100.00%	100.00%	Full consolidation	France	Non-wind activities
SERES CHINA	50.00%	50.00%	Full consolidation	France	Non-wind activities
SAS TEMPO HOLDING	100.00%	100.00%	Full consolidation	France	Corporate
CEBRE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
THEOLIA WIND POWER PVT (INDIA) ME	50.00%	50.00%	Full consolidation	Equity Method	Development Construction Sale
NATURSTROMNETZ Gmbh ME	43.81%	43.81%	Full consolidation	Germany	Sale of electricity

Companies removed from the scope of consolidation

Societes	% interet	% controle	Methodes de consolidation	Pays	Activite
THEOLIA CANADA	99.98%	99.98%	Full consolidation	Other countries	Non-wind activities
BIOCARB	96.73%	96.73%	Full consolidation	Other countries	Non-wind activities
THEOLIA PERMIERES NATIONS INC	99.98%	100.00%	Full consolidation	Other countries	Non-wind activities
CENT EOL DU GRAND CAMP	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DU PLATEAU DE RONCHOIS	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE CHASSE MAREE	100.00%	100.00%	Full consolidation	France	Development Construction Sale

Societes	% interet	% controle	Methodes de consolidation	Pays	Activite
NATENOCO SRO	100.00%	100.00%	Full consolidation	Other countries	Development Construction Sale
SNC NATENCO SAS	100.00%	100.00%	Full consolidation	France	Development Construction Sale
WP HECKELBERG-BREYDIN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
THEOLIA HUNGARIA	100.00%	100.00%	Full consolidation	Other countries	Development Construction Sale
WINDFARM MARKISCH LINDEN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Operation of wind farms
SNC LES EOLIENNES DE BEL AIR	100.00%	100.00%	Full consolidation	France	Sale of electricity
CE CHERMISEY	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CE BEAUDIGNECOURT	100.00%	100.00%	Full consolidation	France	Development Construction Sale
SNC LE CHARMOIS	100.00%	100.00%	Full consolidation	France	Development Construction Sale
WP Stolzenhain Gmbh & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP Schenkendoebern Gmbh & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
ATTILA Management GmbH	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP NETPHEN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP GOTTBERG GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WF HAMM GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WF HOXBERG GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WF IDESHEIM GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WF ILLERICH GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WF LEOPOLDSHOEHE GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WF NEUKIRCHEN-VLUYN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WF OSTBEVERN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WF FRANKENHEIM GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WF SCHOENHOEHE GmbH	100.00%	100.00%	Full consolidation	Germany	Sale of electricity

Societes	% interet	% controle	Methodes de consolidation	Pays	Activite
& Co. KG					
WF VERDEN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WF WEIMAR GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WF WILLICH GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
ATTILA HOLDING 1 GmbH	100.00%	100.00%	Full consolidation	Germany	Sale of electricity

Companies added to the scope of consolidation

Societes	% interet	% controle	Methodes de consolidation	Pays	Activite
GARBINO EOLICA SRL	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale
SNC VESAIGNES	100.00%	100.00%	Full consolidation	France	Sale of electricity
WP WALTROP GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP KLEIN STEIMKE GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDKRAFTANLANGE NEUSTADT 5 GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
ATTILA HOLDING GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WF MEERBUSCH GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP KEFENFROD GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP WOPPENROTH GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
CWP GmbH	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
COLONNE D ERCOLE SRL	52.00%	100.00%	Full consolidation	Italy	Development Construction Sale
WP KRUSEMARK GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Development Construction Sale
CENTRALE EOLIENNE LES HAUTS VAUDOIS	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENTRALE EOLIENNE DE CHAMIN PIERRE	100.00%	100.00%	Full consolidation	France	Development Construction Sale

Business combinations

Societes	% interet	% controle	Methodes de consolidation	Pays	Activite
VENTURA	100.00%	100.00%	Full consolidation	France	Development Construction Sale

Societes	% interet	% controle	Methodes de consolidation	Pays	Activite
NATENCO SAS	100.00%	100.00%	Full consolidation	France	Development Construction Sale
WINDPERLE GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Wind farm operation
WINDPARK VERDEN 1 GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Wind farm operation
WINDPARK VERDEN 2 GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Wind farm operation
WINDPARK MINDEN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Wind farm operation
NATENCO WINDPARK BETEILIGUNGS GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
NATENCO WINPARK ALSLEBEN BETEILIGUNGS GmbH (Krusemark)	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP NIENBERGE GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Wind farm operation
THEOLIA SOUTH AMERICA	100.00%	100.00%	Full consolidation	Other countries	Development Construction Sale

20.1.2 Auditors' report on the consolidated financial statements

THEOLIA

Société Anonyme

75, rue Denis Papin

BP 80199

13795 Aix-en-Provence Cedex 3

Statutory Auditors' report

on the consolidated financial statements

Year ended December 31, 2009

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users. The statutory auditors' report *includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report also includes information relating to the specific verification of information given in the management report. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

In accordance with our appointment as statutory auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2009 on:

- the audit of the accompanying consolidated financial statements of THEOLIA;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements, based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2009 and of the results of its operations for the year then ended in accordance with IFRSs as adopted in the European Union.

Without qualifying the above opinion, we would draw your attention to:

- The uncertainty bearing on the company's existence as a going concern, as mentioned in Note 2.1 "General accounting principles - Going-concern convention" to the consolidated financial statements,

- Note 2.1 "General accounting principles – Standards, amendments and interpretations apply from January 1, 2009 – Change in accounting policies" to the consolidated financial statements, which set out change in accounting policies resulting from the application, from January 1, 2009, of new standards, amendments and interpretations,

- Note 5 "Highlights of the period – Disposal of non-wind energy assets and interests" to the consolidated financial statements, which refers to the reversal of the provision for the Hestiun Ltd receivable following its full payment during the period.

II. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (Code de Commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- As mentioned in the first part of this report, Note 2.1 “General accounting principles – Going concern convention” of the Notes to the consolidated financial statements discloses the uncertainty bearing on the existence of the company as a going concern. We have examined the actions contemplated by the company in the circumstances.

In our opinion, on the basis of our work and the information we have obtained to date and as part of our assessment of the accounting policies implemented by your company, the Note to the consolidated financial statements provides information relevant to the position of the company in respect of the uncertainty bearing on its existence as a going concern.

- As indicated in Note 2.5 “Intangible assets” of the Notes to the consolidated financial statements, the Group recognizes as intangible assets the development costs of the various wind power station projects meeting the requirements of IFRSs as adopted in the European Union. We have examined the activity and profitability forecasts on which the appropriateness of this recognition method is based, the method used for determining their amortization and recoverable amount, and have verified that Note 2.5 discloses appropriate information.

- At each year-end, the Group systematically tests its goodwill and assets with an indefinite life for impairment and also determines whether there is an indication of long-lived asset impairment loss, under the methods described in Note 2.8 “Impairment loss” of the Notes to the consolidated financial statements. We have examined the methods implemented in this impairment test, and the cash flow forecasts and assumptions used, and have verified that Note 2.8 discloses appropriate information.

- At each year-end, the Group systematically reviews the deferred tax asset recoverable amount and also determines whether or not it is probable that sufficient taxable profit will be available to enable it to utilize the benefit of these assets, under the method described in Note 3.2 “Deferred taxes” of the Notes to the consolidated financial statements. On the basis of the information made available to us, our work consisted in assessing the data and assumptions on which the income forecasts are based and we have verified that Note 3.2 to the consolidated financial statements discloses appropriate information.

These assessments were made as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of our unqualified opinion in the first part of this report.

III. Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group management report. We have no matters to report regarding its fair presentation and consistency with the consolidated financial statements.

Marseille, April 20, 2010

The Statutory Auditors

Coexcom

French original signed by

Frédéric DUCHEMIN

Deloitte & Associés

French original signed by

Anne-Marie MARTINI

20.1.3 Additional notes to the consolidated financial statements

The accounting consequences of the new strategy do not constitute a change in accounting methods but the prospective application by analogy of the IAS standard 16.68A to new facts and circumstances related to the change of strategy pursuant to IAS 8.16. Therefore, no restatement shall be done over the first 8 months of year 2009 and on the comparative information.

The impacts on the accounts for the year ended December 31, 2009 resulting from the application of this new standard were the followings:

The recognition as revenue of the sales of wind farms stated previously as non-current assets in the balance sheet for €65.9 million.

The prospective modification of the amortization plans had for consequence the decrease of the expense stated in the income statement of €1.8 million.

20.2 FISCAL YEAR ENDING DECEMBER 31, 2008

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, 2008 (established in accordance with IFRS including comparative data for fiscal 2007 under the same standards) and the related report of the auditors are included by reference in this Reference Document. They appear in paragraph 20.1 of the Reference Document of the Company approved by the AMF on January 25, 2010 under No. R 10-003.

20.3 FISCAL YEAR ENDING DECEMBER 31, 2007

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, 2007 (established in accordance with IFRS including comparative data for fiscal 2006 under the same standards) and the related report of the auditors are included by reference in this Reference Document. They appear in paragraph 20.2 of the Reference Document of the Company approved by the AMF on January 25, 2010 under No. R 10-003.

20.4 INTERIM FINANCIAL AND OTHER INFORMATION

Due to the anticipated absence of significant sales of wind farms as of March 31, 2010 (4.5 MW), the Group's consolidated revenue totaled 31 million euros, compared to 78 million euros for the first quarter 2009. For the first quarter 2009, sales of wind farms totaled 35.5 MW in the Development, construction and sale activity.

First quarter 2010 revenue by activity (1):

(in € thousands)	Wind activities			Non-wind activity	Consolidated total
	Sale of electricity for own account	Development, construction, sale	Operation		
Q1 2010	12,989	6,705	11,101	198	30,994
Q1 2009	15,667	51,904	10,365	307	78,242
Change	-17%	-87%	+7%	-35%	-60%

(1) Excluding Environment activities

The revenue of 13 million euros from the Sale of electricity for own account activity is down by 17% compared with the first quarter 2009. This decrease is mainly due to the significant sales of installed capacity completed in 2009: the Group's installed capacity for own account amounted to 319 MW as of March 31, 2010, versus 371 MW as of March 31, 2009, a decrease of 14%, and due to particularly unfavourable wind conditions.

The revenue from the Development, construction and sale activity amounts to 7 million euros in the first quarter 2010. Moreover, the Group announced this April the sale of a 55.5 MW wind farm in Germany. The revenue is expected to be recorded in the second quarter 2010.

The revenue from the Operation activity includes the amount of sales of electricity coming from wind farms managed for the third parties. As of the first quarter 2010, this amounts to 11 million euros and slightly increased (+7%) compared with the first quarter 2009.

As of March 31, 2010, the Group managed 463 MW for third parties, compared with 339 MW managed as of March 31, 2009, an increase of 37%.

For certain new operation and maintenance ("O&M") contracts signed in 2009 and notably the 100.6 MW portfolio sold in August 2009 to RheinEnergie, the Group records only the management fee revenue (and not the revenue from the sale of electricity produced by these wind farms).

As a result, the increase in MW under management led to only a small increase in revenue. This increase was more than offset by the negative impact of unfavorable wind conditions during most of 2009 and the beginning of 2010, especially in Germany where the freezing temperatures during January and February led to temporary suspension of a significant number of turbines..

The Non-wind activity recorded revenue of 0.2 million euros due to the solar park in Germany.

20.5 DATE OF LAST FINANCIAL INFORMATION

December 31, 2009

20.6 AUDITORS' COMPENSATION

Fees paid to Auditors during the 2009 financial year:

	JEAN JOUVE (1)				DELOITTE & ASSOCIES				COEXCOM (2)			
	Amount (*in Euros, tax excl*)		%		Amount (*in Euros, tax excl*)		%		Amount (*in Euros, tax excl*)		%	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
AUDIT												
Audit of the financial statements, certification, review of individual and consolidated accounts												
Issuer	72,150	224,250	16.7	33.3	348,300	584,290	54.30	61.7	92,850	-	100	-
Fully consolidated subsidiaries	357,197	384,125	82.7	57.0	221,389	328,830	34.51	34.8	-	-	-	-
Other diligences and services directly related to the statutory auditor's mission												
Issuer	-	40,000	-	5,9	61,751	22,000	9.63	2.3	-	-	-	-
Fully consolidated subsidiaries	-	-	-	-	10,000	-	1.56	-	-	-	-	-
Sub-total	429,347	648,375	99.4	96.3	71,751	935,120	11.19	98.8	92,850	-	100	-
OTHER SERVICES TO FULLY CONSOLIDATED SUBSIDIARIES												

	JEAN JOUVE (1)				DELOITTE & ASSOCIES				COEXCOM (2)			
	Amount (*in Euros, tax excl*)		%		Amount (*in Euros, tax excl*)		%		Amount (*in Euros, tax excl*)		%	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Legal, tax, labor	2,500	-	0.58	-	-	11,256	-	1.2	-	-	-	-
Others		25,000	-	3.69	-	-	-	-	-	-	-	-
Sub-total	2,500	25,000	0.58	3.69	-	11,256	-	1.2	-	-	-	-
TOTAL	431,847	673,375	100	100	641,441	946,376	100	100	92,850	-	100	-

(1) Statutory Auditor until its resignation in August 2009
(2) Statutory Auditor since August 31, 2009

20.7 DIVIDENDS

20.7.1 Total dividends

The Company has paid no dividends in the last three financial years.

20.7.2 Future dividend policy

The payment of dividends will depend primarily on the profits generated by the Company, its financial position, its investment policy and the reduction of its debt. The Company currently has no plans to pay out a dividend in 2010.

20.7.3 Expiration of dividends

Dividends not claimed are time-barred for the benefit of the State following a period of five years beginning on their date of payment.

20.8 LITIGATION AND ARBITRATION

20.8.1 AMF litigation

Following the investigation initiated by the Sanctions Commission of the AMF on July 5, 2007, the AMF notified THEOLIA on July 7, 2008 of the facts that it believed could result in administrative sanctions for failure to provide accurate disclosure to the public.

In a decision dated October 1, 2009, the Sanctions Commission brought forth the following complaints against THEOLIA:

- incorrect nature of the information concerning the wind potential of THEOLIA, which appeared in the listing transfer prospectus dated July 26, 2006, particularly the information associated with the existence of a building permit that was still under review with regards to the Assérac site;

- incorrect nature of the results published in the consolidated financial statements established as of June 30, 2005, December 31, 2006 and June 30, 2007, resulting from the absence of asset depreciation relating to certain wind projects;

- incorrect nature of the information concerning the amount of the contribution of its environmental business line to Granit published in the listing transfer prospectus and the press release dated March 8, 2006;

- delayed communication by THEOLIA of privileged information concerning the company and associated with the cancellation of the disposal of its environmental business line to Granit SA; and

- misleading nature of the information relating to the disposal of its environmental business line published in a press release dated December 27, 2006.

As a result, the Sanctions Commission levied a financial sanction of €300,000 against THEOLIA. The Company did not appeal this decision.

It should, however, be noted that these facts date back to the years 2005 to 2007 and that, therefore, they occurred prior to the changes made with respect to the THEOLIA management team. Indeed, since the departure of Jean-Marie Santander, 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 deputy Chief Executive Officer. Moreover, at the end of 2008 and throughout 2009, THEOLIA conducted an in-depth reorganization of its corporate governance. Among the principal measures adopted, it is possible to cite compliance with AFEP-MEDEF recommendations, a revision of the policy on the remuneration of directors and executive officers, and the expansion of the Board of Directors. As such, THEOLIA is demonstrating its strong willingness to effectively prevent future failure to comply with its disclosure obligations. The Company also notes that this reinforcement in corporate governance was taken into consideration by the Sanctions Commission when assessing the amount of the financial sanction, which was ultimately reduced to €300,000.

20.8.2 Litigation involving Jean-Marie Santander

Following Mr Jean-Marie Santander's departure from the Group, the Company and its Moroccan subsidiary, THEOLIA Emerging Markets ("TEM"), initiated a number of legal proceedings against Mr Santander, as summarized below. These legal proceedings are ongoing and have not yet led to any decisions by the courts involved in this matter. It is therefore premature to predict the outcome of such proceedings, to determine their duration, or to quantify damages that could potentially arise.

Civil actions in France

On March 13, 2009, the Company initiated legal action against Mr Santander, as well as against Athanor Equities and Global Ecopower (competing companies that Mr Santander manages), before the Commercial Tribunal of Marseille in order to receive compensation for the loss it suffered as a result of Mr Santander's failure to respect his general duty of loyalty and non-compete covenant concluded at the time of his departure.

The Company thus accuses Mr Santander of having (a) established and managed a competing group while he was still managing the Company, (b) used Company employees to further his personal interests and recruited Company employees, (c) traded on the image and reputation of the Company while pursuing non-Company projects, (d) engaged in competitive acts in the wind sector, with the complicity of Global Ecopower and (e) committed acts that resulted in the AMF imposing a fine on October 1, 2009 (see paragraph 20.8.1 above)

As of the date of this Report, the Company has claimed compensation in the total amount of approximately €5.95 million from Mr Santander and the Athanor Equities and Global Ecopower companies, for the loss it claims to have suffered.

On April 21, 2009 Mr. Santander challenged the aforementioned claims and, acting as a shareholder of the Company, initiated a litigation on behalf of the Company (claim *ut singuli*) against certain directors of the Company (Eric Peugeot, Stéphane Garino, Georgius Hersbach, Louis Ferran and the company Sofinan Sprl) and the CEO of the Company from September 2008 to February 2010 (Mr. Marc van't Noordende). The aim of this litigation is to hold such parties jointly and severally liable:

- to reimburse the Company for any sums the Commercial Court of Marseille may order it to pay as damages: to Mr. Santander (evaluated at €200,000), Athanor Equities and Global Ecopower (evaluated at €150,000 for each of these companies) as a result of the proceedings engaged by the Company, and to Mr. Santander as a result of the non allocation by the board of directors of certain free shares, which are evaluated at €574,714; and

- to compensate the Company for the alleged damage caused by "the brutal eviction of Jean-Marie Santander and by the catastrophic management of the Company that resulted therefrom", which Mr. Santander alleges to be €520 million—an amount corresponding to the decrease in the Company's market capitalization since September 2008.

Civil actions in Morocco

TEM, the Company's Moroccan subsidiary, has on its end initiated proceedings against Mr Santander before the Commercial Tribunal of Casablanca, for the repayment of the amount of 1,300,000 MAD (0.0898 MAD = 1 Euro as of April 8, 2010), which corresponds to the compensation that the Company believes to have been wrongly paid Mr Santander when he was performing his duties as CEO of TEM. TEM also seeks the reimbursement of €183,013.47 (taxes excluded), which corresponds to the amount paid under a management agreement to the Luxembourg company "Faracha" (of which Mr Santander is the sole director) in the absence of any noticeable service rendered to TEM by this company. Mr Santander contests the claims mentioned in the paragraphs above.

Criminal complaint in France

Lastly, the Company and TEM filed a complaint against Mr. Santander before the Public Prosecutor of the Court of First Instance of Marseille on December 29, 2009. This complaint, the review of which is currently underway, alleges facts that could be qualified as a fraudulent use of corporate assets and powers, and as an abuse of trust.

20.8.3 Litigation with Mr. van't Noordende and Mr. Dubois

In February, 2010, the Board of Directors dismissed CEO Marc van't Noordende and CFO Olivier Dubois from their management positions (for further details, please refer to paragraph 12.1.1). On March 19, 2010 the general shareholders' meeting dismissed Mr. van't Noordende from his position on the Board of Directors.

These two former officers challeng the conditions and financial consequences of their dismissal and on May 2010 summoned the Company before the Tribunal of Commerce of Aix-en-Provence in order to obtain from the Company:

- The payment of a total amount of approximately €3.02 million (plus interests) as for damages for brutal and persecutory dismissal, damages for dismissal without fair ground, compensation for non-competition, variable compensation for 2009 financial year and article 700 of the French Civil procedure code (i.e. approximately €2.06 million for Mr. van't Noordende and €0.96 million for Mr. Dubois); and

- The definitive allocation on December 17, 2011 (under constraint) of 998,278 free shares (i.e. 598,278 shares for Mr. van't Noordende and 400,000 shares for Mr. Dubois), amount to be increased due to the application of the anti-dilution mechanism described in paragraph 15.1.5.

This summons has been notified within a short time frame and the hearing before the Tribunal of Commerce of Aix-en-Provence shall take place within the coming weeks.

20.8.4 Sale of the equity stake in Thenergo

Within the framework of the Company's sale of its equity stake (i.e., 27.21% of the share capital) in Thenergo on December 23, 2008, the Company had entered into a sales agreement with the purchaser, or HESTIUN Limited. The purchase agreement set forth that the payment of the sale price, or approximately €15 million, would take place within 5 business days from the reception of the shares by HESTIUN Limited. The shares were received on January 7, 2009. However, HESTIUN Limited did not pay the Company within this timeframe. After several reminders, on February 20, 2009 the Company initiated, pursuant to the provisions of the sales agreement, an arbitral proceeding before the International Chamber of Commerce in Paris in order to condemn HESTIUN Limited to pay the sale price. After new discussions between HESTIUN Limited and the Company, HESTIUN Limited finally paid the sale price in May 2009. Following this payment, the Company waived the arbitration proceeding.

20.8.5 Defect in the purification plant in the city of Cabries

In 2008, the city of Cabries initiated legal proceeding against Ecoval Technology due to alleged defects in the water purification plant of this city and the payment of late charges. It is requesting that Ecoval Technology pay the city of Cabries a total amount of €1.3 million. An amount of €963,000 was provisioned in the consolidated financial statements for the 2009 financial year in respect of this litigation which proceedings shall end in the last quarter of 2010.

20.8.6 Administrative and criminal proceedings relating to the wind farm of Martignano (Italy)

Administrative proceedings

On May 23, 2007 a committee composed of 8 Martignano residents filed a claim before the Administrative Tribunal of Lecce ("TAR") against the Puglia region, WindService and NeoAnemos, requesting the invalidation of the single permit ("Autorizzazione Unica") granted by the Puglia region for the completion of the Martignano wind farm. The plaintiffs have moreover requested that the TAR issue a preliminary injunction to suspend the construction of the wind farm pending the outcome of the legal proceedings.

On May 23, 2007 the TAR issued a preliminary injunction suspending the construction work and ordered the continuation of the legal proceedings based on the subject matter at hand. This preliminary order was reversed by the State Council of Rome following the appeal filed by NeoAnemos.

On February 5, 2008 the TAR of Lecce issued its ruling on the matter, deciding to invalidate the Autorizzazione Unica. The Court, contrary to the opinion of NeoAnemos, considered the appeal admissible. On March 27, 2008 NeoAnemos filed an appeal against the decision of the TAR before State Council. The appeal was successful and, consequently, Autorizzazione Unica must be considered as fully valid and effective, for administrative purposes.

Criminal Proceedings

Within the context of this administrative proceeding, the Prosecutor of Lecce, approached by the claimants, in turn conducted an investigation against Mr. Durante in his capacity of legal representative of NeoAnemos for having proceeded to constructions with a view to establishing a wind farm in the city of Martignano without any authorization.

By order dated September 21, 2009 the investigating magistrate sent the case for trial confirming the Prosecutor's complaint. However, the hearing of May 5, 2010 did not take place due to a material error in the order. The forthcoming hearing date will be later determined.

The Group believes that, in light of the investigation, the elements necessary to establish the offence of improper construction have not been established and that a decision of acquittal should be pronounced.

20.8.7 Other proceedings

The Group is also party to several legal proceedings related to its activities: these proceedings relate to, in particular, disputes against (i) Prefects, as initiated by THEOLIA for the refusal to grant building permits, (ii) the former corporate officer responsible for the activities of the Group in eastern Europe, (iii) former employees of the Group (in particular in Morocco where the Group, through its subsidiary TEM, is party to various civil and criminal proceedings against Mr Belrhlandori and Mr Habbal and for which the Group provisioned a total amount of MAD 9,277,354), (iv) turbine suppliers, (v) partners (in particular a litigation related to a sponsoring and for which the Group provisioned a sum of €354,000) and (vi) a solar farm constructor in Germany (THEOLIA Naturenergien GmbH considers that the services provider failed in the installation of the solar panels and it is therefore seeking damages), and (vii) residents in the context of their claim related to the expropriation in Italy. However, the Group believes that none of these proceedings are likely to have a significant effect on the Group's financial position or its profitability.

To the Group's knowledge, there is no other governmental, judicial or arbitral proceedings that is pending or that threatens the Group, and that could have or has had, over the last twelve months, a significant impact on the financial position or profitability of the Group.

20.9 SIGNIFICANT CHANGE IN THE FINANCIAL OR COMMERCIAL POSITION

Please refer to paragraph 12.1 of this Reference Document.

21. ADDITIONAL INFORMATION

21.1 INFORMATION CONCERNING THE COMPANY'S SHARE CAPITAL

21.1.1 Share capital

As of the date of publication of this Report, the share capital was set at €40,308,707, divided into 40,308,707 shares of a par value of one €(1) each.

The shares or transferable securities issued by the Company take the form of bearer or registered securities. The registered shares can be converted into bearer shares, unless provided otherwise by law. Such shares or securities, regardless of their form, must be registered in an account under the conditions set forth in applicable laws and regulations. The rights to the shares are derived from registration in an account under the conditions and according to the terms and conditions set forth in the applicable legal and regulatory provisions.

All shares issued have been fully paid-up; they are of the same class.

The Company has been informed that three depositary banks, Bank of New York Mellon, Citibank and Deutsche Bank, took the initiative of making THEOLIA's security available to American investors. They offer an American Depositary Receipt representing one share of THEOLIA. This receipt, under the code Cusip 88338D109 and SEDOL B3DTP21, is a program that is not sponsored by THEOLIA and, to this day, the Company has not been informed of the trading activities associated with this instrument.

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 table below lists the pledges of shares of THEOLIA held in pure registered form, effective as of December 31, 2009:

Name of holder of directly registered shares	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 GARINO		01/09/2006	-	-	30,000	0.075%

21.1.2 Securities not representing the capital

None

21.1.3 Shares held by the Company of for its account

The General Meeting of the Shareholders on June 1st, 2010, 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 shares representing not more than 10% of the total number of shares comprising the share capital. This delegation terminated the prior authorization given by the General Meeting of June 11, 2009.

This delegation enables the Company to stimulate trading in THEOLIA shares, through a liquidity agreement, in line with the market practice recognized by the 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.

On January 26, 2009, the liquidity agreement granted by the Company THEOLIA to Exane BNP Paribas was terminated. The Company then assigned Oddo Corporate Finance for the implementation of a new liquidity agreement in accordance with the AFEI Code of ethics, by transferring 95,515 of THEOLIA's shares and €155,113.36, previously held before by Exane BNP Paribas. The agreement was agreed for an initial period – from January 27, 2009 to December 31, 2009 – automatically renewable by successive 12 month periods. This agreement has been renewed for 2010.

Transactions from January 27, 2009 to December 31, 2009:

	Quantity	Average price (€)	Amount(€)
Total Purchase	1,322 ,162	3.1538	(4,169,883.09)
Total Sale	(1,325,301)	3.1173	4,131,365.44
As of 12/31/2009			
Number of shares held	94,436		

In 2009, 1,322,162 shares were purchased at the average price of €3.1538 and 1,325,301 shares were sold at the average price of €3.1173.

As of December 31, 2009, the Company held 94,436 of its own shares, of €1 as nominal value, representing 0.002% of the share capital, which at the closing of the financial year represented €274,809.

21.1.4 Other securities providing access to the capital

21.1.4.1 Bonds with an option of conversion and/or exchange for new or existing shares (the "OCEANEs" or "Bonds")

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 9.1.4 of this Reference Document and their refinancing in paragraph 10.3.1.

21.1.4.2 Warrants

For the 2009 financial year, the THEOLIA Board of Directors decided not to issue any warrants.

21.1.5 Authorized, unissued share capital

The delegations and authorizations granted to the Board of Directors by the general shareholders' meeting and pertaining to the issuance of shares and other transferable securities are as follows:

GSM dated May 30, 2008	Type of delegation	Purpose	Term	Termination	Ceiling	Usage as of December 31, 2009	Unused balance as of December 31, 2009.	Overall ceiling (in €)
13th	Delegation of authority	Issuance of shares, securities or VMC, featuring not PSRs	26 months	July 30, 2010	€15 million	No	15 million shares	40 million

GSM dated May 30, 2008	Type of delegation	Purpose	Term	Termination	Ceiling	Usage as of December 31, 2009	Unused balance as of December 31, 2009.	Overall ceiling (in €)
14th	Delegation of powers	Issuance of shares, securities or VMC, freely setting the issue price	26 months	July 30, 2010	10% of the share capital per year	No	10% of the share capital	
15th	Delegation of powers	Issuance of shares, securities or VMC, in case of a capital increase with or without PSRs in accordance with resolutions 12, 13 and 14.	26 months	July 30, 2010	15% of the initial issue amount under the same conditions	No	15 % of the amount of the initial issue	
16th	Delegation of authority	Capital increase through capitalization of reserves, profits or premiums	26 months	July 30, 2010	10% of the share capital of the Company	No	15 million shares	
17th	Delegation of authority	Issuance of shares, securities or VMC, in the case of a tender offer initiated by the company	26 months	July 30, 2010	€15 million	No	15 million shares	
18th	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	10 % of the share capital on upon issuance	
20th	Delegation of powers	Authorization granted to the Board of Directors to grant free shares	26 months	July 30, 2010	10% of the share capital on the grant date	1,657,111	10% of the share capital on the grant date decreased by the amount of free shares already allocated	
21st	Delegation of powers	Authorization to grant stock options for the	38 months	July 30, 2011	10% of the share capital on	No	10% of the share capital on	

GSM dated May 30, 2008	Type of delegation	Purpose	Term	Termination	Ceiling	Usage as of December 31, 2009	Unused balance as of December 31, 2009.	Overall ceiling (in €)
		benefit of staff members and/or corporate officers of the Group companies			the grant date		the grant date	

GSM of March 19, 2010	Type of delegation	Purpose	Term	Expiration date	Ceiling (in €)	Usage as of December 31, 2009	Unused balance as of December 31, 2009.	Overall ceiling (in €)
2nd	Delegation of authority	Issuance of shares with PSRs	5 months and 12 days	August 31, 2010	100.8 million	N/A	N/A	100.8 million

GSM of June 11, 2009	Type of delegation	Purpose	Term	Expiration date	Ceiling (in €)	Usage as of December 31, 2009	Unused balance as of December 31, 2009.	Overall ceiling (in €)
7th	Delegation of authority	Authorization to carry out a transaction on the Company's shares	18 months	December 1, 2011	10% of the share capital at anytime	N/A	N/A	40 million
8th	Delegation of powers	Authorization to decrease the share capital through cancellation of shares	18 months	December 1, 2011	10% of the share capital of the Company, for each 24 month period	N/A	N/A	

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 share subscriptions described in paragraph 15.5 and the OCEANE described in paragraph 9.1.4, 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 free financial years

The table below details the progression of the share capital from January 1, 2007 to December 31, 2009.

Date	Nature of the operation	Share capital
02/06/2007	Exercise of share subscription warrants, PACEO (1)	29,254,119
03/21/2007	Exercise of share subscription warrants, equity line, extinction of debt	31,483,409
07/02/2007	Exercise of share subscription warrants, contribution in kind, restricted issue	38,235,117
11/09/2007	Issue of free shares, exercise of share subscription 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 share subscription warrants	38,681,671
06/28/2008	Exercise of share subscription warrants	38,900,079
08/27/2008	Exercise of share subscription warrants	38,945,804
11/05/2008	Issue of free shares, exercise of share subscription warrants	39,353,304
12/30/2008	Exercise of share subscription warrants	39,746,992
03/18/2009	Definitive allocation of free shares	39,828,992
05/14/2009	Definitive allocation of free shares	39,895,207
12/31/2009	Capital recorded at the close of the 2009 financial year	39,895,207
02/22/2010	Definitive allocation of free shares	40,308,707

(1) Share capital increase carried out via the issuance of options

21.2 ACTE CONSTITUTIF ET STATUTS

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 regulation of the Board of Directors

The below description summarizes the principle provisions of the articles of association and of the internal regulation relating to the board of directors, in particular its procedures and powers. It likewise summarizes the legal provisions concerning the management.

The annual general meeting of June 1st, 2010 approved the following amendments of the articles of association: on the one hand, the removal of the minimum number of shares to be hold (article 12.4 of the articles of association of the Company) and on the other hand, the inclusion of the authorization to hold general meetings on any territory of metropolitan France (article 22 of the articles of association of the Company).

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.

- <u>Deliberations of the Board of Directors – Minutes (Article 14 of the articles of association)</u>

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.

- <u>Assignment and powers of the Board (Article 15 of the articles of association)</u>

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.

- <u>Powers of the chief executive officer</u>

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, Mr Jean-François Azam and Mr. François Rivière are deputy chief executive officers of the Company.

21.2.2.4 Internal regulation of the board of directors

The Board of Directors of the Company adopted on December 18, 2008 a new internal regulation which is in line with the relevant recommendations aiming to ensure compliance with the fundamental principles of corporate governance. This regulation is purely internal and is intended to supplement the Articles of association outlining the major terms of organization and functioning of the Board of Directors.

This internal regulation 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), and on the other hand the methods for controlling and evaluating their operation.

- Assessment and evaluation of the operation of the Board of Directors

In accordance with the principles of good governance, any director must perform his functions in good faith, in the way that he believes is best in order to promote the Company and with the care expected of an ordinarily prudent person in the exercise of such a task.

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 (cf. paragraphe 2.3 of the Report of the Chairman of the Board on internal control in paragraph 16.4.4.1 of this Reference Document).

21.2.3 Rights, privileges and restrictions in respect of the shares

21.2.3.1 Double voting right

A double voting right is allotted to all fully-paid up shares which have been registered with the same shareholder – either of French nationality or a citizen of a Member State – for at least two years, in proportion to their shares. In the case of a capital increase through the incorporation of reserves, profits or premium issues, newly allotted shares will carry double voting rights if the shares already held by a shareholder already benefit from double voting rights. Any transferred share looses its double voting right subject to exceptions as prescribed by law (Article 23.3 of the articles of association).

21.2.3.2 Restrictions in the articles of association on the exercise of voting rights and transfer of shares

The articles of association of the Company do not contain any provision restricting the transfer of shares.

Without prejudice to the provisions of Article 7.4 on the loss of voting rights in the 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

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.

The ordinary and extraordinary general meetings ruling under the majority terms set out in the applicable provisions exercise their powers confined to them by law.

The statutory provisions applicable to general meetings are set out in Article 22 of the Articles of association.

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 thesholds (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.

Information relating to the identification of shareholders and statutory crossing thresholds are set out in Article 7 of the Articles of association.

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 below:

- Acquisition of shares in Compagnie Eolienne du Détroit in January 2008 (see paragraph 5.2.1.2)

- Transfer of participation in Thenergo to HESTIUN in December 2008 (see paragraph 9.3.3.2)

- Acquisition in January 2009 of the participation of Mr. Jean-Marie Santander in THEOLIA Emerging Markets] (see paragraph 5.2.1.3) ;

- Sale of a portfolio of 100.6 MW of operating wind farms, of the project in RheinEnergie on June 29, 2009, of a portfolio of 32 MW in France to Energiequelle on July 16, 2009, of a portfolio of 9.2 MW to Boralex, and another 47 MW to Boralex; signing of an agreement for the sale of 55.5 MW in Germany to Dortmunder Energie und Wasserversorgung GmbH in April 2010. These sales constitute a new step in the completion of the sale program of around 200 MW of projects and wind assets and materialize the securities hold by the former founders of Ventura (nowadays THEOLIA France) in THEOLIA France and some wind farms in France on September 8, 2009.

- Agreement in December 2009 with the main holders of OCEANE Bonds for the Restructuring (described in paragraph 9.1.4);

- Agreement in April 2010, for the sale of a wind farm of 55.5 MW in Germany: Dortmunder Energie- und Wasserversorgung GmbH and THEOLIA (Aix-en-Provence, France) signed an agreement for the sale of an operating wind farm of 55.5 MW located in the region of Saxe-Anhalt in Germany. The wind farm, in operation since early 2006, comprises 37 turbines of 1.5 MW each and a power line. The sale was completed on May 25, 2010 and THEOLIA Naturenergien GmbH shall ensure the full technical and commercial management during the lifetime of the wind farm.

- Agreement for the transfer of a participation of the Group in the Giunchetto Project: Maestrale Green Energy, THEOLIA's Italian subsidiary, and Repower Produzione Italia spa, an entity wholly-owned by Repower, signed an agreement, on April 28, 2010, for the sale of a participation of 39% in a wind project of 30 megawatts (MW) located in the province of Enna (Sicily – Italy). Following two years of operation of the wind farm, Repower Produzione Italia spa will be able to exercise an option to purchase the remaining 51% held by THEOLIA, over a period of six months. The project comprises 35 turbines Vestas installed during the last six months. The financing of the project was announced in January 2010 and the commissioning of the farm is planned for summer 2010, with an annual production estimated at 52 GWh.

- Signing by the Company of a financing master agreement with Société Générale and GE Bank for the Théowatt portfolio (5 projects in France, 71.5 MW) in June 2007. Each project has been subject to interest rate coverage with Société Générale, each swap contract being covered by a first demand guarantee of the Company. The structure of financing and the granting of parent guarantees were approved by the Board of Directors of the Company on May 14, 2007 and May 31, 2007. The first three projects were completed (CEPLO, CEMDF and CESAL). However, the Company's financial situation and the closure of credit markets in 2008 and 2009 made the realization of the two last projects (CERON and CELG) impossible, while the lack of financing constituted an event that could trigger acceleration. At the same time, the interest rates have fallen sharply and the two swaps were out of the money. The Company thus negotiated with Société Générale the unwinding of these two positions, reached in December 2009. This unwinding has led to the payment of €5,370 million by the Company to Société Générale, resulting in a financial expense of €1.5 million in the accounts as of December 31, 2009, the balance (€3,870 million) having already been recorded in the 2007 and 2008 accounts.

23. INFORMATION FROM THIRD PARTIES, EXPERT DECLARATIONS AND INTERESTED PARTY

None

24. DOCUMENTS ACCESSIBLES 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.