theolia

Registration document 2010

REGISTRATION DOCUMENT 2010

Pursuant to Article 212-13 of the General Regulations, the Financial Markets Authority registered this Registration Document on November 9, 2011 under No. R. 11-062.

This Registration 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.

This Registration Document cannot be used to support any financial transaction unless completed by a securities note registered by the Financial Markets Authority (AMF).

The English version of this report is a free translation from the original which was prepared in French. All possible care has been taken to ensure that the translation is accurate presentation of the original. However, in matters of interpretation, views or opinion expressed in the original language version of the document in French take precedence over the translation

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

- The consolidated financial statements as of December 31, 2009 and the audit report appearing in Section 20.1 of the Company’s Registration Document registered by the AMF on June 4, 2010 under No. R. 10-003.
- The consolidated financial statements as of December 31, 2008 and the audit report appearing in Section 20.1 of the Company’s Registration Document registered by the AMF on January 25, 2010 under No. R. 10-003.

Copies of the Registration Document are available at no cost from THEOLIA, 75 rue Denis Papin -BP 80199 -13795 Aix-en-Provence Cedex 3. The Registration Document can also be consulted on the THEOLIA (www.theolia.com) and AMF websites and (www.amf-france.org).

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Profile

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

As of July 31, 2011, the Group operated 886 megawatts ("MW") of which 300 MW were for its own account and 586 MW for those of others. These wind farms are located mainly in four countries: France, Germany, Morocco and, since 2010, Italy.

As of July 31, 2011, the Group's installed capacity broke down as follows:

	MW operated for own account [(1)]	**MW operated for third parties**	**TOTAL**
France	82	85	167
Germany	152	502	654
Morocco	50	-	50
Italy	15	-	15
TOTAL	**300**	**586**	**886**

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

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

As of July 31, 2011 the Group's portfolio of wind projects under development totaled 1,131 MW of which 135 MW were in the completion phase, including those projects which had obtained a building permit and wind farms under construction.

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

1. PRESENTATION OF THE GROUP

1.1 KEY FIGURES

Preamble 1: restatements

1. Intangible assets

When it acquired the Ventura company in the first half of 2005, the Group assessed the assets and liabilities acquired at fair market value. On the takeover date, the company filed building permits for a total of 272 MW, of which 32 were approved and finalized. Based on statistics, the Group recognized the implementation of 72 MW of the 240 MW under development. Hence the total number of MW revalued was equal to 104.

During the previous financial periods, some of these projects have been sold outside of the Group and others commissioned.

Following these transactions, the related assets should have been derecognized and should have had impact on the results from the disposal of these wind projects, or have been amortized. This accounting error was identified when the 2010 accounts were being closed. Because of this, a restatement of the 2009 accounts and of the half-year accounts as of June 30, 2010 had to be recorded.

Details of these restatements are presented in Sections 4.2.6 (note 2) and 4.1.2 (note 2) of this Registration Document.

2. Presentation of revenue

Until December 31, 2009, electricity production from the wind farms managed for third parties was accounted for as income based on the quantities produced and delivered during the period. The Group believed, incorrectly, that it was not acting as an agent in these transactions, particularly owing to the fact that the contract for the sale of electricity to the operator was established between the Group and the end client, and did not involve the owner of the asset turned over to the Group for management.

During 2010 a thorough analysis of these situations and of the contracts between the German subsidiary concerned and its clients was conducted by the Group, particularly with reference to Section 21 of the appendix to IAS 18, added by the IASB in 2009 as part of the annual improvement of IFRS standards. On that basis, the Group has changed its accounting for revenue related to this production from wind farms managed for third parties: sale of electricity for third parties is no longer recorded as revenue for the period, except in some cases where, on account of the contractual relationships, the transaction risks are mainly borne by the Group

In accordance with the provisions of IAS 8, revenue for 2009 and for half-year as of June 30, 2010 was restated retrospectively as a result.

This change has no effect on operating income or on net income.

Details of these restatements are presented in Sections 4.2.6 (note 2) and 4.1.2 (note 2) of this Registration Document.

Preamble 2: significant changes

The Group's revenue can fluctuate significantly from one fiscal year to the next, depending in particular on the wind farms sold or commissioned. Indeed, the commissioning of a wind farm increases the revenue from the Sale of electricity for own account activity, whereas the sale of an operating wind farm decreases the revenue from this activity but significantly increases the revenue from the Development, construction, sale activity.

In 2010, the Group recorded revenue of €154.5 million, versus €294.4 million in 2009. This decline reflects the change in the Group's position. In fact, the major disposal plan implemented in 2009 to restore the Group's cash position was a significant source of revenue for the Development, construction, sale activity. In 2009, the Group sold 234 MW od wind farms and projects, compared with only 72 MW in 2010. The success of the financial restructuring completed in July 2010 allowed the Group to reduce the pace of its disposals in the second half of 2010.

For the first half of 2011, the Group recorded revenue of €27.4 million, versus €99 million for the first half of 2010. Following the implementation of the adopted policy of reduction in the pace of wind farm disposals, the Group did not sell any wind farm during the first half of 2011, while 60 MW were sold in the first half of 2010.

The Group's current operating income can fluctuate significantly from one fiscal year to the next, depending in particular on the wind farms sold or commissioned. It can also be impacted by exceptional items.

In 2010, the Group recorded a negative current operating income of €(19.7) million, versus a positive current operating income of €23.4 million in 2009. The current operating income recorded in 2009 benefited from the positive effect of reversing two significant provisions in the Corporate activity for a total amount of €25 million.

For the first half of 2011, the Group recorded a positive current operating income of €1.4 million, versus a loss of €(6,6) million for the first half of 2010. The recent commissionings by the Group, as well as a stringent management of all activities, allowed a strong improvement in current operating income.

Therefore, the consolidated revenue for a given fiscal year or a given half-year might not necessarily reflect the growth of its business in the longer term or be a relevant indicator of its operational performance.

Summary of consolidated income statements for the years ended December 31, 2010 and 2009

(in thousands of euros)	12/31/2010	12/31/2009 restated (1)	12/31/2009 published
Revenue	154,542	294,380	328,593
Current operating income	(19,678)	23,369	27,811
Operating income	(34,483)	26,022	32,180
Net income (expense)	4,993	(25,176)	(21,101)

(1) Restatement of 2009 accounts

Summary statement of financial position for the years ended December 31, 2010 and 2009

(in thousands of euros)	12/31/2010	12/31/2009 restated (1)	12/31/2009 published
Non-current assets	491,848	511,763	520,123
Current assets	186,690	206,574	206,574
Total assets	**691,739**	**735,409**	**743,769**
Shareholders' equity	220,007	143,120	148,652
Non-current liabilities	325,051	403,433	406,261
Current liabilities	136,954	177,818	177,818
Total liabilities and shareholders' equity	**691,739**	**735,409**	**743,770**

(1) Restatement of 2009 accounts

Summary of consolidated cash flow for the years ended December 31, 2010 and 2009

(in thousands of euros)	12/31/2010	12/31/2009 restated (1)	12/31/2009 published
Cash from operational activities	41,551	103,385	109,233
Net flows generated by investment activities	(42,250)	(12,291)	(18,139)
Net flows generated by financing activities	16,734	(87,724)	(87,724)
Changes in cash	**16,180**	**3,361**	**3,361**

Summary of consolidated income statements for the half-years as of June 30, 2011 and June 30, 2010

(in thousands of euros)	06/30/2011	06/30/2010 restated	30/06/2010 published
Revenue	27,394	99,016	115,797
Current operating income	1,356	(6,623)	(6,404)
Operating income	758	(8,467)	(8,248)
Net income (expense)	(6,861)	(28,515)	(24,217)

Summary statement of financial position for the half-years as of June 30, 2011 and June 30, 2010

(in thousands of euros)	06/30/2011	06/30/010
Non-current assets	481,077	491,848
Current assets	150,254	186,690
Total assets	**644,543**	**691,739**
Shareholders' equity	231,027	220,007
Non-current liabilities	284,613	325,051
Current liabilities	119,717	136,954
Total liabilities and shareholders' equity	**644 543**	**691 739**

Summary of consolidated cash flow for the half-years as of June 30, 2011 and June 30, 2010

(in thousands of euros)	06/30/2011	06/30/010
Cash from operational activities	11,343	16,213
Net flows generated by investment activities	(15,980)	(18,434)
Net flows generated by financing activities	(16,883)	(13,534)
Changes in cash	**(21,647)**	**(15,550)**

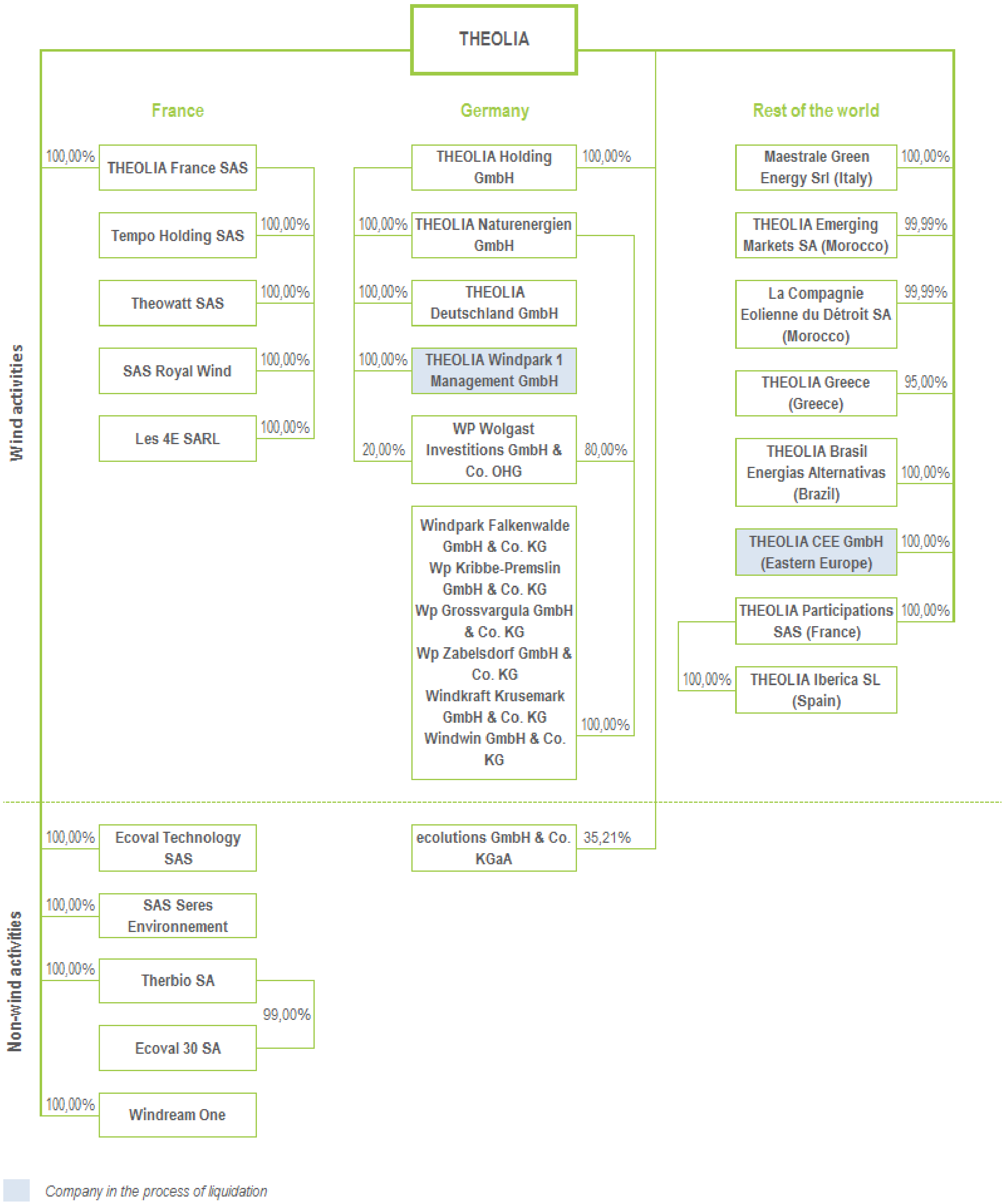
1.2 HISTORY

June 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, now called THEOLIA France
January 2006	First acquisition outside of France. THEOLIA acquires two operational wind power plants in Germany for a total installed capacity of 14 MW
April 2006	Appointment of Jean- Marie Santander as Chairman and CEO of THEOLIA
	Commissioning of the first wind power plant completely developed and built by the THEOLIA Group in France: the Fonds de Fresnes Wind Power Plant in the Somme with a capacity of 10 MW
July 31, 2006	First day THEOLIA stock is listed on the Eurolist by Euronext Paris
September 2006	Commissioning of the Séglien Wind Power Plant in the Department of the Morbihan, with a capacity of 9 MW
December 2006	Acquisition of Natenco, now called THEOLIA Naturenergien GmbH, which has wind activities in Germany, France, India, Brazil, Greece and the Czech Republic. THEOLIA adds to its business activities the sale and management of wind farms for third parties
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
May 2007	Commissioning of the Sablons Wind Power Plant in the Department of Calvados, with a capacity of 10 MW
July 2007	The operations planned under the agreement signed with GE Energy Financial Services in February 2007 completed. The equity owned by GE Energy Financial Services in THEOLIA then amounts to 17.03%
September 2007	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 group Maestrale Green Energy, a wind project developer in Italy, which has a portfolio of 500 MW of projects in Italy
	A 35.21% interest acquired in Ecolutions GmbH & Co. KGaA, a German Company specializing in the issuance and trading of carbon credits
December 2007	Commissioning of five wind power plants in France: • 12 MW in the Somme, • 30 MW in Aveyron (4 wind farms), of which 11.5 MW for own account
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
March 2008	Acquisition of two wind farms in France with a capacity of 6.9 MW each
September 2008	Resignation of Jean-Marie Santander from the offices of Chairman and CEO. Appointment of Eric Peugeot as Chairman of the Board of directors and Marc van't Noordende as CEO
	Listing of THEOLIA on the CAC MID100 index of NYSE Euronext
December 2008	Commissioning of the Sallen Wind Power Plant, in the Department of Calvados, with a capacity of 8 MW

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
June 2009	Sale of a portfolio of 32 MW of wind projects in France
August 2009	Sale of a portfolio of 100.6 MW of wind farms and projects in Germany
October 2009	Sale of a wind project of 9.2 MW in France
December 2009	Sale of a portfolio of 47 MW of wind farms and projects in France
	In all, 234 MW of wind projects and farms sold in France and Germany during 2009
February 2010	Appointment of Eric Peugeot Chairman of the Board of directors as CEO
	Approval of the financial restructuring by the OCEANE bondholders' meeting
March 2010	Approval of the financial restructuring by the shareholders' meeting
April 2010	Sale of a 55.5 MW operating wind farm in Germany
	Sale of 39% of the Giunchetto project in Italy
May 2010	Appointment of Fady Khallouf as CEO
July 2010	THEOLIA completes a major financial restructuring including renegotiating the terms of its convertible loan and a capital increase of €60.5 million
	Appointment of Michel Meeus as Chairman of the Board of directors
October 2010	Commissioning of the Group's first wind farm in Italy: the Giunchetto wind farm with a net installed capacity for the Group of 15 MW. THEOLIA becomes an energy producer in four countries: France, Germany, Morocco and Italy.
May 2011	Draft agreement signed between THEOLIA and Morocco's Office National de l'Electricité to jointly develop and complete a 300 MW wind farm in Tétouan, in Morocco
July/August 2011	Creation of the investment vehicle THEOLIA Utilities Investment Company, dedicated to invest in wind projects in France, Germany and Italy.

1.3 ORGANIZATIONAL CHART

The organizational chart below is the simplified organizational chart of the principal companies comprising the Group as of July 31, 2011. Equity interests are presented as a percentage, rounded off, of capital and voting rights. For each wind farm project, an ad hoc company is set up and held either directly or indirectly through a holding company. However, all of these ad hoc companies do not appear in this organizational chart.



THEOLIA
France
Germany
Rest of the world
Wind activities
Non-wind activities
100,00% THEOLIA France SAS
100,00% Tempo Holding SAS
100,00% Theowatt SAS
100,00% SAS Royal Wind
100,00% Les 4E SARL
THEOLIA Holding GmbH 100,00%
100,00% THEOLIA Naturenergien GmbH
100,00% THEOLIA Deutschland GmbH
100,00% THEOLIA Windpark 1 Management GmbH
20,00% WP Wolgast Investitions GmbH & Co. OHG 80,00%
Windpark Falkenwalde GmbH & Co. KG
Wp Kribbe-Premslin GmbH & Co. KG
Wp Grossvargula GmbH & Co. KG
Wp Zabelsdorf GmbH & Co. KG
Windkraft Krusemark GmbH & Co. KG
Windwin GmbH & Co. KG
100,00%
Maestrale Green Energy Srl (Italy) 100,00%
THEOLIA Emerging Markets SA (Morocco) 99,99%
La Compagnie Eolienne du Détroit SA (Morocco) 99,99%
THEOLIA Greece (Greece) 95,00%
THEOLIA Brasil Energias Alternativas (Brazil) 100,00%
THEOLIA CEE GmbH (Eastern Europe) 100,00%
THEOLIA Participations SAS (France) 100,00%
100,00% THEOLIA Iberica SL (Spain)
100,00% Ecoval Technology SAS
100,00% SAS Seres Environnement
100,00% Therbio SA
99,00% Ecoval 30 SA
100,00% Windream One
ecolutions GmbH & Co. KGaA 35,21%
Company in the process of liquidation

Below is the list of the 119 subsidiaries and equity interests within the scope of consolidation of the Group as of July 31, 2011:

Companies	% interest	% control	Consolidation method	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 VERWALTUNGS GmbH	100,00%	100,00%	Full consolidation	Germany	Corporate
WP BETRIEBS GmbH	100,00%	100,00%	Full consolidation	Germany	Corporate
THEOLIA WINDPARK 1 MANAGEMENT GmbH	100,00%	100,00%	Full consolidation	Germany	Corporate
THEOLIA WINDPARK MANAGEMENT GmbH	100,00%	100,00%	Full consolidation	Germany	Corporate
WINDWIN VERWALTUNGS GmbH	100,00%	100,00%	Full consolidation	Germany	Corporate
THEOLIA HOLDING GmbH	100,00%	100,00%	Full consolidation	Germany	Development Construction Sale
THEOLIA NATURENERGIEN GmbH	100,00%	100,00%	Full consolidation	Germany	Development Construction Sale
WP GROSS WARNOW GmbH & Co. KG	100,00%	100,00%	Full consolidation	Germany	Development Construction Sale
WINDENERGIE COESFELD-LETTE GmbH & Co. KG	100,00%	100,00%	Full consolidation	Germany	Development Construction Sale
WINDKRAFT KRUSEMARK GmbH & Co.KG	100,00%	100,00%	Full consolidation	Germany	Development Construction Sale
WP TUCHEN RECKENTHIN INVESTITIONS GmbH & Co. KG	100,00%	100,00%	Full consolidation	Germany	Operation of wind farms
WINDPARK RABENAU GmbH & Co. KG	100,00%	100,00%	Full consolidation	Germany	Operation of wind farms
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 MUEHLANGER GmbH & Co. KG	100,00%	100,00%	Full consolidation	Germany	Operation of wind farms
DRITTE BUSMANN WIND GmbH & Co. BETRIEBS KG (LADBERGEN I)	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
ZWANZIGSTE (20) UPEG GmbH & Co. KG (LADBERGEN II)	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
NEUNZEHNTE (19) UPEG GmbH & Co. KG (LADBERGEN III)	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WP SAERBECK GmbH & Co. KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WP WOLGAST INVESTITIONS GmbH & Co. OHG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
ERNEUERBARE ENERGIE ERNTE ZWEI GmbH & Co. KG	89,60%	80,00%	Full consolidation	Germany	Sale of electricity
ERNEUERBARE ENERGIE ERNTE VIER GmbH & Co. KG	48,00%	48,00%	Equity Method	Germany	Sale of electricity
WP FALKENWALDE GmbH & Co. KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WP ZABELSDORF GmbH & Co. KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WP KRIBBE-PREMSLIN GmbH & Co. KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WP GROSSVARGULA GmbH & Co. KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WINDWIN GmbH & Co. KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
NATUR STROM NETZ FRAUENPRIESSNITZ GmbH & Co. KG	43,81%	43,81%	Equity Method	Germany	Sale of electricity
WINDHAGEN PROJEKT WALTROP GmbH & Co.KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WINDHAGEN PROJEKT KLEIN STEIMKE GmbH & Co. KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WINDKRAFTANLAGE NEUSTADT 5 GmbH & Co. KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WF ROTHENKOPF GmbH & Co.KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WP KEFENROD GmbH & Co.KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WP WOPPENROTH GmbH & Co.KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
CWP GmbH	52,00%	52,00%	Full consolidation	Germany	Sale of electricity
WINDKRAFT ALSLEBEN 2 GmbH & Co. KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WINDPARK WOTAN VIERZEHNTE BETRIEBS GmbH & Co. KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WINDKRAFT DIETLAS GmbH & Co. KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WINDFARM HOXBERG GmbH & Co. KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
EIFEL WIND INFRA GmbH & Co. KG	71,43%	71,43%	Full consolidation	Germany	
SOLARKRAFTWERK MERZIG GmbH & Co. KG	100,00%	100,00%	Full consolidation	Germany	Non-wind activities
ECOLUTIONS GmbH & Co. KGaA	35,21%	35,21%	Equity Method	Germany	Non-wind activities
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
SERES ENVIRONNEMENT MAGHREB SA	99,87%	99,87%	Full consolidation	Morocco	Non-wind activities
SERES ENVIRONNEMENT TECHNOLOGY (Beijing) Co. Ltd	51,00%	51,00%	Equity Method	China	Non-wind activities
THERBIO SA	99,99%	99,99%	Full consolidation	France	Non-wind activities
ECOVAL 30 SA	99,00%	99,00%	Full consolidation	France	Non-wind activities
WINDREAM ONE	100,00%	100,00%	Full consolidation	France	Non-wind activities
THEOLIA FRANCE	100,00%	100,00%	Full consolidation	France	Corporate
THEOLIA PARTICIPATIONS	100,00%	100,00%	Full consolidation	France	Corporate
ROYAL WIND	100,00%	100,00%	Full consolidation	France	Corporate
THEOWATT	100,00%	100,00%	Full consolidation	France	Corporate
SAS TEMPO HOLDING	100,00%	100,00%	Full consolidation	France	Corporate
CENT EOL AQUEDUC (CEAQU)	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOL ARDECHE (CEARD)	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOL BOIS DES PLAINES (CEBDP)	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOL DE BREHAIN-TIRCELET (CEBRE)	100,00%	100,00%	Full consolidation	France	Development Construction Sale

Companies	% interest	% control	Consolidation method	Country	Activity
CENT EOL DE CANDADES (CECAN)	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOL DE CHEMIN PERRE (CECHP)	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOL DE COUME (CECOU)	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOL DE CROIX BOUDETS (CECBO)	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOL DE DAINVILLE (CEDA)	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOL DE DEMANGE (CEDE)	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOL DE FRUGES LA PALETTE (CEFP)	99,94%	99,94%	Full consolidation	France	Development Construction Sale
CENT EOL DE MOTTENBERG (CEMOT)	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOL DE SORBIERE (CESOR)	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOL DES COSTIERES (CECOS)	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOL DES GARGOUILLES (CEGAR)	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOL DU CHEMIN DE FER (CECHE)	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOL DU MAGREMONT (CEMAG)	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOL FORET BOULTACH (CEFOB)	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOL LA HAUTE BORNE (CEHAB)	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOL LES HAUTS VAUDOIS (CELHV)	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOL LES MONTS (CELMO)	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOL LES PINS DE BIDON (CELPI)	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOL SAINT BLIN (CEBLI)	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOLIENNE DES SOUTETS (CESOU)	100,00%	100,00%	Full consolidation	France	Development Construction Sale
SARL LES 4E	100,00%	100,00%	Full consolidation	France	Development Construction Sale
SNC BIESLES	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOL DE FONDS DE FRESNES (CEFF)	100,00%	100,00%	Full consolidation	France	Sale of electricity
CENT EOL DE SALLEN (CESAL)	100,00%	100,00%	Full consolidation	France	Sale of electricity
CENT EOL DE SEGLIEN AR TRI MILIN (CESAM)	100,00%	100,00%	Full consolidation	France	Sale of electricity
CENT EOL DES PLOS (CEPLO)	100,00%	100,00%	Full consolidation	France	Sale of electricity
CENT EOL DES SABLONS (CESA)	100,00%	100,00%	Full consolidation	France	Sale of electricity
CENT EOL DU MOULIN DE LA FROIDURE (CEMDF)	100,00%	100,00%	Full consolidation	France	Sale of electricity
CENT EOL VESAIGNES (CEVES)	100,00%	100,00%	Full consolidation	France	Sale of electricity
CORSEOL SA	95,20%	95,20%	Full consolidation	France	Sale of electricity
LES EOLIENNES DU PLATEAU SAS	100,00%	100,00%	Full consolidation	France	Sale of electricity
MAESTRALE GREEN ENERGY SRL	100,00%	100,00%	Full consolidation	Italy	Corporate
MGE IDEA SRL	100,00%	100,00%	Full consolidation	Italy	Development Construction Sale
NEOANEMOS SRL	49,06%	95,00%	Full consolidation	Italy	Development Construction Sale
AEROCHETTO SRL	51,00%	51,00%	Full consolidation	Italy	Development Construction Sale
BELMONTE GREEN ENERGY SRL	90,00%	90,00%	Full consolidation	Italy	Development Construction Sale
GARBINO EOLICA SRL	100,00%	100,00%	Full consolidation	Italy	Development Construction Sale
MENDICINO GREEN ENERGY SRL	90,00%	90,00%	Full consolidation	Italy	Development Construction Sale
COLONNE D'ERCOLE SRL	100,00%	100,00%	Full consolidation	Italy	Development Construction Sale
VIBINUM SRL	100,00%	100,00%	Full consolidation	Italy	Development Construction Sale
GIUGGIANELLO SRL	100,00%	100,00%	Full consolidation	Italy	Development Construction Sale
WIND SERVICE SRL	100,00%	100,00%	Full consolidation	Italy	Development Construction Sale
SIRIBETTA SRL	90,00%	90,00%	Full consolidation	Italy	Development Construction Sale
PERGOLA EOLICA SRL	100,00%	100,00%	Full consolidation	Italy	Development Construction Sale
MAESTRALE PROJECT HOLDING SA	50,32%	50,32%	Full consolidation	Luxembourg	Development Construction Sale
MGE GIUNCHETTO WIND PARK SA	100,00%	100,00%	Full consolidation	Luxembourg	Development Construction Sale
THEOLIA EMERGING MARKETS SA (TEM)	99,99%	99,99%	Full consolidation	Morocco	Corporate
THEOLIA MOROCCO SA	99,99%	99,99%	Full consolidation	Morocco	Development Construction Sale
LA COMPAGNIE EOLIENNE DU DETROIT (CED)	99,99%	99,99%	Full consolidation	Morocco	Sale of electricity
TANGER MED WIND SA	99,90%	99,90%	Full consolidation	Morocco	Development Construction Sale
THEOLIA MOROCCO SERVICES SA	99,90%	99,90%	Full consolidation	Morocco	Development Construction Sale
THEOLIA CEE GmbH	100,00%	100,00%	Full consolidation	Austria	Development Construction Sale
THEOLIA BRASIL ENERGIAS ALTERNATIVAS	100,00%	100,00%	Full consolidation	Brazil	Development Construction Sale
THEOLIA IBERICA	100,00%	100,00%	Full consolidation	Spain	Corporate
ASSET ELECTRICA	50,00%	50,00%	Equity Method	Spain	Development Construction Sale
PARQUES EOLICOS DE LA SIERRA (PESSA)	100,00%	100,00%	Full consolidation	Spain	Development Construction Sale
AIOLIKI ENERGEIA CHALKIDIKI AEBE	80,00%	80,00%	Full consolidation	Greece	Development Construction Sale
AIOLIKI ENERGEIA SITHONIA AEBE	80,00%	80,00%	Full consolidation	Greece	Development Construction Sale
THEOLIA GREECE	95,00%	95,00%	Full consolidation	Greece	Development Construction Sale

Companies removed from the scope of consolidation

Companies	% interest	% control	Consolidation method	Country	Activity
THEOLIA SITAC WIND POWER PVT LIMITED	12,34%	12,34%	Equity Method	India	Development Construction Sale
THEOLIA WIND POWER PVT	12,34%	12,34%	Equity Method	India	Development Construction Sale

Companies added to the scope of consolidation

Companies	% interest	% control	Consolidation method	Country	Activity
EIFEL WIND INFRA GmbH & Co. KG	100,00%	100,00%	Full consolidation	Germany	Development Construction Sale
SIRIBETTA SRL	100,00%	100,00%	Full consolidation	Italy	Development Construction Sale
PERGOLA EOLICA SRL	100,00%	100,00%	Full consolidation	Italy	Development Construction Sale

The Asset Electrica and Seres Environnement Technology (Beijing) Co. Ltd companies, which are 50% held, are not fully consolidated because of the lack of exclusive control. The Group does not possess a majority of the votes on the Boards of Directors of these companies. Furthermore, the rules of governance do not pertain to joint control.

As of December 31, 2010, THEOLIA held directly or indirectly 23.88% interests in THEOLIA Wind Power Private Limited and THEOLIA Sitac Wind Power Private Limited. As of June 30, 2011, further to an increase in share capital completed in November 2010 of which the Group contests the validity, the Group's interests in the share capital of these entities were diluted; they would now only amount to 12.34%, reason why both companies have been deconsolidated as of June 30, 2011.

Financial flows of the Group

It is stated that for each project under development, THEOLIA sets up a project support company. The project is financed by the project support company without recourse or with limited recourse to the parent company (see Section 3.5.3.2 subject to the stipulations of Section 3.7).

A portion of the corporate lines of credit (bank overdrafts and medium-term lines of credit, for example) used in Germany in connection with the business 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.

1.4 ACTIVITIES AND STRATEGY

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

The Group is also involved in non-wind businesses (see Section 1.4.4 of this Registration Document) which include a solar business that makes up a very small part of its portfolio as well as various activities in its environmental division which is now being sold off.

1.4.1 The Group's activities in the wind sector

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

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

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

- wind turbine technology today is viable, mature and reliable, while being accessible at an increasingly competitive price.

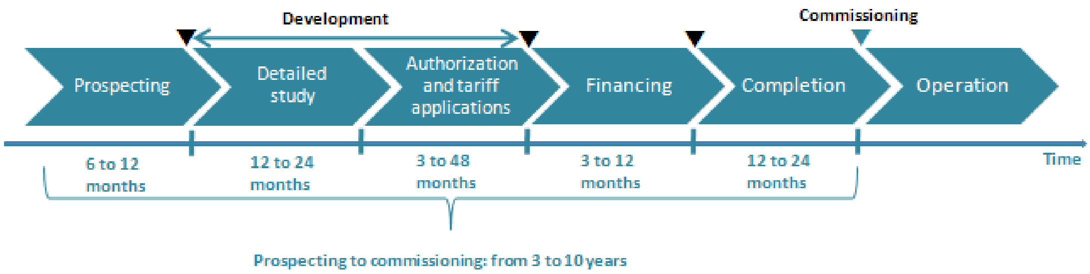
Moreover, current national and international policy increasingly supports the development of renewable energy. The Group, consequently, benefits from certain measures and aid granted to the wind energy sector. In its main markets, these measures take the form of fixed purchase prices over long time periods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

1.4.1.1 The Group's operational expertise

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

The Group is present throughout the value chain of the development of a wind project.

It takes a long time (from three to ten years on average) and numerous phases to bring a wind project into operation.



Prospecting

The initial phase of the process is the prospecting phase. It consists of identifying a site with the qualities required to receive a wind power plant, to approve it and to secure it.

Firstly, the local elected officials give their authorization to start up a wind project on their territory. Then the owners and operators enter into a lease pledge for a term long enough to complete the development phase. The lease pledges contain an option that will then allow them to be converted into final leases if the project is approved.

Development

Development takes place in two phases:

- detailed studies are conducted;
- time elapsed to investigate and obtain approvals.

<u>Detailed studies</u>

- The impact study

This study is to assess the condition of the site and potential impacts from locating a wind plant there. It takes several factors into account and generally includes detailed studies pertaining to the landscape, fauna, archaeology, acoustics, historical monuments and sensitive and protected sites. Depending on the site, additional studies may also be conducted.

- Assessing the wind potential

In order to measure and qualify the site's wind conditions, the Group installs one or more masts that will gather information at various heights over a period of several months. The information gathered concerns both the wind's speed, direction and frequency and the intensity of the turbulences which could cause the facilities to age prematurely.

- Site analysis

A site analysis using spreadsheets and digital modeling helps in choosing the windmills best suited in terms of height, rotor diameter, power, etc., as well as their location on the land. This step is essential since it assures the project's economic feasibility while also maximizing the farm's wind potential and estimating its future output.

- Engineering studies

Engineering studies cover access to the site, locating the machines, soil studies, determining access roads and crane pads, the possibilities for electrical hookups, the inter-windmill network, etc.

During the development phase, there are many public meetings to inform the neighbors. The frequency of these meetings varies depending on the project's complexity. Hence, every wind project entails thought and discussions upstream concerning its impact on the environment, particularly on the landscape and the fauna.

Once all of these steps are taken, the optimal location for the windmills is defined and the building permit is applied for.

Time elapsed to investigate and obtain approvals.

The building permit application is reviewed by the various governmental agencies. While the investigation is going on, a public survey is conducted. This enables the neighbors and citizens to become aware of the final plan and to offer their remarks. When this process has ended, and before entering the financing phase, THEOLIA reserves access to the grid and chooses the manufacturer and model of the wind turbines most suited for the site.

Financing

After having obtained building permits, the Group arranges for project financing. The Group negotiates with the banks the portion of the investment to be covered by a loan along with the lending terms and conditions such as term, rate, ratios to maintain and guarantees. The lending banks hire independent specialized audit firms to perform audits.

Completion

The completion phase begins with ordering the turbines. The final leases are also signed with the owners and the operators.

Calls for tenders to perform the technical work and detailed operating studies are then made. Then construction of the wind farm may begin. Construction starts from five to eight months before the turbines arrive at the site in order to create access roads, crane pads, foundations and the inter-wind electrical grid. Construction will last a total of one to two years.

Operation

When the wind farm's construction work is completed, the testing period begins. The turbine manufacturer performs optimization adjustments. The contract to purchase the electricity produced by the wind farm starts when the testing period is approved and the plant is connected to the electrical grid.

THEOLIA negotiates a long-term technical maintenance contract for each wind farm with the turbine supplier. The contract will serve to keep the wind farm in perfect condition throughout its operating life.

The THEOLIA Group provides the administrative follow-up, which consists of billing for the electricity produced and the farm's accounting, as well as the technical operation follow-up, i.e. monitoring the turbines, controlling production and managing sub-contractors.

The operating life of a windmill is from 20 to 25 years. When this time is up, there are several alternatives:

- new windmills are brought in to operate the site,
- production is halted and the wind farm is dismantled.

At the end of the operation, the windmills are taken down and the entire site is returned to its initial condition.

1.4.1.2 The Group's wind farm activities

The Group operates three businesses within the wind energy sector:

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

Sale of electricity for own account

The Group develops, builds and operates wind farms for its own account. Hence, it records the proceeds from the sale of electricity from the wind farms held for its own account as revenue. As of July 31, 2011 THEOLIA operated 300 MW for its own account located in four countries: France, Germany, Italy and Morocco. The table below shows the breakdown of net installed capacity by country:

(MW)	**Installed capacity held for own account** [(1)]
France	82
Germany	152
Italy	15
Morocco	50
TOTAL	**300**

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

Financing the wind farms held for own account is ensured by a combination of equity capital from THEOLIA and bank loans in the form of project finance without recourse or with limited recourse against the parent company (see Section 3.5.3.2 of this Registration Document), except in the case of guarantees, sureties or other off-balance sheet commitments described in Section 3.7 of this Registration Document.

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

Development, construction, sale

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

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

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

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

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

Operation

Whether it sold a wind farm under operation or completed the construction of one for a third party, the Group automatically proposes to the wind farm's owner to continue operating it for its expected lifespan. In exchange, the Group receives revenue. In the case of contracts without guarantee of margin for the wind farms' new owner, THEOLIA only recognizes the management fees.

This activity of operational management has the following advantages:

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

Bolstered by its experience of operating 886 MW (for both its own account and for third parties) as of July 31, 2011, the Group is planning to offer the owners of wind farms that THEOLIA had not developed and/or built to take over the operation and maintenance of their wind farms so as to generate economies of scale for the Group's Operation activity.

1.4.1.3 The Group's wind portfolio

As of July 31, 2011, the Group operated 886 MW, of which 300 MW were for its own account and 586 MW for those of others. The Group's installed capacity broke down as follows as of July 31, 2011:

	MW operated for own account [(1)]	MW operated for third parties	TOTAL
France	82	85	167
Germany	152	502	654
Morocco	50	-	50
Italy	15	-	15
TOTAL	**300**	**586**	**886**

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

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

- the Giunchetto wind farm in Italy was commissioned with a net capacity of 15 MW for the Group;
- a 55.5 MW wind farm was sold in Germany; and
- in France, three wind farms were commissioned for third parties with a cumulative capacity of 49.2 MW;
- in France, the 9.2 MW first part of the Gargouilles wind farm was commissioned ;
- the balance of the changes stems from the Group's trading activity.

In order to feed its wind activities, the Group is developing a significant project portfolio, particularly in France, Italy and Germany.

In Morocco, the Group signed on May 31, 2011 a protocol agreement with the Moroccan national office of electricity to jointly develop and build a 300 MW wind farm at Tétouan near Tangiers.

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

As of July 31, 2011, the Group's portfolio of projects under development contained 135 MW in the backlog phase of which 116 MW had obtained a construction permit and 19 MW were under construction.

As of July 31, 2011, this portfolio of developing projects was broken down as follows:

(MW)		Development	Permits applied	Completion phase: Permits obtained	Completion phase: Under construction	TOTAL	
Principal countries							
France		173	185	27	9	394	47%
Italy		144	165	89	10	408	49%
Germany		19	10	0	0	29	4%
SUB-TOTAL	***(MW)***	**336**	**360**	**116**	**19**	**831**	
	(in %)	**40%**	**43%**	**14%**	**2%**		**100%**
Emerging countries							
Morocco		200	100	0	0	300	-
Brazil		0	0	0	0	0	-
TOTAL	***(MW)***	**536**	**460**	**116**	**19**	**1,131**	
	(in %)	**47%**	**41%**	**10%**	**2%**		**100%**

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

THEOLIA explains that the projects under appeal do not appear in its portfolio of projects under development, but they are liable to be reintroduced should THEOLIA's lawsuit turn out favorably.

See Section 1.9 of this Registration Document for additional details concerning the risks associated with not obtaining construction permits and the opposition of people and associations to the wind farms.

1.4.1.4 Geographic locations

THEOLIA is an international player in the wind energy sector.

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

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

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

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

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

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

THEOLIA in France, Germany, Italy and Morocco

- *THEOLIA in France*

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

As of July 31, 2011, THEOLIA France operated 167 MW of which 82 MW were for its own account and 85 MW for those of others.

Revenue in France over the year 2010 represented 10% of the Group's total consolidated revenue.

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

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

As of July 31, 2011, the Group's portfolio of projects under development in France contained 36 MW in the backlog phase of which 9 MW were under construction and 27 MW had obtained construction permits free of any recourse.

The following table presents the details of the project pipeline developed by THEOLIA France for its own account totaling 394 MW on July 31, 2011.

	Number of projects	MW
Development	10	173
Permits applied for	7	185
Permits obtained	2	27
Under construction	1	9
TOTAL	**20**	**394**

In addition, as of July 31, 2011, THEOLIA France had nine wind farms in operation for its own account with a total capacity of 82 MW.

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

As of July 31, 2011, THEOLIA France had eight wind farms in operation for third parties with a total capacity of 85 MW. The Group is also developing a portfolio of project for third parties in France. The following table presents the details of the projects portfolio developed by THEOLIA in France for third parties totaling 31 MW on July 31, 2011:

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

Since 2008, the terms for obtaining construction permits have become more stringent. As a result, THEOLIA has had some construction permit applications refused. THEOLIA has automatically lodged appeals against the refusal to issue these construction permits and hopes to eventually win a case for a significant share of these permits.

- *THEOLIA in Germany*

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

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

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

As of July 31, 2011, THEOLIA Naturenergien operated 654 MW in Germany of which 152 MW were for its own account and 502 MW for those of others. At this date, THEOLIA Naturenergien has filed applications for building permits for two wind farms totaling 10 MW.

The following table presents the details for THEOLIA Naturenergien's portfolio of projects under development on July 31, 2011:

	Number of projects	MW
Development	2	19
Permits applied for	2	10
Permits obtained	-	-
Under construction	-	-
TOTAL	**4**	**29**

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

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

Production of electricity for own account

As of July 31, 2011 the Group's installed capacity for its own account in Germany accounted for 152 MW broken down among 26 wind farms of which 1 was held in partnership.

Trading wind farms under operation

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

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

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

The projects are typically financed through a combination of credit lines and project finance debt without recourse or with limited recourse against the parent company (see Sections 3.5.3.2 and 3.7 of this Registration Document).

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

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

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

In the framework of this trading activity of operating wind farms, the Group commissioned three wind farms in Germany during the first quarter of 2011, for a cumulative capacity of 8 MW, but no wind farm was sold.

Operating for third parties

The principal consequence from the trading activity is that the Group continues to operate a large number of wind farms which it sells in Germany. Thus, as of July 31, 2011, the Group operated 502 MW on behalf of third parties divided among 109 wind farms throughout Germany.

Other businesses

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

- *THEOLIA in Italy*

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

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

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

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

As of July 31, 2011, the Group's portfolio of projects under development in Italy contains 99 MW in the backlog phase, of which 10 MW under construction and 89 MW having obtained a building permit free of any recourse.

The following table presents the details of the projects portfolio developed by Maestrale Green Energy totaling 408 MW as of July 31, 2011:

	Number of projects	**MW**
Development	4	144
Permits applied for	5	165
Permits obtained	3	89
Construction	1	10
TOTAL	**13**	**408**

This portfolio includes both projects developed by third parties and repurchased by the Group and projects developed by Maestrale Green Energy from the prospecting stage.

In Italy, there is significant community opposition to wind farms, making it difficult to obtain building permits for wind projects and increasing the number of proceedings brought against the Group once the permit is obtained. In 2010, the Giuggianello project, which was the object of a third-party lawsuit, was restored to the Group's project portfolio after the Court threw out the lawsuit. As of July 31, 2011, a single project with a net capacity of 10 MW was the object of a third-party claim.

- *THEOLIA in Morocco*

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

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

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

After August 30, 2010, the ONE has the right to terminate the supply and sales agreement at any time by paying an indemnity. This indemnity would be around USD 20.2 million, an estimate based on the Moroccan dirham's exchange rate with the US dollar as of December 31, 2010, if the ONE exercises its option to rescind before the end of August 2011. This sum will decline over the years in 12-month sliding scales under the contract's terms. The stipulated termination of the supply and sales agreement would lead automatically to the termination of the transfer of use agreement and inversely. At the date of this Registration Document, the ONE has not informed the Group of its intent to implement this clause (see Section 1.9 of this Registration Document).

Moreover, Morocco has a clearly affirmed policy in favor of the environment and renewable energy, thereby providing THEOLIA with a favorable framework for expanding its presence there. On May 31, 2011, the Group signed a protocol agreement with the Moroccan National Office of Electricity to jointly develop and build a 300 MW wind farm at Tétouan near Tangiers. The project, which will be developed in two phases, consists of:

- completing 100 MW on the site located in Koudia Al Baïda, as part of an operation to replace the existing turbines with higher powered turbines (repowering); and
- completing an additional 200 MW on the sites adjacent to this farm.

The start of the completion of the first phase is planned for June 2012.

THEOLIA in Brazil and India

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

- *THEOLIA in Brazil*

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

As of July 31, 2011, the Group was examining several projects in the prospection phase, but none of these is included in the Group's portfolio of projects under development.

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

- *THEOLIA in India*

The Group is present in India through a company that was traditionally held in equal shares between THEOLIA (50%) and its local partner (50%). This company floated an equity issue on November 10, 2010 which apparently reduced the Group's stake to 12.34%.

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

India however remains a potential market for the Group.

Other countries

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

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

1.4.2 Market and competitive position

1.4.2.1 Competitive advantages

Focus on the wind energy sector

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

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

The other non-wind participations and assets currently held by the Group account for an insignificant share of the Group's activities and are slated to be sold.

However, the Group does not exclude diversifying its activities towards other energies, according to the opportunities of market, as the wind expertise of the Group can be easily transposable.

A rapidly growing market with attractive prospects

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

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

Expertise across the wind energy sector value chain

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

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

The Group's employees, the key to success

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

1.4.2.2 Global wind energy market

The global wind energy market is in full expansion. Between 2005 and 2010, the number of MW installed each year grew on average by 27.4%. 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 2005:

Year	MW installed globally over course of year	Annual growth (in %)	Aggregate worldwide installed capacity at year-end	Annual growth (in %)
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
2010	**39,404**	**3**	**199,520**	**25**

Source: BTM Consult ApS, 2011 report

In its report on the global market for wind energy, BTM Consult ApS states that annual growth has been less than in previous years in direct relation to the worldwide financial crisis that began in September 2008 with, however, more installed power than in previous years.

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 year-end 2010 (MW)	Supplementary capacity in 2010 MW)	Growth rate for 2010 (in %)	Total capacity year-end 2009 (MW)	Total capacity year-end 2008 (MW)
People's Republic of China	44,781	18,928	42%	25,853	12,121
United States	40,274	5,115	13%	35,159	25,237
Germany	27,364	1,551	6%	25,813	23,933
Spain	20,300	1,516	7%	18,784	16,453
India	12,966	2,139	16%	10,827	9,655
France	5,961	1,186	20%	4,775	3,671
United Kingdom	5,862	1,522	26%	4,340	3,263
Italy	5,793	948	16%	4,845	3,731
Canada	4,011	690	17%	3,321	2,371
Portugal	3,837	363	9%	3,474	2,829
TOTAL	171,149	33,958	20%	137,191	103,264
% of the installed capacity worldwide	**85.80%**	**86.18%**		**86%**	**85.20%**

Source: BTM Consult ApS, 2011 report

As of December 31, 2010, China, the United States, Germany, Spain, India and France accounted for 76% of installed capacity worldwide and 81% of new capacity worldwide. China has become the country with the highest growth rate for wind power in 2010 while also installing the largest wind capacity, i.e. over 40% additional installed capacity compared to 2009. China has just surpassed the United States in terms of installed capacity, thereby becoming the country with the highest installed capacity on its territory.

In 2010, 20.12% of turbines installed worldwide were in Europe although that number continues to drop as other regions increase their capacity. Germany and Spain represent the largest European markets with 22,075 and 19,618 installed turbines respectively as well as 1,551 and 1,516 MW of new installed capacity in 2010. The United Kingdom has just taken second place in Europe ahead of Spain with an installed capacity of 1,522 MW in 2010.

Italy, France and the United Kingdom were the medium-sized European markets, boasting strong growth of approximately 20%. In 2010, the United Kingdom had a total capacity of 5,862 MW and 1,522 MW in new installed capacity; France had a total capacity of 5,961 MW and 1,186 MW in newly installed capacity; and Italy had a total capacity of 5,793 MW and 948 MW in newly installed capacity.

The markets in which the Company is most active are Germany, Italy and France. These markets represented an installed capacity of 39,118 MW, or 19.6% of installed capacity worldwide at year-end 2010.

1.4.2.3 Prospects for growth

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 2011 to 2015 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 2010	Capacity installed in 2010	Forecasts 2010-2014 (including offshore)					Capacity installed between 2011 and 2015	Aggregate installed capacity at year-end 2015
			2011	2012	2013	2014	2015		
United States	40,274	5,115	8,000	10,000	8,000	15,000	15,000	56,000	96,274
Canada	4,011	690	1,200	1,500	2,000	2,500	3,000	10,200	14,211
Rest of the Americas	2,705	834	1,000	1,300	1,600	2,200	2,400	8,500	11,205
Total Americas	46,990	6,639	10,200	12,800	11,600	19,700	20,400	74,700	121,690
Germany	27,364	1,551	1,800	3,000	2,250	3,500	3,500	14,050	41,414
Spain	20,300	1,516	2,000	2,000	2,500	2,000	2,500	11,000	31,300
France	5,961	1,186	1,500	2,000	2,100	2,500	3,000	11,100	17,061
United Kingdom	5,862	1,522	1,500	2,000	2,000	2,200	3,000	10,700	16,562
Italy	5,793	948	1,200	1,500	1,250	1,500	1,500	6,950	12,743
Portugal	3,837	363	500	500	1,000	1,200	1,500	4,700	8,537
Denmark	3,805	365	100	150	550	150	250	1,200	5,005
Netherlands	2,241	15	150	150	350	1000	750	2,400	4,641
Rest of Europe	12,402	3,514	3,900	4,875	6,025	6,575	8,050	29,425	41,827
Total Europe	87,565	10,980	12,650	16,175	18,025	20,625	24,050	91,525	179,090
People's Republic of China	44,781	18,928	18,000	18,000	22,000	22,000	25,000	105,000	149,781
India	12,966	2,139	3,000	4,000	4,500	5,000	5,500	22,000	34,966
Rest of Asia	530	63	200	350	650	800	1,050	3,050	3,580
Total Asia	58,277	21,130	21,200	22,350	27,150	27,800	31,550	130,050	188,327
Total OECD - Pacific	5,351	478	1,250	1,550	2,250	2,450	2,850	10,350	15,701
Rest of the World	1,338	177	700	1,000	1,450	1,900	2,500	7,550	8,888
New capacity installed per year		**39,404**	**46,000**	**53,875**	**60,475**	**72,475**	**81,350**	**314,175**	**513,695**
Aggregate installed capacity at year-end	**199,520**		**245,520**	**299,395**	**359,870**	**432,345**	**513,695**		**513,695**

Source: BTM Consult APS A Part of Navigant Consulting March 2011

The cumulative installed capacity worldwide is expected to exceed 513,695 MW by year-end 2015, or nearly triple the installed capacity at year-end 2010. The capacity installed annually worldwide is also expected to grow at a rapid pace with major disparities between regions and countries.

1.4.2.4 Main 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 that 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 15 largest wind energy operators in the world, as of December 31, 2010, are distributed as follows:

	Total installed capacity (MW)	Rank	Market share
Iberdrola Renovables (Spain)	12,136	1	6.08%
NextEra Energy Resources (United States)	8,298	2	4.16%
Longyuan Power Group (China)	6,969	3	3.49%
EDP Renovaveis (Portugal)	6,676	4	3.35%
Acciona Energy (Spain)	6,270	5	3.14%
Datang Corporation (China)	4,020	6	2.01%
E.ON Climate and Renewables (Germany)	3,567	7	1.79%
Huaneng New Energy (China)	3,522	8	1.77%
Enel Green Power (Italy)	2,654	9	1.33%
CGN Windpower (China)	2,300	10	1.15%
Shenhua Guohua Energy (China)	2,261	11	1.13%
EDF Energies Nouvelles (France)	2,247	12	1.13%
Invenergy (United States)	2,209	13	1.11%
Eurus Energy Holding (Japan)	1,983	14	0.99%
Infigen Energy (Australia)	1,898	15	0.95%
TOTAL	**67,010**		**33.59%**

Source: BTM Consult A Part of Navigant Consulting March 2011

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 Iberdrola Renovables, Acciona Energy, EDF Energies Nouvelles or EDP Renovaveis, as well as American companies such as NextEra Energy Resources (formerly FPL Energy). The arrival of large numbers of Chinese competitors, accounting for one third of the 15 largest operators worldwide, shows how important the Chinese market is, both in terms of players and installed power.

These competitors are much larger than the Company and, unlike the Company, belong to groups whose activity is not in the wind energy sector.

1.4.3 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.

1.4.3.1 International framework

Protecting the environment and reducing greenhouse gases have become political issues and several treaties dealing with environmental issues have been ratified. The United Nation's Framework Convention on Climate Change (UNFCCC) was adopted in 1992. It entered into force in 1994 and was ratified by 189 countries. Though not legally binding the treaty encourages developed countries to stabilize their greenhouse gas emissions.

The Kyoto Protocol was adopted in December 1997. The treaty entered into force in 2005. It was ratified at that time by the 184 member countries of the UNFCCC including all of the countries in which the Group is present. 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. The objectives for reductions average 5% over the period 2008-2012 compared with 1990 levels. The Protocol supports promoting electricity generated from renewable energies as one of its priorities.

Neither the Copenhagen conference nor the Cancun conference, which were held in December 2009 and in 2010, extended the Kyoto commitments. The international community is called to speak about the sustainability of existing instruments at the Durban conference in 2011.

1.4.3.2 European Community regulations

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

The Kyoto Protocol was ratified by the European Union and its member states in May 2002. The European Union, as a signatory, was assigned an objective to reduce its greenhouse gas emissions by 8% between 2008 and 2012 compared to the 1990 level.

Wishing to affirm itself as the industrialized economy that respects the environment the most, the European Union went further than the international objectives by adopting the Climate and Energy Package in December 2008. The member states are committed to reducing greenhouse gas emissions by 20% from now to 2020 compared to the 1990 level. They are also committed to raising the share of renewable energy sources to 20% of their energy consumption 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 20% by 2020 is part of the national binding objectives. This directive modifies and then repeals the provisions of the 2001/77/EC Directive on 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 energy sources 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.

1.4.3.3 National regulations

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. Facilities 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”). Each ZDE is characterized by the minimum and maximum installed capacity of facilities 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 perimeter of which depend on the wind energy potential, the ease of connection to the electricity grid, environmental 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 threshold 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.

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

- the price set out in the by-law dated June 8, 2001 applies a basic rate 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 ten years and ranges from 8.2 cts€/kWh to 2.8 cts€/kWh for the following five years. The State Council canceled this by-law on August 6, 2008. A corrective by-law entered into force on December 29, 2008 (with no retroactive effect). It sets the base rate of 8.36 cts€/kWh for the first 10 years and ranges from 8.36 cts€/kWh to 2.85 cts€/kWh for 5 years depending on the number of production hours on the farm.

The rate is subject to an initial annual indexation in order to set the contract's starting level and corresponds to the year the purchase agreement was requested. The applicable rate for the first ten years has changed since 2008, as follows:

- 2008: 8.36 cts€/kWh
- 2009: 8.61 cts€/kWh
- 2010: 8.16 cts€/kWh (this decline is explained by the plunge of the economic indices as a result of the financial crisis)
- 2011: 8.19 cts€/kWh

The rate is then indexed for the first ten years of the farm's operation. For the following five years, the base rate will be adjusted as a function of the number of production hours on the farm calculated by dividing the production by the installed power.

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 grid, purchase contract, agreement for drawing electricity).

However, the law providing for "a national commitment for the environment" known as Grenelle 2, which enforces a part of the Grenelle Environmental commitments, promulgated on July 12, 2010, modifies this plan. The new Article 34 creates a group of obligations to follow in building new wind power plants in France. The main changes are the following:

- the location of the windmills will be subject to a permit pursuant to the facilities classified for environmental protection policy ("ICPE");
- regional plans for wind energy will have to be created. These plans will determine which territories have the best zones. This means zones where there are wind sources, zones which are acceptable to the population and lastly those which include areas to be preserved. These plans will be drawn up by the regional councils after consultation with the general counsels and all of the members who make up the economic and social fabric of a territory. A deadline was set for December 31, 2011 for their completion;
- production units will have to be determined within the wind power development zones for which a minimal threshold of five windmills per farm has been set. This is to solve the problem of integration into the landscape and the fights against urban sprawl; and
- a minimum distance threshold from the wind facilities to housing has been introduced. From now on, any wind installation must be located at least 500 meters from urban residential areas.

Legislation in Italy

Building and operating permits

The construction and operation of power plants using renewable energy sources are subject to a unique authorization (*Autorizzazione Unica)*, 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, license or opinion under the relevant regulations. The *Autorizzazione Unica* 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 90 days, subject to the time necessary for the issuance of the applicable environmental approvals. Nevertheless, in case of unjustified delays by the region, the promoter may file a claim before the competent Administrative Court to obtain a ruling 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 ("GME"), 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 the 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 six regional zones and the exchange prices are established by means of the supply and demand existing for each one of these zones. In some regions where the infrastructure is less developed than elsewhere, the relationship between supply and demand favors producers. On February 15, 2011 the price of wind per megawatt hour ranged from €61.58 in the southern region to €86.23 in Sicily.

Green certificates

The Bersani 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%, this quota rose to 5.35% in 2010 and 6.05% in 2011.

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, facilities 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 electronic exchange managed by the GME. 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 at a price equal to the difference between €180/MWh and the annual average price for electricity the previous year. For 2011, this price is €113/MWh based on an average national selling price for electricity of €66.90 (the "Reference Price").

In a market where supply exceeds demand, the GSE is obligated to buy back the green certificates at the producers' request. Their validity expires the year of the request at a price equal to the average of the prices for green certificates traded on the market over the past three years (€87.30/MWh for 2011). The procedures for calculating the applicable buyback price starting in 2012 were recently changed. The GSE will be required to buy back green certificates at 78% of the Reference Price. If these new procedures for computing were applicable today, the buyback price would be €88.14/MWh instead of €87.30/MWh.

Legislative decree 28/2011 published on March 28, 2011 stipulates that starting January 1, 2016, fossil energy producers will no longer be held to any obligation with respect to injecting a certain quota of renewable energy into the system or alternatively purchasing green certificates, thereby ending the incentive program for green certificates beginning in 2016.

The decree institutes a different system by which the wind farms are commissioned before or after December 31, 2012.

For those wind farms commissioned before December 31, 2012, the system of green certificates as described above is maintained until December 31, 2015. The energy produced after December 31, 2015 will carry a fixed incentive rate whose amount will be set forth in an application decree to be issued in the end of 2011 ("Fixed Rate"). The decree of March 2011 however specifies that henceforth the Fixed Rate must be such as to guarantee a return on the investments made.

For wind farms commissioned after December 31, 2012, the new decree stipulates instituting (i) the Fixed Rate for wind farms with a nominal power below a threshold that will be set by an application decree and, for wind farms with higher power, (ii) an incentive rate set by an auction schemes.

The decree specifies that the new auction scheme to be set up under the application decree must be adopted late in the end of 2011 and must meet the following criteria:

- the rate determined by the auction must ensure a fair return on the investment and operating costs;
- the incentive period must equal the average lifespan of the type of wind farms under consideration as a function of the renewable energy source; and
- the rate will be formalized in a contract entered into by the GSE and the producer.

The rate may factor in the economic value of the energy produced.

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. After the first year, this rate decreases by 1% per annum for the new facilities connected to the grid as opposed to 2% before. Hence the rate at January 1, 2010 was 9.108cts€/KWh. Specific provisions also exist in favor of the projects for repowering 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.

Legislation in Brazil

In 2002, the Brazilian government launched the ProInfa program for promoting renewable energies of all types including wind and especially hydro-electric with the objective of achieving 1,100 MW of wind capacity installed by year-end 2006. Not attained, this objective was postponed to 1,400 MW for year-end 2008. The program set a price to buy back electricity, guaranteed over 20 years and calculated in terms of the special factors of each wind 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 ten years.

The Brazilian government launched two more calls for tenders on August 25 and 26, 2010, which will give an idea as to the potential for the Brazilian market. Indeed, the LER call for tenders in 2010 enabled Brazil to award 528 MW of wind energy projects with an average buyback rate of €49/MWh (with an exchange rate of BRL 0.4/€); the LFA 2010 call for tenders awarded 1,520 MW of projects implementing different renewable energy sources like biomass and wind at an average buyback rate of €54/MWh.

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 Morocco

The electricity sector in Morocco is controlled by a single operator, the ONE ("Office National de l'Electricité"). While production can be conferred to private operators, the ONE retains the monopoly for the transport as well as the sale of electricity.

With respect to renewable energy, Morocco aims to achieve an objective for renewable energies of 42% of its energy resources by 2020, of which 2,000 MW are integrated in the Moroccan solar plan and 2,000 MW in the integrated wind program.

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

- calls for tenders: the 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 20-year term with a guaranteed repurchase price; and
- in addition, law 13-09 was adopted on March 12, 2009 by the government and approved early 2010 by the Parliament. This program's objective is to promote renewable energies, marketing them and exporting them to the European Union through public or private entities. It should be noted that an operator can produce the electricity on behalf of a consumer or a group of consumers hooked into the electrical grid.

It provides for a 25-year authorization program for wind farm facilities with a total power above or equal to 2 MW, which are located in the foreseen development zones provided.

Currently over 2,000 MW of projects are identified, of which 280 MW are in operation or on their way to commissioning and 1,720 MW are in development as follows:

- the 300 MW Tarfaya wind project should be commissioned sometime in 2012;
- 420 MW of wind projects under development by the private sector under law 13-09 on renewable energy; and
- a 1,000 MW integrated complementary wind program.

The 300 MW project that THEOLIA and the ONE wish to develop together (see Section 1.4.1.4 of this Registration Document) is part of this integrated complementary wind program.

1.4.4 The Group's activities in the non-wind sector

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

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

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

Equity interests sold or dissolved

SAPE, SAEE and CS2M

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

Nemeau

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

Partenaires Environnement

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

THEOLIA Participations

On June 30, 2011, THEOLIA, sole shareholder of THEOLIA Participations, decided to dissolve the company without liquidation pursuant to Article 1844-5 Section 3 of the French Civil code. The transfer of the patrimony of THEOLIA Participations to the benefit of THEOLIA has been completed since August 19, 2011.

Equity interests being sold or restructured before disposal

France Environmental Unit

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

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

ecolutions GmbH & Co. KGaA

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

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

THEOLIA believes that this structure does not allow for value creation through growth for the company's shareholders. In order to remedy this situation, THEOLIA wants to apply rules of good governance to manage the company and develop its plans under a strategy approved by the shareholders. THEOLIA does not exclude disposing of its equity stake depending on how the situation develops and on market conditions.

Solar power station in Germany

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

1.4.5 Strategy

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

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

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

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

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

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

Strengthening geographical positions

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

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

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

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

The success of THEOLIA's financial restructuring allowed it to reduce the pace of disposals of wind farms and projects starting in the second half of 2010. The Group wants to maintain this direction and thus increase the share of recurring business from the sale of electricity for its own account.

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

Improving operational performance

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

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

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

Implementing a strategy of co-investment

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

To speed up its medium and long-term expansion, and in particular to have the necessary equity to carry out the projects now in the preliminary development phases, the Group implemented a strategy of co-investment with the creation in August 2011 of an investment vehicle specifically dedicated to a portion of its projects.

Wind projects will be acquired by the vehicle from THEOLIA, which will be in charge of the development, construction and operation of the farms for their life span. THEOLIA will receive compensation for each of these tasks.

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

IWB Industrielle Werke Basel ("IWB"), electricity producer and distributor in Switzerland, is the first partner to join the vehicle with an interest of 30%. At the creation, THEOLIA will hold 70% of THEOLIA Utilities Investment Company and its target is to hold a 40% interest at the end. Discussions are ongoing with other utilities willing to join the vehicle.

At the date this Registration Document is published, the investment vehicle has been incorporated but has not yet invested in a wind project.

Divestment of non strategic activities

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

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

As of July 31, 2011, the last non-wind assets were:

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

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

For additional information, please refer to Section 1.4.4 of this Registration Document.

1.5 RESEARCH AND DEVELOPMENT

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

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

As of December 31, 2010, research and development costs capitalized by this subsidiary totaled €279,534 as against €474,742 at December 31, 2009. As a result, the company incurs research expenses which go mainly towards the design of new devices to measure water and air quality and to control it.

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

1.6 EMPLOYEE INFORMATION

1.6.1 Group employees

The Group headcount includes the employees of all of the companies included in the scope of consolidation. On July 31, 2011, the Group had a total of 244 employees. For information on the executive management, see Section 2 of this Registration Document.

The Group headcount over the last three years and by geographical area is as follows:

	07/31/2011	12/31/2010	12/31/2009
France	153	155	164
Germany	45	50	55
Other countries	46	50	51
TOTAL	**244**	**255**	**270**

Of the total 244 employees, 167 worked in wind activities and 77 in non-wind activities.

The main changes are the following:

- THEOLIA Naturenergien:
  - As part of the Group's cost control policy, five employees who left were not replaced (an administrative assistant, two developers, a project manager, a head of wind studies).
- THEOLIA Emerging Markets (Morocco):
  - an operation engineer and a maintenance technician who are no longer in the workforce of the Group have not been replaced.
- THEOLIA Brazil:
  - a project manager who left the Group has not been replaced.
- THEOLIA France:
  - the Chief Financial Officer, who resigned, has not been replaced. The position is temporarily covered by the headquarters' Finance Department.
  - the Head of Legal, who resigned, shall be replaced in October.
- Environmental Unit:
  - No new recruitment (permanent contracts) took place within Seres Environnement in 2010 and 2011. The storekeeper position has not been replaced further to the departure of the concerned employee. Only two apprentices were hired in September 2010;
  - A sorting agent, dismissed in 2010, was rehired in 2011.

1.6.2 Employee compensation

In each country in which it operates, the Group places a great deal of importance on ensuring that employee compensation is proportional to the employee's expertise, training, level of responsibility and performance and that it complies with local employment laws.

- Wages:
  - wages and payroll expenses amounted to €10,180 thousand in 2010 and to €5,026 thousand for the first half of 2011. The calculation method has been changed and no longer factors in executive management's compensation (for the compensation of the executive management, see Section 2 of this Registration Document);
- Variable compensation
  - the Group's compensation policy is designed to motivate employees, foster their loyalty and attract new talent. Some positions are paid both a fixed and variable component to reward the achievement of targets;
- Fostering loyalty:
  - in the past, certain employees were awarded free share allocations. One employee was allocated free shares in 2010 (30,000 shares) after a review of their attribution in 2009. As this employee left the company in 2010, this share award was not completed;
  - over the course of 2010, no share subscription warrants "BSA" were granted to employees and no share subscription warrants were exercised by them;

- for 2011 the Company implemented a stock option plan in favor of certain employees in order to motivate them and allow them to participate in the Group's future development and profits. 810,000 stock options were allocated to seven employees;
- employees own less than 1% of the Group's share capital (according to the Euronext - IAS index).

- Profit sharing agreements:
  - a new profit-sharing agreement was negotiated with the personnel representatives in 2011. Its main themes are economic performance and quality of the processes/respect of deadlines.

1.6.3 Human resources policy

The Company's objective in this domain is to apply an integrated human resources policy to promote professional development for all employees and mobility between the Group business lines.

The Group promotes professional equality and non-discrimination in the organization of recruitment, career management and career development, in accordance with applicable regulations of each country in which it operates.

1.6.4 Organization of work

As regards the organization of working hours, the legal maximum 35-hour work week applies to all of the French subsidiaries, with a variation in contract terms as follows:

- 35-hour working week contracts;
- 39-hour working week contracts, i.e. 35 hours plus an additional 4 hours per week;
- fixed 218-day contracts with additional rest days as per the *Convention Collective Nationale des Cadres de la Métallurgie* (the national collective agreement for executives in the metallurgical industry) and the Convention Collective Syntec (Syntec Collective Agreement); and
- contracts with no limit on the number of working hours applicable to senior executives.

Some employees have opted for part-time contracts where they work four out of five days in the week.

The level of recurrent absenteeism is very low, demonstrating the commitment of the employees. Overtime is available only in the context of the 39-hour working week contract.

1.6.5 Recruitment policy

The Group has had no difficulty recruiting. The recruitment policy in place aims to find people with the technical skills and professional qualities suited for the Group's ambitions and challenges.

No difficulty is encountered in finding new talent. Job opportunities are posted on the Group website and/or on its subsidiaries' websites, and disseminated through external advertising or through recruitment agencies. Each candidate is assessed and their details are stored in a résumé bank. This active recruitment policy means that profile searches can be made even before vacancies are advertised. Recruitment has nevertheless slowed down due to the staff cutting plan implemented at the end of 2008 and due to the Group's cost cutting policy.

1.6.6 Training

All of the Group companies make use of the legally regulated funds designated for ongoing occupational training. This essentially concerns technical, language and managerial training. In 2011, a particular emphasis was placed on English training so that all of the employees could converse with employees of the foreign subsidiaries, in order to promote horizontal integration and the notion of an integrated Group by removing the language barrier.

1.6.7 Employee relations

In France, employee relations are accorded a high level of importance with open and active dialogue. The Group encourages direct dialogue between the management and its employees.

1.6.8 Occupational safety and health

French subsidiaries that employ more than 50 employees must have a designated Health, Safety and Working Conditions Committee (CHSCT). In the other French units, personnel representatives work on tasks assigned to members of the CHSCT. These bodies are consulted under the conditions stipulated by legal provisions and at any other time they are needed.

1.6.9 Employment and integration of disabled workers

The practices of the French subsidiaries in this regard are as follows:

- THEOLIA SA:
  - As it exceeded the threshold of 20 employees in 2008, the Company is still in its three-year compliance period. Any recruitment plans in 2011 will include disabled workers. In this regard, the Company works with ESAT, a French organization for the social and professional integration of disabled persons.
- Environmental Unit:
  - Seres Environnement fulfilled its obligation to open three vacancies for disabled workers,
  - Ecoval 30 integrates three disabled workers out of a total headcount of 23 (13%), which is well above the legal requirement of 6%. Specific assistance with training and facilities is obtained from the public body AGEFIPH to facilitate the integration of disabled employees;
- THEOLIA France:
  - The Company has until now fulfilled all of its requirements concerning the contribution to the employment of disabled workers. In 2011, its recruitment policy will favor hiring disabled workers.

1.7 PROPERTY, PLANT AND EQUIPMENT

1.7.1 The Group's property, plant and equipment

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

1.7.2 Environmental constraints which could influence the Group's use of its fixed assets

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.

Legislative developments following the commitments made at the *Grenelle de l'environnement* convention changed the rules that apply to building new wind power plants in France by strengthening the obligations for environmental protection.

1.8 ENVIRONMENTAL INFORMATION

When building permits are awarded for wind turbine projects, THEOLIA assesses the environmental consequences of all of its activities in strict compliance with the relevant legal and regulatory standards.

Each wind turbine project requires that various studies be carried out to assess the impact on the local environment: these studies relate to among others acoustics, the landscape, proximity to housing, impact on the flora and fauna. The goal is to ensure that the turbines are integrated as successfully as possible in the local environment in cooperation with the local authorities and the local population.

Significant technological progress has been made in the area of wind turbine equipment in recent years, notably leading to a significant reduction in noise levels. Turbine manufacturers are also working on improving the design and color of the equipment to improve visual aspects.

Specific environmental measures are also being studied, such as the monitoring of the impact on birds, the protection of natural areas close to construction sites, the rehabilitation of the natural environment, ecological programs for regional parks, etc.

Lastly, from the outset of each wind turbine project, THEOLIA ensures that technical and financial resources are earmarked for the rehabilitation of the site at the end of operations in accordance with the regulations in force.

THEOLIA Group plans to become a key player in the area of sustainable development. As of December 31, 2010, the Group produced approximately 1,280 GWh of "green" electricity, enough to meet the annual electricity needs of approximately 512,000 homes (excluding heating) and avoid the emission of 567,000 tons of CO_2.

THEOLIA operates mindful of a set of values that are shared by all of its employees. The Group's initiative complies with rules of conduct drawn up on the basis of the ethical principles on which it was founded. Recently, THEOLIA implemented a Code of Ethics which requires that each employee and each manager apply rules of good practice in the fulfillment of their functions.

1.9 MAIN GROUP RISK FACTORS

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

1.9.1 Risks related to the Group's activities

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

As of June 30, 2011, the Group's net consolidated financial debt reached €231 million, compared to €238 million as of December 31, 2010, and broke down as follows:

(in thousands of euros)	**06/30/2011**	**12/31/2010**
Financial debt	(214,339)	(222,123)
of which project financing	*(214,339)*	*(210,497)*
Convertible bond	(97,580)	(117,506)
Other financial liabilities	(7,746)	(8,478)
Current financial assets	402	106
Cash and cash equivalents	88,713	110,431
Net financial debt	**(230,550)**	**(237,570)**

As of June 30, 2011, financial debt was mainly made of project financing, the corporate credit line having been fully paid back in the course of the first half of 2011.

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

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

The below information was not published as of June 30, 2011.

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

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

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

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

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

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

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

- for the wind farms operated in France by Centrale Eolienne de Seglien Ar Tri Milin (CESAM) and Centrale Eolienne de Fonds de Fresnes (CEFF), representing a total bank debt of approximately €17 million, the minimum debt service coverage ratio was not respected due to the exceptionally weak wind conditions in 2010. This default with respect to the financing documentation was the subject of a waiver obtained on March 25, 2011;
- for the wind farm operated in France by Centrale Eolienne des Sablons (CESA) which represents a bank debt of approximately €9.9 million, the minimum debt service coverage ratio was not respected due to the exceptionally week wind conditions in 2010. This default with respect to the financing documentation was the subject of a waiver obtained on March 25, 2011;
- for all of the wind farms located in France, with the exception of Corseol, insurance policies (machine breakage, operating loss and civil liability) were optimized and amended without the prior agreement of the lenders. The amount of the bank debt associated with these projects represents around €64.7 million. This case of default under the financing documentation received a waiver on October 31, 2010 for financing representing around €17 million. Waivers are now being obtained for the remainder based on experts' reports ordered for the banks indicating that the new policies are in compliance with the credit documentation. None of the debts has been, as of the date of the financial accounts, the subject of a notice of default;
- for the wind farms operated in France by Centrale Eolienne du Moulin de Froidure (CEMDF) and Centrale Eolienne de Sallen (CESAL), which represent a total bank debt of approximately €23 million, the minimum service coverage ratio was not met as a result of the exceptionally weak wind conditions in 2010. The lenders (Société Générale and GE Corporate Finance Bank at 50% each) were asked at the beginning of January 2011 to waive this case of default and to amend the documentation in order to raise the level of default ratio to be in line with the market (1.25x in the documentation for the market levels of approximately 1.10x). Société Générale indicated its agreement with the request for a waiver on the condition of a waiver fee of 50 bps and satisfactory documentation concerning the changes to be made by rider. The Group had accepted these terms. On March 25, 2011, GE Corporate Finance Bank announced an additional request to increase the margin to 200 bps from 100 bps as contained in the current documentation. The Group finds these terms unreasonable and has so informed the lenders. Therefore, there is no waiver for this case of default. In any event, a demand to pay these loans early can be issued only by decision of a two thirds majority of the lenders.

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

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

An update of these covenants as of June 31, 2011 can be read in Section 4.1.2 of this Registration Document (see note 18 of the consolidated half-year summary financial statements).

1.9.1.3 The Group has already encountered difficulties completing certain asset disposals within the expected time limits and conditions. Given the decrease in the pace of disposals, the Group is significantly less impacted.

The Group did not sell any wind farm in the course of the first half of 2011. The sale of a wind farm can be subject to contingencies linked to obtaining financing by the buyer. Taking the financial crisis into account, the financing capabilities of certain purchasers has been considerably challenged. Accordingly, in 2008, the Group had to cancel two sales concluded at the end of 2007 on account of the purchasers' inability to obtain their financing.

Moreover, the Group is disposing of non-wind assets.

The Group may have to deal with other difficulties in order to complete the planned disposals of assets. Fluctuations in asset valuation, competition with other wind developers for the sale of farms or difficulties related to the purchaser audits could cause sales to be delayed or cancelled. The delay or cancellation of the sale of several assets could have a markedly adverse effect on the Group's business, financial position and its cash available to finance its working capital requirements and future development. Since the success of its financial restructuring, the Group has significantly reduced the pace of its disposals and is thus less exposed to the risk of uncompleted sales.

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

As of July 31, 2011:

- 2,062,106 share subscription warrants ("BSA") are in circulation enabling the issuance of 2,355,504 new Company shares; it is further noted that since December 31, 2010, 1,500,000 BSA matured on January 3, 2011;
- 535,000 free shares were allocated enabling in the future the maximum issuance of 535,000 new Company shares; it is further noted that since December 31, 2010, 1,197,704 free shares were cancelled following signature of an agreement dated March 11, 2011 in connection with the departures of Marc van't Noordende and Olivier Dubois and 44,407 free shares were definitively acquired and thus created;
- 8,459,406 OCEANEs are in circulation permitting, in the event of conversion, with a parity of 8.64 shares per OCEANE, the maximum issuance of 73,089,268 new Company shares; it is further noted that since December 31, 2010, 1,976,986 OCEANEs were converted resulting in the creation of 17,081,158 new shares; and
- 2,310,000 stock options were allocated under satisfaction of performance criteria, enabling the maximum issuance of 2,310,000 new Company shares.

It is further noted that out of the 2,062,106 stock warrants in circulation, 1,962,106 (or 95%) have an exercise price higher than or equal to €12.174.

In addition, the stock warrants contain attribution criteria that are linked to the evolution of the share price.

The Company expects that significant dilution would come mainly from the conversion of the OCEANEs.

As of July 31, 2011, if all securities granting access to capital had been exercised, a shareholder holding 1% of share capital before their exercise would have held 0.61% of THEOLIA capital after their exercise:

	Number of shares	**Investment stake of a shareholder with 1% of capital**
Situation at 07/31/2011	127,418,347	1.00%
Situation after exercise of the 2,062,106 stock warrants in circulation (2,355,504 potential new shares)	129,773,851	0.98%
Situation after conversion of the 8,459,406 OCEANEs (73,089,268 potential new shares)	202,863,119	0.62%
Situation after issue of the 2,310,000 stock options	205,173,119	0.62%
Situation after effective acquisition of 535,000 allocated free shares	205,708,119	0.61%

As of July 31, 2011, the maximum number of Company shares that can be created is 78,289,772.

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

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

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

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

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

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

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

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

- the risk related to the turbine supply price: in the context of increased demand related to the growth of the market and taking into consideration the limited number of suppliers, the price of the equipment necessary for the construction of a wind farm has risen significantly over the past few years. Depending on future developments in the market, a risk of price inflation for these components persists. An increase in the price of turbines could harm the profitability of some developing wind projects. Nevertheless, as of the date of this Registration Document, this risk has not led to an actual significant price increase;

- the risk related to the availability of necessary equipment: based on the market demand observed, certain suppliers might no longer be in a position to respond to the Group's needs or to favor the most financially powerful market participants. No guarantees can be given as to whether the main suppliers of the Group will be able to meet their commitments within the time limits agreed or if the Group will not experience delays in delivery.

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

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

The wind industry is based on a strong demand for investments. The Group's success depends largely on its capacity to develop its portfolio, which requires sizeable investments. The main investments realized during the fiscal year ended on December 31, 2010 and during the first half of 2011 are related to continued investments in wind projects underway. For the fiscal year ended on December 31, 2010, the Group has disposed wind projects for a total of €107 million. The Group did not sell any wind farm in the course of the first half of 2011.

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

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

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

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

For more information on the current Group debt, see Section 3.5.3 of this Registration Document.

1.9.1.8 The Group's revenue from sales of wind farms could drop as a result of the implementation of the new co-investment strategy.

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

Thus, the Group realized revenue of €27.4 million for the first half of 2011, compared to 154.5 million as of December 31, 2010 and to €294.4 million as of December 31, 2009.

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

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

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

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

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

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

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

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

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

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

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

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

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

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 more of the Group's partners could negatively impact the Group's projects and also have an adverse effect on the Group's business, financial position or operating income, or its capacity to achieve its objectives.

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

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

Pursuant to the initial agreements approved, the ONE can, at any time on or after August 30, 2010, end the energy supply and purchasing agreement in return for the payment of compensation. This indemnity would be around USD 20.2 million, an estimate based on the Moroccan dirham's exchange rate with the US dollar as of December 31, 2010, if ONE exercises its option to rescind before the end of August 2011. This sum will decline over the years in 12-month sliding scales under the contract's terms.

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

The termination of the contract by the ONE could have a marked adverse effect on the Group's business, financial position or operating income. In view of the signature on May 31, 2011 of an agreement between THEOLIA and ONE to develop and complete a wind farm of 300 MW in Morocco (see Section 3.13.1.3 of this Registration Document), the termination risk is reduced.

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

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

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

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

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

12/31//2010	Financial assets (as per asset-liability presentation)		Financial liabilities		Net exposure before hedging		Interest rate hedge instruments		Net exposure after hedging	
	Fixed rate	Variable rate	Fixed rate	Variable rate	Fixed rate	Variable rate	Fixed rate	Variable rate	Fixed rate	Variable rate
Under one year	106	-	25,820	69,154	25,714	69,154	-	5,956	69,989	19,028
Between one and five years	2,384	-	163,676	15,496	161,292	15,496	-	-	174,484	4,688
Over five years	6,380	2,233	39,818	34,142	33,438	31,909	-	-	59,051	14,910
TOTAL	**8,870**	**2,233**	**229,314**	**118,792**	**220,444**	**116,559**	**0**	**5,956**	**303,524**	**38,626**

As of June 30, 2011, the Group has an indebtedness of €320 million of which 34% of variable rate before interest rate hedging and 9% after interest rate hedging.

An update of the financial debt of the Group as of June 30, 2011 can be read in Section 4.1.2 of this Registration Document (see note 16 of the consolidated half-year summary financial statements as of June 30, 2011).

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

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

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

- problems or delays in obtaining the required permits and authorizations;
- defective infrastructures, which could affect the construction of wind farms or the transmission and distribution of the electricity produced;
- problems related to the hiring and management of the necessary employees in these various countries;
- political, social or economic instability, terrorism, or wars;
- problems in guaranteeing observance of the Group's rights;
- interventionist policies from public authorities;
- cultural differences that may limit the Group's capacity to contend with its local competitors and international companies with greater experience in terms of setting up in emerging markets;
- exchange rate risks due to the registration of assets and liabilities in foreign currencies;
- legal and/or fiscal constraints to repatriating the profits generated in other countries;
- longer payment delays and problems in collecting the amounts owed; and
- the risk that accounting, audit and financial information standards do not always correspond to IFRS and are not equivalent to those applicable in most developed market economies.

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

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

The Group is exposed to a risk of litigation with its clients, suppliers, employees and any third party claiming damages with respect to health, the environment, safety or operations, hazards, negligence, or non-observance of a contractual, regulatory or legal obligation that may have a marked adverse effect on the Group's business, financial position and revenue. In the consolidated financial statements as of June 30, 2011, the Group set aside an overall amount of approximately €4.6 million for litigations.

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

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

1.9.1.18 If the Group's subsidiaries should default on certain obligations guaranteed by the Company under off-balance sheet commitments, counterparties could request that the Company honor these commitments.

As of December 31, 2010, the total of off-balance sheet commitments calculated came to €77.4 million and to €80.3 million as of June 30, 2011.

As part of its activities, the Group grants certain off-balance sheet commitments to obtain financing and support its direct and indirect subsidiaries. The main off-balance sheet commitments are described in Section 3.7 above. By granting guarantees to cover certain commitments of its subsidiaries, the Group could be forced to reimburse the lenders of certain financing projects or pay the amounts owed to commercial creditors (such as equipment suppliers) or clients should a wind project not manage to be successful or a wind farm become insolvent. In this case, the creditors could exercise the security or the guarantee granted by the Group. The corresponding payments made by the Group could have a marked adverse effect on its cash flow, financial position or results.

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

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

The Group has implemented a coverage policy for the main risks related to its activities that may be insured, subject to the usual exemptions or exclusions imposed by the market. In this regard, during 2010, the Group paid €1,379 thousand in insurance premiums, compared to €1,580 thousand in 2009.

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

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

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

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

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

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

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

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

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

1.9.1.20 The Group may not be able to protect its intellectual or industrial property rights

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

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

1.9.1.21 The German subsidiary THEOLIA Naturenergien holds a considerable receivable from its clients. The determination of THEOLIA Naturenergien's liability at the time of the sale of wind generators could have a negative effect on the cash flow, financial situation, and the results of the Group.

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

THEOLIA Naturenergien is currently pursuing the recovery of the overpayments to certain clients. In certain cases, THEOLIA Naturenergien has been obliged to undertake legal procedures against reticent clients. To date, the courts have confirmed the validity of the actions initiated by the Group.

Nonetheless, within the framework this litigation, certain clients have sought compensation in return for the reimbursement request and claimed entitlement to damages and interests that would be due to them owing to the supposedly fraudulent actions undertaken by a former sole shareholder and the former CEO, as well as by a former associated company which had exclusivity on the turbine sales in question.

These litigations are ongoing and as such it cannot be ruled out that - depending on the facts and circumstances of each case - it may become evident that fraudulent dealings were committed in certain cases under the responsibility of the former sole shareholder and the former CEO of THEOLIA Naturenergien.

The validity of the various demands from these clients depends primarily on the facts and circumstances specific too each wind turbine sale. As a result, insofar as it is impossible to rule out the possibility that fraudulent dealings were committed in the past with regard to certain sales, it is not possible to reasonably measure the risk associated with the clients' claims for damages and interest. THEOLIA Naturenergien is analyzing and closely following these different procedures and is undertaking claims toward the former exclusive partner and the former CEO as well as the former associated companies in order to prepare its eventual demands.

1.9.1.22 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.

1.9.2 Risks related to the wind sector

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

The Group operates, for itself and third parties, wind farms that produce electricity. As of June 30, 2011, the revenue from the sale of electricity for its own account represented 79.6% of consolidated revenue and revenue from the operating activity for third parties represented 10.9% of consolidated revenue.

The profitability of a wind farm depends not only on the wind conditions observed onsite, but also the consistency between the wind conditions observed and the forecasts made during the project development phase. Prior 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 the weather conditions observed, in particular the wind conditions, will comply with the assumptions used during the wind project development phase.

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

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

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

The Group is particularly exposed to this risk due to the relative lack of geographical diversification of its wind farms compared with other sector participants and due to a greater dependence in relation to the French and German wind markets in particular. For instance, during 2010, poor wind conditions and bad winter weather in France and in Germany resulted in a reduction of sales from electricity for its own account and for third parties, which led to the non-observance of the financial covenants in France (see Section 1.9.1.2 above).

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

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

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

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

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

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

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

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

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

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

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

On December 31, 2010, in its project portfolio the Group had 352 MW of projects in development, 343 MW of projects for which a permit or equivalent authorization had been filed and are under review, as well as five projects for 126 MW having obtained a permit, two of which in France for 27 MW definitively authorized and purged of all claims, and three projects in Italy for 99 MW purged of all claims.

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

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

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

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

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

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

1.9.2.5 In view of regulatory changes, the Group may face significant expenses linked to a violation of legal and regulatory requirements regarding the environment, health and safety.

The Group pursues its quality based approach to limit as much as possible the impact on the environment and people, in accordance with the regulations in force and which are constantly evolving.

However, the Group operates energy production sites, which are likely to present hindrances or hazards for the surrounding area, fauna and flora and more generally the surrounding natural habitat (e.g., open agricultural, forest and maritime spaces). These sites could also be the source of injuries, industrial accidents and harm to health and the environment. For instance, the blade of a wind turbine could break and fall to the ground.

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

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

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

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

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

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

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

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

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

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

As of June 30, 2011, the sale of electricity from wind farms operated for own account by the Group represented 79.6% of consolidated revenue and revenue from the Operation activity accounted for 10.9% of gross consolidated revenue. In addition, the revenue from Development, construction, sale activity represented 6.4% of consolidated revenue on June 30, 2011. Group revenue from the sale of electricity produced by its wind farms, as well as the sale of wind farms, depend in particular on the price at which electricity can be sold. Depending on the country, sale prices are established, either in whole or in part, by regulatory authorities in the form of guaranteed rates, or by the market. When prices are established in the form of guaranteed rates, sales are usually governed by long-term agreements. Fixing rates may result in administrative challenges or judicial proceedings that may delay the application of modified rates or cause them to be cancelled. In France, in 2001 and 2006, the Commission for Energy Regulation published opinions unfavorable to rates for electricity generated from wind, stating that these rates were bringing undue income to producers. These opinions were merely consultative in nature and did not prevent the entry into force of the rates in question.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A strengthening of regulations or their implementation could lead to new restrictions on the Group’s activities that are likely to increase its investment expenses or its compliance costs (for instance the implementation of procedures or controls and of additional monitoring), or even extend the development deadlines for its projects (see in particular Section 1.9.2.4 as regards the “Grenelle II” bill in France).

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

1.10 LEGAL AND ARBITRAL PROCEEDINGS

1.10.1 Litigation with Jean-Marie Santander

As part of the Board of directors' review of the Group's business, the Company identified certain management decisions taken by Jean-Marie Santander which the Board considers do not comply with its corporate purpose, in particular certain decisions relating to the Moroccan subsidiary, Theolia Emerging Markets ("TEM"). The Company and TEM initiated two civil proceedings; one in France and the other in Morocco, and criminal proceedings in France against Jean-Marie Santander and certain parties related to him, under the conditions described below.

On March 13, 2009, the Company filed a civil claim with the Commercial Court of Marseille against Jean-Marie Santander (and the companies Athanor Equities and Global Ecopower). The Company claimed a total of €5.95 million from Jean-Marie Santander and the companies Athanor Equities and Global Ecopower in relation to damages that it considers it has suffered. The claim alleged that Jean-Marie Santander (a) established and operated a group that competed with the Company while he was still managing the Company, (b) used and recruited Company employees, (c) committed parasitic competitive acts to the detriment of the Company, notably through the use of the image and reputation of the Company, (d) committed acts in competition with Global Ecopower as accomplice in the wind sector and (e) had a fine imposed on him by the AMF following their decision of October 1, 2009. Jean-Marie Santander has filed a counterclaim in relation to these proceedings, in which he sought an allocation of 100,000 free shares in the Company. These proceedings led to the Commercial Court of Marseille ruling on February 21, 2011 that Jean-Marie Santander should pay the Company €450,000 for breaching the non-compete clause binding him and the sum of €2,000 on the basis of the provisions in Article 700 of the Code of Civil Procedure (*Code de procédure civile*). In addition, Jean-Marie Santander's counterclaim seeking an allocation of free shares was dismissed. The parties appealed this ruling. The first hearing date for the appeal has not been set at the publication date of the present Registration Document.

In addition, on April 22, 2009 TEM brought an action against Jean-Marie Santander in the Commercial Court of Casablanca for the repayment of MAD 1,300,000 (MAD 1 = €0.0884649 as of March 25, 2011, i.e. approximately €115,004.37), which corresponds to the compensation that the Company considers to have been improperly received by Jean-Marie Santander when he was Chairman and Managing Director of TEM. TEM also requested Mr. Santander reimburse 2,000,000 MAD (i.e. €176,929.80) excluding taxes, paid to Faracha (a Luxembourg company of which Jean-Marie Santander is the sole director) given the absence of a tangible service provided by Faracha to TEM.

Finally, on December 29, 2009, the Company and TEM filed a criminal complaint with the Public Prosecutor of the Court of first instance of Marseille against Jean-Marie Santander. This complaint, which is still being investigated, exposes acts liable to be qualified as misappropriation of funds, abuse of power and breach of trust. Initially set for May 25, 2011, the correctional hearing was postponed to February 1, 2012 upon the defense's request.

As a reminder, Jean-Marie Santander disputed the complaints mentioned above and, on April 21, 2009, in his capacity as a shareholder of the Company, brought a derivative (*action ut singuli*) claim against certain directors (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 (Marc van't Noordende). This claim sought to order these directors jointly and severally:

- to reimburse the Company for any sums the Commercial Court of Marseille may order it to pay as damages: to Jean-Marie 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 Jean-Marie 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.

These proceedings gave rise to a hearing on February 7, 2011, before the Commercial Court of Marseille. During this hearing, Jean-Marie Santander indicated that he was withdrawing from his proceedings and action. This withdrawal was accepted by the defendant parties and led to a judgment on February 21, 2011 pronouncing the termination of Jean-Marie Santander's action as well as the termination of the proceedings.

Despite all the due care exercised by the Group prior to the undertaking of legal proceedings, there may exist other cases of potential breaches that may not have been identified and which could be likely to have an unfavorable impact on the Group's business, financial position and its results from operations.

No accrual was made in the framework of this dispute.

1.10.2 Litigation with Marc van't Noordende and Olivier Dubois

In February, 2010, the Board of directors dismissed Marc van't Noordende, CEO, and Olivier Dubois, Chief Operating Officer. Marc van't Noordende was also dismissed from his directorship at the General Meeting of Shareholders on March 19, 2010.

These two former managers have disputed the financial conditions and consequences of their dismissal, and filed a claim on May 11, 2010 against the Company to appear as soon as possible before the Aix-en-Provence Commercial Court. According to their summary submissions of January 30, 2011, they claimed from the Company:

- the payment of a total sum of approximately €3.02 million (plus interest) in damages for the brutal and persecutory dismissal, damages for dismissal without just cause, non-compete indemnity, variable compensation for the 2009 fiscal year and Article 700 of the Code of Civil Procedure (*Code de procédure civile*), (i.e., approximately €2.06 million for Marc van't Noordende and €0.96 million for Olivier Dubois); and
- a final allocation of 3,023,153 free shares subject to a penalty for non-compliance on December 17, 2011 (i.e. 1,406,570 shares for Marc van't Noordende and 1,007,718 shares for Olivier Dubois), after application of the anti-dilution mechanism described in Section 15.1.5 of the 2009 Registration Document.

The Company considered the dismissals that occurred on February 9, 2010 as fully justified and lacking any brutal or vexatious nature. Furthermore, the Company considered the claims pertaining to the final allocation of free shares and the implementation of an anti-dilution mechanism unfounded. It also disputed owing them their variable compensation and their non-compete indemnity.

The case had been set for a hearing on May 31, 2011.

The parties came together in order to put a final end to the disputes, past or in the future, that opposed them. An out-of-court termination settlement protocol ("Protocol") was agreed on March 11, 2011.

According to the Protocol terms, the Company made a final, global lump-sum indemnity payment as an out-of-court termination settlement to:

- Marc van't Noordende, for a total of €675,000, broken down as follows:
  - €210,000 as damages in compensation for the emotional distress and proceedings caused by his dismissal; and €465,000 for material damages (it being specified that half of this sum compensates the loss of the expatriation bonus, as provided for in the terms and conditions of his former corporate appointment);
- Olivier Dubois, for a total gross amount of €475,000, broken down as follows:
  - €210,000 as damages in compensation for the emotional distress and proceedings caused by his dismissal; and €265,000 for material damages.

In exchange for the amounts paid, Marc van't Noordende and Olivier Dubois have relinquished their claims for damages, non-compete indemnities, variable compensation for the 2009 fiscal year, allocation of free shares including the anti-dilution clause, and Article 700 of the Code of Civil Procedure (*Code de procédure civile*).

The accrual initially made in the framework of this dispute was cancelled further to the execution of the termination settlement agreement dated March 11, 2011,

Last May 31, 2011, the Aix en Provence Commercial Court acknowledged the reciprocal withdrawals and recorded its relinquishment. This litigation can therefore be considered permanently closed.

1.10.3 City of Cabriès wastewater treatment plant defects

In 2008, the Cabriès City Council instituted legal proceedings against the subsidiary in the Environmental Unit, Ecoval Technology, in relation to alleged defects that have occurred with the city's wastewater treatment plant and late-payment penalties; it requested Ecoval Technology to pay a sum of €1.5 million. An independent expert was appointed by the Marseille Administrative Court (*Tribunal Administratif de Marseille*) in order to determine liability as well as the amount of work to be planned. It submitted its expert report to the Marseille Administrative Court last May 18. A reconciliation is still in progress with the Cabriès City Council in order to seek an out-of-court settlement.

1.10.4 Administrative and criminal proceedings related to the Martignano wind farm in Italy)

Administrative proceedings

On May 23, 2007, a committee composed of eight residents of Martignano lodged an appeal with the Administrative Court of Lecce ("TAR") against the Puglia region, WindService, and NeoAnemos (subsidiary of the Company), requesting the *Autorizzazione Unica* ("Unique Authorization") granted by the Puglia region to build the Martignano wind farm be pronounced null and void. In addition, the plaintiffs requested that the TAR issue a preliminary injunction to suspend construction work on the farm during the entire period of the legal proceedings.

On May 23, 2007, the TAR issued a preliminary injunction to suspend construction work and ordered continuation of legal proceedings on the merits of the case. This preliminary measure was repealed by the State Council of Rome on appeal by NeoAnemos.

On February 5, 2008, the TAR delivered its judgment on the merits declaring the Unique Authorization null and void. The Court, contrary to NeoAnemos' opinion, considered the appeal admissible. On March 27, 2008, NeoAnemos lodged an appeal to the State Council against the TAR's decision. The Council repealed the TAR's judgment, and consequently, administratively speaking, the Unique Authorization must be considered as being fully valid and effective.

No accrual was made in the framework of this dispute.

Criminal proceedings

As part of this administrative proceeding, the Prosecutor of Lecce, approached by the plaintiffs, in turn conducted an investigation against Carlo Durante in his capacity as legal representative of NeoAnemos for having proceeded to build constructions with a view to establishing a wind farm in the city of Martignano without valid authorization.

Per the ordinance of September 21, 2009, the investigating magistrate referred this case on the merits, thereby confirming the prosecutor's petition. The trial started in December, 2010.

The Group considers, given the elements of the investigation, that the unauthorized construction offense will not be proved and an acquittal decision should most likely be pronounced.

The offense against Carlo Durante will lapse on March 6, 2012.

Considering that the trial is currently in its initial stages of its first hearing and that the Italian court system comprises three tiers of jurisdiction, we must assume that the statutory limitation period will be reached before a possible decision of conviction can become final.

Consequently, if the trial does not end with an acquittal based on the grounds prevailing in the merits, in the event that such a decision is delivered by the Court of First Instance before March 6, 2012, the trial will, in any event, end with an acquittal for statute of limitations.

No accrual was made in the framework of this dispute.

1.10.5 Disputes opposing the Company and its German Subsidiary THEOLIA Naturenergien with Willi Balz

In October 2006, the Group purchased THEOLIA Naturenergien GmbH (formerly named NATENCO GmbH), from a company owned by Willi Balz, FC Holding GmbH, which is now named Windreich AG ("Windreich").

Since 2007, THEOLIA Naturenergien has been party to a non-exclusive service agreement with Windreich for the acquisition and sale of wind farms by THEOLIA Naturenergien (given that this agreement was subject to a clause providing for exclusivity on behalf of Windreich for the 2008 fiscal year). As part of this contract, in the 2007, 2008, and 2009 fiscal years, respectively, Windreich received approximately €6.3 million, €2.2 million (due for the 2007 fiscal year) and €0.2 million in commissions. Moreover, in 2009, Windreich acquired a wind farm located in Germany from the Group for a purchase price of €43.9 million.

On July 27, 2010, Windreich initiated legal action against THEOLIA and THEOLIA Naturenergien, to order these companies to:

- communicate all information, including THEOLIA Naturenergien's financial statements, enabling them to calculate possible commissions due to Windreich following the sale by THEOLIA Naturenergien of the wind farms; ("Claim No. 1");
- contingent upon the information provided as part of Claim No. 1, to pay damages for the non-payment of possible commissions due and not paid following the sales of wind farms ("Claim No. 2");
- pay a sum of approximately €4.3 million (plus interest) as damages following the sale of the "Alsleben" wind farm ("Claim No. 3"); and
- to pay attorney's fees ("Claim No. 4").

A hearing took place on March 21, 2011. In accordance with the requests of the judges, Windreich had until April 18, 2011 to provide additional information to justify its claims.

In accordance with the judgment rendered on May 16, 2011 by the Landgericht Stuttgart Court:

- The information provided by THEOLIA Naturenergien as part of Claim No. 1 have been ruled satisfactory by Windreich and consequently the Court did not giving a ruling on this Claim; and
- Claim No. 1 being a precondition for Claim No. 2 and Windreich not having declared the termination of its claim, the Court, in accordance with German law court regulations, could not adjudicate on this claim.
- Claim No. 3 and 4 were rejected by the Court.

Windreich appealed this ruling on June 15, 2011 and the next hearing is to take place on November 23, 2011.

No accrual was made in the framework of this dispute.

1.10.6 Litigation opposing the German Subsidiary THEOLIA Naturenergien and certain of its O&M customers

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

THEOLIA Naturenergien is currently pursuing the recovery of the overpayments to certain customers. In certain cases, THEOLIA Naturenergien has been obliged to undertake legal procedures against reticent clients. To date, the courts confirmed the validity of the actions initiated by the Group.

However, as part of the litigation, some clients have sought compensation for the reimbursement request with damages that would have been due for the fraudulent dealings allegedly committed by one former partner and the former Managing Director, as well as a former related company that had exclusivity on the sales process in question.

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

The legitimacy of the different requests from these customers depends mainly on the facts and circumstances specific to each sale. As a result, insofar as it is impossible to rule out the possibility that fraudulent dealings have been committed during certain sales, it is also not possible to reasonably measure the risk associated with the clients' claims for damages. THEOLIA Naturenergien is analyzing and closely following these different procedures and is undertaking claims toward the former exclusive partner and the former managing director as well as the former associated companies in order to prepare its eventual demands.

No accrual was made in the framework of this dispute.

1.10.7 Other proceedings

There are no other governmental, legal or arbitrage proceedings that the Group is aware of as of this date, either in abeyance or of which it is threatened, likely to have or having had significant impacts on the Group's financial position or profitability during the last twelve months.

2. CORPORATE GOVERNANCE

2.1 COMPOSITION OF MANAGEMENT AND OVERSIGHT BODIES

2.1.1 Board of directors

As of the date of publication of this Registration Document, the THEOLIA Board of directors is comprised of five members:

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

2.1.2 Board of directors committees

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

The composition, as well as the missions and activities of these committees, are specified in the 2010 Report of the Chairman of the Board of directors on corporate governance, internal control procedures and risk management (see Section 2.3.4 of this Registration Document).

2.1.3 General Management

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

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

2.1.4 Offices and functions

2.1.4.1 Directors

DAVID FITOUSSI *

Initial Date of Appointment: Board of directors' meeting of July 26, 2010 [2] **Expiration of term:** GM convened to approve the financial statements for the fiscal year ending December 31, 2011 29 years old 2 Cranley Place SW7 3AB London United Kingdom	*Office Held in the Company* • None *Main Positions Held within the Group* • Director of THEOLIA • Chairman of the Audit Committee *Main Positions Held Outside the Group* • Director of Christofferson Robb & Company LLP [1] • Portfolio Manager of CRC Active Value Fund [1] *Main Positions Previously Held Outside the Group Over the Past Five Years* • None

* *Independent director*

(1) *Foreign company*

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

GEORGIUS J.M. HERSBACH

Initial Date of Appointment: GM on April 14, 2006 **Expiration of term:** GM convened to approve the financial statements for the fiscal year ending December 31, 2011 58 years old Nieuw Loosdrechtsedijk 227 1231 KV Loosdrecht, The Netherlands	*Office Held in the Company* • None *Main Positions Held within the Group* • Director of THEOLIA • Member of the Nomination and Remuneration Committee • Member of the Supervisory Board of ecolutions GmbH & Co. KGaA [1] *Main appointments and roles outside the Group* • Chairman and CEO of Heartstream Group B.V. [1] • Chairman and CEO of Heartstream Corporate Finance B.V. [1] • Chairman and CEO of Heartstream Capital B.V. [1] • Member of the Board of directors of NovaRay Medical, Inc. [1] • Member of the Strategic Committee of UE CIP *Main Positions Previously Held Outside the Group Over the Past Five Years* • Vice Chairman of the Supervisory Board of Global Interface SA

(1) *Foreign company*

JEAN-PIERRE MATTEI * [(3)]

Initial Date of Appointment: GM on September 22, 2009 **Expiration of term:** GM convened to approve the financial statements for the fiscal year ending December 31, 2011 61 years old 34 Avenue Montaigne 75008 Paris	*Office Held in the Company* • None *Main Positions Held within the Group* • Director of THEOLIA • Vice Chairman of the Board of directors of THEOLIA • Member of the Audit Committee *Main Positions Held Outside the Group* • Member of the Paris Bar • Director of Groupe Floirat SA, Petites Affiches SA, and La Gazette du Palais *Main Positions Previously Held Outside the Group Over the Past Five Years* • Director of Banque Palatine • Director of Eurotunnel Group • Chairman of SAS Fimopar (Financière Immobilière Participations)

* *Independent director*

(3) *The Board decided that the existence of the special tasks agreements concluded by the Company with few directors (including Jean-Pierre Mattei) did not lead to any questioning of their independence insofar as the amounts that they were paid are not treated as compensation but constitute payments corresponding to the duties entrusted to them under special circumstances that by their nature do not generate conflicts of interest, but rather an extension of their role as director. The special duties assigned to these directors ended on August 31, 2010.*

MICHEL MEEUS

Initial Date of Appointment: GSM on March 19, 2010 **Expiration of term:** GM convened to approve the financial statements for the fiscal year ending 31.12.12 59 years old 1, Escalier de l'Inzernia 98000 Monaco, Monaco	*Office Held in the Company* • Chairman of the Board of directors since July 26, 2010 *Main Positions Held within the Group* • Chairman of the THEOLIA Board of directors • Director of THEOLIA • Member of the Nomination and Remuneration Committee *Main Positions Held Outside the Group* • Director of Alcofinance SA [(1)], Alcogroup SA [(1)], Alcofina SAM [(1)] and S.A.D. SA (Société des Alcools Dénaturés). • Deputy Director of Alcodis SA (1) (through Solis Mngt & Consulting SA (1)) *Main Positions Previously Held Outside the Group Over the Past Five Years* • None

(1) *Foreign company*

FADY KHALLOUF

Initial Date of Appointment: GSM on March 19, 2010 **Expiration of term:** GM convened to approve the financial statements for the fiscal year ending December 31, 2012 51 years old 75, rue Denis Papin 13100 Aix en Provence	*Office Held in the Company* • CEO since May 20, 2010 *Main Positions Held within the Group* • CEO of THEOLIA • Director of THEOLIA • Chairman and CEO of Therbio SA, La Compagnie Eolienne du Détroit (1), THEOLIA Emerging Markets (1), THEOLIA Maroc (1), THEOLIA Maroc Services (1) and Tanger Med Wind (1) • Managing Director of Windream One • Chairman of the Board and director of Maestrale Green Energy Srl (1) • Geschäftsführer of THEOLIA Holding GmbH (1) and THEOLIA Naturenergien GmbH (1) • Member of the Supervisory Board of ecolutions GmbH & Co. KGaA (1) *Main Positions Held Outside the Group* • None *Main Positions Previously Held Outside the Group Over the Past Five Years* • Executive Director, Managing Director of Tecnimont Group (1) • Strategy and Development Manager of the Edison Group (1) • Director of Edipower (1), Edison Trading (1), Edison Energia (1), and International Water Holdings (1)

(1) *Foreign company*

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 2010 fiscal year, but who were no longer in office as of the date of publication of this Registration Document.

GÉRARD CREUZET *

Initial Date of Appointment: GSM on March 19, 2010 **Term Expiration Date:** September 14, 2010 58 years old 8, rue Duguay-Trouin 75006 Paris	*Office Held in the Company* • None *Main Positions Held within the Group* • Director of THEOLIA • Chairman of the Strategic Committee until July 26, 2010 *Main Positions Held Outside the Group Over the Past Five Years* • 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 SAS des Polymères Barre Thomas • Chairman's Council of Veolia Environnement SA

* *Independent director*

PHILIPPE DOMINATI * (2)

Initial Date of Appointment: GM on June 11, 2009 **Term Expiration Date:** June 06, 2011 57 years old 15, rue Vaugirard 75291 Paris Cedex 06	*Office Held in the Company* • None *Main Positions Held within the Group* • Director of THEOLIA • Member of the Audit Committee • Chairman of the Nomination and Remuneration Committee from July 26 to December 1, 2010 • Director of Maestrale Green Energy Srl (1) from March 24, 2010 to September 6, 2010 *Main Positions Held Outside the Group* • French Senator • Acting Vice Chairman of the Supervisory Board of Téléperformance SA, • Member of the Compensation Committee of Téléperformance SA • Chairman of the Supervisory Board of Téléperformance France • Manager of Isado SARL *Main Positions Previously Held Outside the Group Over the Past Five Years* • Director of SLE Caisse d'Epargne Ile de France

* *Independent director*
(1) *Foreign company*
(2) *Philippe Dominati resigned from his position as Company director on June 6, 2011.*

LOUIS FERRAN *

Initial Date of Appointment: GM on April 14, 2006 **Term Expiration Date:** September 14, 2010 65 years old Chalet DIVA 5 32 Route de Sommets de Crans - Canton du Valais 3963 Crans-Montana Switzerland	*Office Held in the Company* • None *Main Positions Held within the Group* • Vice Chairman of the Board of directors of THEOLIA • Director of THEOLIA • Chairman of the Nomination and Remuneration Committee until June 1, 2010 – member of said Committee until July 26, 2010 *Main Positions Held Outside the Group Over the Past Five Years* • Director of Granit SA • Director and Managing Director of Rocimmo SA (1), Alfy SA (1), Mavirofe SA (1), Piasdi SA (1) and DBI Helvetia (1)

* *Independent director*
(1) *Foreign company*

PHILIPPE LEROY *

Initial Date of Appointment: GM on November 06, 2009 **Term Expiration Date:** September 14, 2010 53 years old 88, rue de l'Université 75007 Paris	*Office Held in the Company* • None *Main Positions Held within the Group* • Director of THEOLIA • Chairman of the Audit Committee until July 26, 2010 *Main Positions Held Outside the Group Over the Past Five Years* • Chairman and Chief Executive Officer of Détroyat & Associés • Director of 1855 SA

* *Independent director*

ERIC PEUGEOT

Initial Date of Appointment: GM on April 14, 2006 **Term Expiration Date:** July 26, 2010 55 years old Le Four à pain, 4 chemin des Palins 1273 Le Muids Switzerland	*Office Held in the Company* • Chairman of the THEOLIA Board of directors from September 29, 2008 to July 26, 2010 • CEO from February 9, 2010 to May 20, 2010 *Main Positions Held within the Group* • Chairman of the THEOLIA Board of directors • Director of THEOLIA *Main Positions Held Outside the Group Over the Past Five Years* • 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)

(1) *Foreign company*

MARC VAN'T NOORDENDE

Initial Date of Appointment: GM on June 11, 2009 **Term Expiration Date:** March 19, 2010 53 years old Pailler de Lacan 30460 Vabres	*Office Held in the Company* • CEO from September 29, 2008 to February 9, 2010 • Director from June 11, 2009 to March 19, 2010 *Main Positions Held within the Group* • CEO and director of THEOLIA • Permanent Representative of THEOLIA (Chairman), within Ecoval Technology SAS • Chairman of the Board and director of Maestrale Green Energy (1) • Director of THEOLIA Emerging Markets (1), THEOLIA Maroc (1), Tanger Med Wind (1) and THEOLIA Maroc Services (1) • Geschäftsführer of THEOLIA Holding GmbH (1) and THEOLIA Naturenergien GmbH (1) • Permanent representative of THEOLIA (member of the Supervisory Board) within ecolutions GmbH & Co. KGaA (1) *Main Positions Held Outside the Group Over the Past Five Years* • Chief Executive Officer of Operations (COO) and member of the Executive Committee of Essent N.V. (1) • Member of the Supervisory Board of SWB A.G. (1) • Member of the Supervisory Board of Endex N.V. (1) • Member of the Board of directors of VNO/NCW (1) • Chairman of WENB (1) • Chairman of CAIW (1) • Director of STT (1)

(1) *Foreign company*

2.1.4.2 CEO and Deputy Managing Directors

FADY KHALLOUF

- See Section 2.1.4.1 above.

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

JEAN-FRANÇOIS AZAM

Initial Date of Appointment: February 09, 2010 **Term Expiration Date:** July 23, 2010 75 rue Denis Papin 13100 Aix-en-Provence	*Office Held in the Company* • Deputy Managing Director of Operations *Main Positions Held within the Group* • Chairman and Managing Director and director of THEOLIA Emerging Markets (1), Compagnie Éolienne du Détroit (1), THEOLIA Maroc (1), Tanger Med Wind (1), THEOLIA Maroc Services (1) • Executive Manager of some project support companies held by the Group in France • Geschäftsführer of THEOLIA Naturenergien GmbH (1), THEOLIA Holding GmbH (1), THEOLIA Deutschland GmbH (1), THEOLIA Windpark 1 Management GmbH (1) • Director of Maestrale Green Energy (1) *Main Positions Held Outside the Group Over the Past Five Years* • Chief Executive Officer of Ginger Bâtiments d'Activités SAS

(1) *Foreign company*

OLIVIER DUBOIS

Initial Date of Appointment: May 1, 2009 **Term Expiration Date:** February 09, 2010 75 rue Denis Papin 13100 Aix-en-Provence	*Office Held in the Company* • Deputy Managing Director *Main Positions Held within the Group* • Director of Maestrale Green Energy (1) • Geschäftsführer de THEOLIA Holding (1) and THEOLIA Naturenergien GmbH (1) • Director of THEOLIA Emerging Markets (1) • Chairman of Ecoval 30 *Main Positions Held Outside the Group Over the Past Five Years* • Managing Director and CFO, Member of the Executive Committee of Technip • Director and Deputy Managing Director of Spie Group • Director and Chairman of the Audit Committee of Meilleurstaux.com

(1) *Foreign company*

FRANÇOIS RIVIERE

Initial Date of Appointment: February 09, 2010 **Term Expiration Date:** July 26, 2010 75 rue Denis Papin 13100 Aix-en-Provence	*Office Held in the Company* • Deputy Managing Director of Finance *Main Positions Held within the Group* • Managing Director of Windream One • Chairman and Managing Director and Director of Therbio SA and Ecoval 30 • Managing Director of Centrale Eolienne de Fruges La Palette *Main Positions Held Outside the Group Over the Past Five Years* • Managing Director of V.E.V • Chairman and Managing Director of S.G.Q. • Chairman and Managing Director of Lainière Holding • Voluntary Receiver of Pingouin SA • Chairman and Managing Director of Intexal Participations International • Chairman and Managing Director of V.E.V. Services • Chairman of the Belair Group • Manager of FL Senoch

(1) *Foreign company*

MARC VAN'T NOORDENDE

- See Section 2.1.4.1 above.

2.1.5 Conflicts of interest

To the knowledge of the Company, on the filing date of this Registration Document, there are no potential conflicts of interest between the duties in respect of the Company of the members of the Board of directors and of the CEO and their private interests and/or other duties.

The service agreement with the company Heartstream Corporate Finance BV concluded on September 22, 2009 and amended by a rider of May 7, 2010, the details of which are set forth in Section 2.4.1 of this Registration Document, and which could entail potential conflicts of interest between the duties in respect of the Company of the concerned member of the Board of directors and his private interests and/or other duties, was terminated on July 1st, 2010.

The special tasks agreements concluded with three directors and described in Section 2.2.2.3 of this Registration Document were led for the main interest of the Company in the particular framework of the financial restructuring plan and could not have entail potential conflicts of interest between the duties in respect of the Company of the concerned directors and their private interests.

2.2 COMPENSATION AND BENEFITS

2.2.1 Compensation of the Company's executive managers

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

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

Chairman of the Board of directors

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

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

Chief Executive Officer

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

(1) *Breakdown of compensation is as follows: lump sum of €100,000 as variable compensation for the financial year 2010 and €227,712 as a bonus following the successful completion of the Capital Increase. Compensation approved by the Board of directors on June 15, 2010.*

(2) *At its meeting on December 1, 2010, the Board of directors decided to allocate 1,500,000 stock options to Fady Khallouf in his capacity as CEO subject to conditions of performance.*

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

Marc van't Noordende, CEO from September 29, 2008 to February 9, 2010	FY 2009	FY 2010
Cash Compensation		
Compensation owed for the year (fixed portion)	572 (3)	53
Compensation owed for the year (variable or exceptional portion)	(4)	-
TOTAL	**683**	**53**
Other Non-Cash Allocations		
Valuation of Options Allocated During the Year	-	-
Valuation of Performance Shares Granted During the Year	(5)	-
TOTAL	**683** (5)	**53**

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

(4) *In light of the terms under which Marc van't Noordende left office in February 2010, the Company did not pay him any additional variable compensation for fiscal year 2009. Applying the principle of prudence, however, the Company had made a provision for the sum of €111,000 for this purpose in its consolidated financial statements as of December 31, 2009. Marc van't Noordende had asked the Commercial Court of Aix-en-Provence to order the Company to pay the sum of €129,398 (plus interest at the legal rate from August 1, 2010) for his additional variable compensation for 2009. Under the terms of a transaction memorandum of understanding dated March 11, 2011, the parties came together and pledged to withdraw their respective claims made in this proceeding; including variable compensation claims by Marc van't Noordende for 2009 (see details in Section 1.10.2 of this Registration Document*

.(5) *Lines corrected in relation to the information appearing in the 2010 Annual Financial Report. Under the terms of the transaction memorandum of understanding dated March 11, 2011 mentioned above in note (4), Marc van't Noordende expressly and irrevocably waived his claim to be allocated and awarded the free shares mentioned in the decisions of the Board of directors of the Company at their meetings of June 11, 2009 (199,426 free shares), December 17, 2009 (598,278 free shares) and January 18, 2010 (implementation of anti-dilution mechanism). The performance shares allocated in 2009 are valued at €2.188 million.*

Deputy Managing Directors

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

François Rivière, Deputy Managing Director in Charge of Finance from February 9, 2010 to July 26, 2010	FY 2009	FY 2010
Cash Compensation		
Compensation owed for the year (fixed portion)	-	154
Compensation owed for the year (variable or exceptional portion)	-	415 (6)
TOTAL	**-**	**569**
Other Non-Cash Allocations		
Valuation of Options Allocated During the Year	-	-
Valuation of Performance Shares Granted During the Year	-	-
TOTAL	**N/A**	**569**

(6) *Breakdown of compensation is as follows: €96,667 as compensation for non-competition (equal to 4 months of fixed compensation), €92,800 as a signing bonus pursuant to the terms and conditions of the corporate office that was approved by the Board of directors on April 15, 2010, and €225,195 as transactional compensation approved by the Board of directors on July 26, 2010.*

Olivier Dubois, Deputy Managing Director from May 1, 2009 to February 9, 2010	FY 2009	FY 2010
Cash Compensation		
Compensation owed for the year (fixed portion)	133	27
Compensation owed for the year (variable or exceptional portion)	(7)	-
TOTAL	**173**	**27**
Other Non-Cash Allocations		
Valuation of Options Allocated During the Year	-	-
Valuation of Performance Shares Granted During the Year	(8)	-
TOTAL	**173** (8)	**27**

(7) *In light of the terms under which Olivier Dubois left office in February, 2010, the Company did not pay him any additional variable compensation for fiscal year 2009. Applying the principle of prudence, however, the Company had made a provision for the sum of €40,000 for this purpose in its consolidated financial statements as of December 31, 2009. Olivier Dubois had asked the Commercial Court of Aix-en-Provence to order the Company to pay the sum of €49,334 (plus interest at the legal rate from August 1, 2010) for his additional variable compensation for 2009. Under the terms of a transaction memorandum of understanding dated March 11, 2011, the parties came together and pledged to withdraw their respective claims made in this proceeding; including variable compensation claims by Olivier Dubois for 2009 (see details in Section 1.10.2 of this Registration Document).*

(8) *Lines corrected in relation to the information appearing in the 2010 Annual Financial Report. Under the terms of the transactional memorandum of understanding dated March 11, 2001 mentioned above in note (4), Olivier Dubois expressly and irrevocably waived his claim to be allocated and awarded the free shares mentioned in the decisions of the Board of directors of the Company at their meetings of December 17, 2009 (400,000 free shares) and January 18, 2010 (implementation of anti-dilution mechanism). The performance shares allocated in 2009 are valued at €1.047 million.*

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

The valuation of the performance shares is determined during the day of allocation: €3.07 for the 180,000 shares allocated freely on February 22, 2010, €3.40 for the shares allocated on December 17, 2009 (since the shares were awarded subject to conditions of performance and presence, and there was a 77% likelihood that they would be allocated, the share price was reduced proportionally), and €3.12 for the 199,426 shares allocated on June 11, 2009. Note that the THEOLIA closing share price for December 31, 2009 was €2.91.

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

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

Chairman of the Board of directors

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

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

Chief Executive Officer

Fady Khallouf CEO since May 20, 2010	Values for 2009		Values for 2010	
	Owed	Paid	Owed	Paid
Fixed Compensation	N/A	N/A	185	185
Variable Compensation	N/A	N/A	100 (1)	100 (1)
Exceptional Compensation	N/A	N/A	228 (2)	228 (2)
Directors' Fees	N/A	N/A	(3)	(3)
Benefits in Kind	N/A	N/A	1	1
Stock options	N/A	N/A	(4)	(4)
TOTAL	**-**	**-**	**514**	**514**

(1) *Variable compensation (lump sum) for financial year 2010 approved by the Board of directors of June 15, 2010 and later confirmed by the Board of directors on September 2, 2010.*

(2) *Bonus following the successful completion of the Capital Increase approved by the Board of directors of June 15, 2010.*

(3) *Prior to his appointment as CEO on May 20, 2010, Fady Khallouf received director's fees in his capacity as director for the period from March 19, 2010 to May 20, 2010 (see details in Section 2.2.2.1 below).*

(4) *At its meeting of December 1, 2010, the Board of directors decided to allocate 1,500,000 stock options to Fady Khallouf in his capacity as CEO subject to conditions of performance. No options could be exercised during the year ended December 31, 2010 (see details in Section 2.2.1.5 below).*

Eric PEUGEOT CEO from February 9, 2010 to May 20, 2010	Values for 2009		Values for 2010	
	Owed	Paid	Owed	Paid
Fixed Compensation	N/A	N/A	-	-
Variable Compensation	N/A	N/A	-	-
Exceptional Compensation	N/A	N/A	-	-
Directors' Fees	N/A	N/A	-	-
Benefits in Kind	N/A	N/A	-	-
TOTAL	**-**	**-**	**0**	**0**

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

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

(4) *In light of the terms under which Marc van't Noordende and Olivier Dubois left their offices in February, 2010, the Company did not pay them additional variable compensation for 2009. Applying the principle of prudence, however, the Company had made a provision for the sum of €111,000 for Mr. van't Noordende and €40,000 for Mr. Dubois for this purpose in its consolidated financial statements as of December 31, 2009. Messrs. van't Noordende and Dubois had asked the Commercial Court of Aix-en-Provence to order the Company to pay the sum of €129,398 and €49,334 (plus interest at the legal rate from August 1, 2010) respectively, for their 2009 additional variable compensation. Under the terms of a transactional memorandum of understanding dated March 11, 2011, the parties came together and pledged to withdraw their respective claims made in this proceeding, including variable compensation claims by Messrs. van't Noordende and Dubois for 2009 (see details in Section 1.10.2 of this Registration Document).*

(5) *Subsequent to his removal as CEO on February 9, 2010, Marc van't Noordende received director's fees for his term as director for the period from February 10, 2010 to March 19, 2010, when his office ended (see details in Section 2.2.2.1 below).*

Deputy Managing Director

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

François RIVIERE Deputy Managing Director Finance from February 9, 2010 to July 26, 2010	Values for 2009		Values for 2010	
	Owed	Paid	Owed	Paid
Fixed Compensation	N/A	N/A	134	134
Variable Compensation	N/A	N/A	0	0
Exceptional Compensation	N/A	N/A	415 (6)	415 (6)
Directors' Fees	N/A	N/A	-	-
Benefits in Kind	N/A	N/A	20	20
TOTAL	**-**	**-**	**569**	**569**

(6) *Breakdown of compensation is as follows: €96,667 as compensation for non-competition (equal to 4 months of fixed compensation) and €92,800 as a signing bonus pursuant to the terms and conditions of the corporate office that was approved by the Board of directors dated April 15, 2010, and €225,195 as transactional compensation approved by the Board of directors dated July 26, 2010.*

Olivier DUBOIS Deputy Managing Director from May 1, 2009 to February 9, 2010	Values for 2009		Values for 2010	
	Owed	Paid	Owed	Paid
Fixed Compensation	133	133	26	26
Variable Compensation	(7)	(7)	-	-
Exceptional Compensation	-	-	-	-
Directors' Fees	-	-	-	-
Benefits in Kind	2	2	1	1
TOTAL	**135**	**135**	**27**	**27**

(7) In light of the terms under which Marc van't Noordende and Olivier Dubois left their offices in February, 2010, the Company did not pay them additional variable compensation for 2009. Applying the principle of prudence, however, the Company had made a provision for the sum of €111,000 for Mr. van't Noordende and €40,000 for Mr. Dubois for this purpose in its consolidated financial statements as of December 31, 2009. Messrs. van't Noordende and Dubois had asked the Commercial Court of Aix-en-Provence to order the Company to pay the sum of €129,398 and €49,334 (plus interest at the legal rate from August 1, 2010) respectively, for their 2009 additional variable compensation. Under the terms of a transactional memorandum of understanding dated March 11, 2011, the parties came together and pledged to withdraw their respective claims made in this proceeding, including variable compensation claims by Messrs. van't Noordende and Dubois for 2009 (see details in Section 1.10.2 of this Registration Document).

2.2.1.3 Variable compensation

The Board of Directors wishes to conduce the executive management to enhance the Company's performance and to create value for the shareholders. Therefore, in addition to a fixed compensation, a variable annual gross compensation may be granted to executive directors within the framework of their corporate office.

As of the date of publication of this Registration Document, Fady Khallouf is the sole executive director of the Company. A variable compensation is included in his overall compensation.

The amount of that variable compensation is based on the results obtained with reference to the objectives set by the Board of directors jointly with the Nomination and Remuneration Committee for the period from January 1 to December 31 of the current fiscal year. These objectives are focused on quality and are closely related to the performance of the Company. More specifically, they address strategy consolidation and the general improvement of the Company's fundamentals, including continuation of the Group's restructuring and cost reduction at each subsidiary's level.

The degree to which objectives are reached is estimated by the Nomination and Remuneration Committee before April 1 of the base period.

It is specified that this variable compensation is limited to 50% of the annual fixed gross compensation of this executive director. In 2010, as the implementation of the Company's financial restructuring was exceptional, the variable compensation of Fady Khallouf was estimated to a lump sum of €100,000 by the Board of directors held on June 15, 2010, which was later confirmed by the Board of directors of September 2, 2010.

2.2.1.4 Directors' fees awarded to each executive manager

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

(1) *Prior to his appointment as CEO on May 20, 2010, Fady Khallouf received director's fees for his term as director for the period from March 19, 2010 to May 20, 2010 (see details in Section 2.2.2.1 below).*

(2) *Subsequent to his dismissal as CEO on February 9, 2010, Marc van't Noordende received director's fees for his term as director for the period from February 10, 2010 to March 19, 2010, when his office ended (see details in Section 2.2.2.1 below).*

Since September 29, 2008, the Company implemented a fixed compensation system for directors based solely on directors' fees. In 2010, some directors received exceptional remuneration (see details in Section 2.2.2.3 below).

2.2.1.5 Stock options

After receiving approval from the Nomination and Remuneration Committee based on the delegation granted by the General Meeting of Shareholders on May 30, 2008, the Board of directors at its meeting on December 1, 2010, decided to allocate 1,500,000 stock options to Fady Khallouf in his capacity as CEO, subject to the following conditions of stock performance:

- 100,000 (approximately 6.67%) will become exercisable if the arithmetic mean of the weighted average prices calculated for 20 consecutive trading days is greater than or equal to €1.80;
- 300,000 (20%) will become exercisable if the arithmetic mean of the weighted average prices calculated for 20 consecutive trading days is greater than or equal to €2.50;
- 200,000 (approximately 13.33%) will become exercisable if the arithmetic mean of the weighted average prices calculated for 20 consecutive trading days is greater than or equal to €3.00;
- 400,000 (approximately 26.67%) will become exercisable if the arithmetic mean of the weighted average prices calculated for 20 consecutive trading days is greater than or equal to €3.50; and
- 500,000 (approximately 33.33%) will become exercisable if the arithmetic mean of the weighted average prices calculated for 20 consecutive trading days is greater than or equal to €5.00.

These stock options may be exercised at any time for one year at the end of a four-year period ("Tax Unavailability Period") from the date that the stock options were awarded by the Board of directors, i.e., until December 1, 2015, subject to conditions of performance and the special rules established in the event that the CEO should cease to hold office.

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

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

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

Finally, 50% of the shares from the exercise of stock options shall be kept by the CEO and recorded in registered form for the duration of his term (see Section 4.2.6, note 22, of this Registration Document).

2.2.1.6 Free shares

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

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

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

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

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

Finally, it is further stated that Article L. 225-197-6 of the French Commercial Code (which provides that in a company whose securities are admitted to trading on a regulated market, shares can be granted free of charge only if the company satisfies at least one of the following terms for the year in which such shares are allocated (i) the company allocates free shares to all of its employees and at least 90% of all employees of its subsidiaries, (ii) the company processes allocation options to all of its employees and at least 90% of all employees of its subsidiaries, and (iii) an incentive plan is in force in the company and least 90% of all employees of its subsidiaries are eligible) is applicable to allocation of free shares authorized by the extraordinary general meetings convened on or after December 3, 2008. However, the abovementioned allocations made by the Company were authorized by the general meeting of shareholders held on May 30, 2008 (20th resolution, see Note 2 to this Report) and need not comply with the stipulations in Article L. 225-197-6 of the French Commercial Code. These stipulations will be applicable in the event of an allocation of free shares on the basis of a delegation granted by the General Meeting of June 17, 2011.

2.2.1.7 Additional information

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

(1) (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 terms under which Messrs. van't Noordende and Dubois left office in February, 2010, the Company did not intend to pay them non-compete compensation; however, the former executives contested this decision in the lawsuit described in Section 1.10.2 of this Registration Document and demanded the payment of non-compete compensation (€594,000 for Marc van't Noordende and €200,004 for Olivier Dubois, in each case plus the legal interest rate starting February 16, 2010). Under the terms of a transactional memorandum of understanding dated March 11, 2011, the parties came together and pledged to withdraw their respective claims made in this proceeding, including claims of contractual non-competition for 2009 (see details in Section 1.10.2 of this Registration Document).

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

(3) The 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 compensation is reimbursable by François Rivière if it is found by the final, un-appealable decision of a court of law that he has committed serious misconduct. Jean-François Azam resigned from his position as Deputy Managing Director on July 23, 2010, and any compensation due under the non-compete clause has not been paid to him.

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

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

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

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

The Group has not made any commitment 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.

2.2.2 Compensation of the non-executive corporate officers

2.2.2.1 Compensation, benefits in-kind, and director's fees paid to each non-executive corporate officer during 2010

(in thousands of euros)		Fixed Compensation	Variable Compensation	Exceptional Compensation	Benefits in-Kind	Directors' Fees	TOTAL
Gérard Creuzet *	2009	-	-	-	-	N/A	N/A
	2010	-	-	-	-	19	19
Philippe Dominati **	2009	-	-	-	-	38	38
	2010	-	-	130 (3)	-	45	175
Louis Ferran *	2009	-	-	-	-	75	75
	2010	-	-	-	-	29	29
David Fitoussi	2009	-	-	-	-	N/A	N/A
	2010	-	-	-	-	19	19
Georgius Hersbach	2009	-	-	-	-	72	72
	2010	-	-	-	-	39	39
Fady Khallouf	2009	-	-	-	-	N/A	N/A
	2010	-	-	40 (4)	-	7 (1)	47
Philippe Leroy *	2009	-	-	-	-	12	12
	2010	-	-	170 (5)	-	30	200
Jean-Pierre Mattei	2009	-	-	-	-	20	20
	2010	-	-	130 (6)	-	41	171
Marc van't Noordende	2009	-	-	-	-	N/A	N/A
	2010	-	-	-	-	3 (2)	3

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

** *Director who resigned from his office on June 6, 2011*

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

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

Additional data in relation to the information appearing in the 2010 Annual Financial Report:

(3) *Compensation on the grounds of the exceptional mission carried out in the particular framework of the financial restructuring plan from March 19, 2010 to August 31, 2010 and authorized by the Board of directors dated March 19, 2010 (see Section 2.2.2.3 below).*

(4) *Compensation on the grounds of the exceptional mission carried out in order to give assistance to the CEO of the Company from April 15, 2010 to May 20, 2010 and authorized by the Board of directors dated April 15, 2010 (see Section 2.2.2.3 below).*

(5) *Compensation on the grounds of the exceptional mission carried out in the particular framework of the financial restructuring plan from March 19, 2010 to August 31, 2010 and authorized by the Board of directors dated March 19, 2010 (see Section 2.2.2.3 below).*

(6) *Compensation on the grounds of the exceptional mission carried out in the particular framework of the financial restructuring plan from March 19, 2010 to August 31, 2010 and authorized by the Board of directors dated March 19, 2010 (see Section 2.2.2.3 below).*

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

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

2.2.2.3 *Special tasks*

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. This compensation is part of the Financial Restructuring Plan, given the work and tasks performed by these directors, mainly:

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

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

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

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

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

These special task agreements constitute regulated agreements as defined by Articles L. 225-38 et seq. of the French Commercial Code (Code de commerce). Its principle was authorized by the Board of directors on April 15, 2010 and was described in a report of the Statutory Auditors and submitted to an ordinary general meeting of shareholders convened to approve the financial statements for the year ended December 31, 2010 and the General Meeting of Shareholders of June 17, 2011.

However, the ordinary and extraordinary general meeting of June 17, 2011 was not able to vote on and approve regulated agreements mentioned in the Special Report of the Statutory Auditors due to the lack of a quorum (owing to the exclusion of the votes of the persons affected by the resolution relating to regulated agreements and the terms of office represented thereby).

2.2.3 Executive management participation in share capital as of December 31, 2010

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

* *Direct and indirect holdings.*

2.2.4 Transactions conducted by the members of the Board of directors on Company securities

The transactions reported to the AMF by the directors on the Company's securities between January 1st 2010 and September 14, 2011, are as follows:

Declarant	Date of Transaction	Nature of Transaction	Unit price(in €)	Amount of transaction (in €)
Fady Khallouf	06/22/2010	Acquisition	2,23	56,267.36
Jean-François Azam	06/25/2010	Sale of DPS	0.51	16,240.00
Fady Khallouf	06/30/2010	Acquisition of DPS	0.15	6,143.00
Fady Khallouf	07/01/2010	Acquisition of DPS	0.14	6,897.00
Fady Khallouf	07/01/2010	Sale	1.40	35,000.00
Eric PEUGEOT	07/01/2010	Acquisition of DPS	0.14	9,735.00
HEARTSTREAM CAPITAL BV (corporate entity related to Georgius Hersbach)	07/02/2010	Subscription of DPS	1.00	25,047.00
Georgius Hersbach	07/02/2010	Subscription of DPS	1.00	57,830.00
Fady Khallouf	07/02/2010	Acquisition of DPS	0.09	1,724.00
Fady Khallouf	07/05/2010	Acquisition of DPS	0.04	700.00
Eric PEUGEOT	07/07/2010	Subscription	1.00	105,000.00
Philippe Dominati	07/07/2010	Subscription	1.00	60,150.00
Philippe Dominati	07/13/2010	Acquisition of DPS	0.03	1,200.00
Fady Khallouf	07/23/2010	Holder post AK	1.15	276,707.00
Michel Meeus	07/29/2011	Acquisition	1.12	1,120,000.00
Michel Meeus	09/06/2011	Acquisition	1.06	530,000.00
Michel Meeus	09/07/2011	Acquisition	1.07	214,000.00
Michel Meeus	09/07/2011	Acquisition	1.06	318,000.00
Michel Meeus	09/08/2011	Acquisition	1.08	270,000.00

2.2.5 Stock option allocation history

	BSA CS4	BSA CS5	BSA bis	BSA DA 06	BSA EP 06
Holder	**G. Hersbach (1)**	**G. Hersbach (1)**	**Heartstream (2)**	**Darts (3)**	**E. Peugeot (4)**
Subscription price in euros	0.000485	0.000485	0.00039	0.0001	0.0001
Exercise price in euros	4.85	4.85	3.90	15.28	15.28
Term	December 31, 2013	December 31, 2014	May 2, 2010	May 17, 2012	May 24, 2012
Parity	344	1.344	1.187	1.132	1.132
Balance as of December 31, 2009	50,000	50,000	300,000	7,000	29,093
Allocated during the period	-	-	-	-	-
Exercised during the period	-	-	-	-	-
Expired or Non-Exercisable during the Period	-	-	300,000	-	-
Balance	**50,000**	**50,000**	**0**	**7,000**	**29,093**

(1) *Director of the Company*
(2) *Company controlled by Georgius Hersbach, director of the Company*
(3) *Company shareholder of Thenergo controlled by Deny Ringoot, who also works for Thenergo*
(4) *Former Chairman and CEO of the Company*

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

(4) *Former Chairman and CEO of the Company*
(5) *Former director of the Company*

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

(4) *Former Chairman and CEO of the Company*
(5) *Former director of the Company*

	BSA GE1	BSA GE2	BSA EP 08	BSA LF 08	BSA SG 08
Holder	**Gama Enerji** (6)	**Gama Enerji** (6)	**E. Peugeot** (4)	**L. Ferran** (5)	**S. Garino** (3)
Subscription price in euros	0.0010	0.0010	0.0001	0.0001	0.0001
Exercise price in euros	16.50	17.50	12.95	12.95	12.95
Term	January 3, 2011	January 2, 2012	July 2, 2013	July 2, 2013	July 2, 2013
Parity	1.132	1.132	1.132	1.132	1
Balance as of December 31, 2009	1,500,000	1,500,000	29,093	29,093	31,451
Allocated during the period	-	-	-	-	-
Exercised during the period	-	-	-	-	-
Expired or Non-Exercisable during the Period	-	-	-	-	31,451
Balance	**1,500,000**	**1,500,000**	**29,093**	**29,093**	**0**

(3) *Company shareholder of Thenergo controlled by Deny Ringoot, who also works for Thenergo*
(4) *Former Chairman and CEO of the Company*
(5) *Former director of the Company*
(6) *Former Company shareholder (see Section 6.3.1 below)*

	BSA SO 08	BSA PC 880 M 2008
Holder	**Sofinan Sprl** (5)	**JM Santander** (4)
Subscription Price in euros	0.0001	0.0001
Exercise Price in euros	12.95	15.64
Term	July 2, 2013	December 31, 2012
Parity	1	1,132
Balance as of December 31, 2009	29,093	37,093
Allocated during the period	-	-
Exercised during the period	-	-
Expired or Non-Exercisable during the Period	29,093	-
Balance	**0**	**37,093**

(4) *Former Chairman and CEO of the Company*
(5) *Former director of the Company*

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

(7) *On July 29, 2011, 810,000 options, subject to conditions of stock performance, were allocated by the Board of directors to few employees of the Group upon the proposal of the CEO (see below Section 2.2.6 of this Registration Document).*
(8) *See Section 4.2.6, note 22 of this Registration Document.*

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

With regard to stock options granted on December 1, 2010, 1,500,000 were awarded to Mr. Fady Khallouf and a maximum of 2,000,000 stock options will be awarded to Group employees by the Board of directors as per the CEO's proposal. All allocations made are subject to performance terms detailed in the aforementioned Section 2.2.1.5.

2.2.6 Free shares and stock options granted to the ten highest performing non-executive employees

- Free shares

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 highest-performing employees in respect of the 2009, 2010 and 2011 fiscal years, subject to attendance and performance conditions associated with the achievement of financial targets. Following the departure of certain employees, the final number of shares will be less than initially expected.

At the end of each fiscal year, the employees concerned will be granted up to a third of the total value, subject to fulfillment of attendance and performance terms. The shares allocated will be acquired permanently on December 17, 2011 and available on December 17, 2013 (subject to attendance and performance terms). These 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.

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

The shareholders, at an extraordinary shareholders' meeting on June 1, 2010, rejected (53.56% of votes) the ninth resolution submitted for their approval, which granted the Board of directors the authorization to allocate free shares for employees and/or corporate officers of the Company and/or its affiliates. This authorization was meant to replace the one granted by the twentieth resolution of the general meeting of May 30, 2008, which was set to expire on July 30, 2010.

On June 17, 2011, the shareholders, at an ordinary and extraordinary shareholders' meeting, approved the sixteenth resolution submitted to their approval which grants the Board of directors the authorization to allocate free shares for employees and/or corporate officers of the Company and/or its affiliates. This authorization is valid for 38 months (i.e. set to expire on August 17, 2014).

- Stock options

On December 1, 2010, the Board of directors approved the principle of allocating a maximum of 2,000,000 TEO SO 2 stock options to Group employees. The Board of directors will definitively issue these stock options by July 30, 2011 as per the CEO's proposal. The stock options granted to employees will be subject to the same performance terms as those set for the CEO. Their exercise price will be the price for the options allocated to the CEO, provided that such exercise price shall be increased to an value equal to at least 80% of the average share price over the twenty trading days preceding the date that the Board of directors decides on the allocation if this value exceeds the exercise price of the stock options granted to the CEO (see Section 2.2.1.5 above).

Based on the delegation granted by the fifteenth resolution of the ordinary and extraordinary shareholders' meeting held on June 17, 2011, the Board of directors at its meeting of July 29, 2011, decided to allocate 810,000 stock options subject to conditions of stock performance to few employees of the Group.

These stock options may be exercised at any time for one year at the end of a four-year period ("Tax Unavailability Period") from the date that the stock options were awarded by the Board of directors, i.e. until July 29, 2016, subject to conditions of performance and the special rules established in the event that the concerned employee should cease its functions within the Group. The exercise price will correspond to the lower amount between €1.40 and the undiscounted market price (average of market prices for the 20 days prior to the day of the decision by the Board of directors).

2.2.7 Service agreements linking members of the Company's administrative and management bodies

To the Company's knowledge, as of the registration date of this Registration Document, there is no service agreement linking members of the Board of directors or the CEO of the Company or to any of its subsidiaries granting advantages under the terms of such an agreement.

The service agreement with the company Heartstream Corporate Finance BV concluded on September 22, 2009 and amended by a rider of May 7, 2010, the details of which are set forth in Section 2.4.1 of this Registration Document and the special tasks agreements concluded with three directors described in Section 2.2.2.3 of this Registration Document, are terminated as of the registration date of this Registration Document.

2.3 CORPORATE GOVERNANCE

2.3.1 MiddleNext Code recommendations

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

At its December 1, 2010 meeting, the Board of directors decided to comply with the MiddleNext Code of Corporate Governance for small- and medium-cap companies, which while not underestimating investors' expectations as to good corporate governance, is more appropriate to the size of the Company and the composition of its body of shareholders.

The Company applies the fifteen recommendations of the MiddleNext Code.

2.3.2 Board of directors Internal Rules

The Internal Rules were adopted by the Board of directors during its meeting of April 14 2006 and were subsequently modified during its meetings of February 6, 2007, July 2, 2007, December 18, 2008, April 15, 2010 and April 18, 2011. Their purpose is to supplement the legal, regulatory and statutory rules by which this corporate body as a whole and the directors, in particular, are bound.

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

The complete text of the Internal Rules is appended to the 2010 Report of the Chairman of the Board of directors on corporate governance, internal control procedures, and risk management (see Section 2.4 of this Registration Document).

2.3.3 Control and evaluation of the operation of the Board of directors

Please see Section 2.3.4 "Report of the Chairman of the Board of directors on corporate governance, internal control procedures and risk management" in this Registration Document.

2.3.4 Report of the Chairman of the Board of directors on corporate governance, internal control procedures and risk management

The procedures undertaken to prepare this 2010 Report of the Chairman of the Board of directors on corporate governance, internal control procedures and risk management (the "**Report**") is primarily based on the work coordinated by General Management in conjunction with the Legal Affairs Department, the main functional and operating departments of THEOLIA SA (the "**Company**"), and the Audit Committee.

Pursuant to Article L. 225-235 of the French Commercial Code, the Statutory Auditors have given their opinion on this Report as part of their own Auditors' report on the internal control procedures relating to the preparation and processing of accounting and financial information, with a statement attesting to the preparation of other mandatory information.

It was approved by the Board of directors during its meeting of April 18, 2011, in accordance with Article L. 225-37 of the French Commercial Code.

1. Overview of main principles

This Report was prepared in accordance with the provisions of the French Commercial Code (Section 1.1) and pursuant to the MiddleNext Code of Corporate Governance for small- and medium-cap companies (the "**MiddleNext Code**") (Section1.2), approved as the benchmark code by the AMF.

1.1 The French Commercial Code

Article L. 225-37 of the French Commercial Code, section 6, requires the Chairman to prepare an additional report, appended to the Management Report:

"*The Chairman of the Board of directors must attach to the report referred to in Articles L. 225-100, L. 225-102, L. 225-102-1 and L. 233-26, a report on the composition, the conditions under which it prepares and organizes its work, the internal control and risk management procedures put in place by the Company, detailing in particular those relating to the preparation and processing of accounting and financial information for the company's financial statements and, where applicable, the consolidated financial statements. Without prejudice to the provisions of Article L. 225-56, the Report also indicates any potential limitations applied by the Board to the powers exercised by the CEO.*"

In section 7, this same Article specifies that:

"*When a company voluntarily refers to a corporate governance code drawn up by organizations representing business, the report […] must also specify which provisions have not been applied and the reasons for same."*

In accordance with Article L. 225-37, section 9, of the French Commercial Code, it is specified that the information referred to in Article L. 225-100-3 of this Code is published in the Group's 2010 Management Report (the "**2010 Management Report"**).

1.2 The MiddleNext Code of Corporate Governance for small- and medium-cap companies

From the 2008 fiscal year, THEOLIA voluntarily adopted the recommendations of the AFEP-MEDEF corporate governance code dated October 6, 2008.

At its December 1, 2010 meeting, the Board of directors decided to comply with the MiddleNext Code of Corporate Governance for small- and medium-cap companies, which while not underestimating investors' expectations of good governance, is a more appropriate reference for the size of the Company and the composition of its body of shareholders.

The Company applies the fifteen recommendations of the MiddleNext Code.

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

2. Corporate governance

Appointed by the shareholders, the directors control the economic and financial management of the Group and contribute to defining its strategy. They examine and approve the main strategic priorities decided by general management, which implements them.

The Board of directors wishes to point out that its work is collegial, and in compliance with the law, regulations and the recommendations of the MiddleNext Code.

2.1 **Internal Rules**

Directors represent all the shareholders and must act in the company's corporate interest at all times.

The Board of directors has drawn up Internal Rules ("**Internal Rules"**), the purpose of which is to supplement the legal, regulatory and statutory rules, by which this corporate body as a whole and the directors, in particular, are bound.

These Internal Rules were adopted by the Board of directors at their meeting on April 14, 2006 and were later amended on February 6, 2007, July 2, 2007, December 18, 2008, April 15, 2010 and April 18, 2011.

Given the major changes in governance occurring in 2010 and the adoption of a new code of governance model, the Board of directors, at its meeting on April 18, 2011, amended its Internal Rules to recognize, in particular, the cancellation of the Strategy Committee, the updating of the rules limiting the CEO's authority, the criteria defining independent directors, and the rules for determining compensation for directors. These modified Internal Rules, a copy of which is attached to this Report (see Section 4), meet the recommendations of the MiddleNext Code regarding Internal Rules.

To ensure compliance with the new AMF Recommendation no. 2010-07 of November 3, 2010, the Board of directors during its meeting of April 18, 2011 adopted a Code of Conduct for the prevention of insider misconduct, a copy of which is appended to the company's Internal Rules (see appendix 1 to this Report).

2.2 **Organization and functioning of General Management**

2.2.1 Separating the duties of Chairman and CEO

In September 2008, the Board of directors decided to separate the positions of Chairman and CEO bringing it into line with best corporate governance practices.

Exceptionally, this principle was waived from February 9, 2010 to May 20, 2010 when Eric Peugeot, Chairman of the Board of directors, was also appointed as CEO. This decision was made in the context of the departure of the former CEO and in view of the urgent need to unify all stakeholders, and especially the shareholders, around a single person likely to win their support to successfully execute the financial restructuring plan.

After the bondholders and shareholders had approved new terms for the bond, the Board of directors during its meeting May 20, 2010 voted to separate the positions of Chairman and CEO once again by appointing Fady Khallouf as CEO to replace Eric Peugeot, who would refocus his energies on the position of Chairman of the Board of directors.

Following his resignation on July 26, 2010, Eric Peugeot was succeeded by Michel Meeus as Chairman of the Board of directors.

The list of positions held within and outside the Group, as well as the principal mandates and corporate offices held over the last five years by the current CEO, the current Chairman of the Board of directors and their predecessors are given in Section *[2.1.4.1 of the present Registration Document].*

2.2.2 Chief Executive Officer

Since Fady Khallouf was not a Company employee at the time of his appointment as CEO, his corporate office does not run concurrently with an employment contract, in accordance with current regulatory provisions and recommendation R1 of the MiddleNext Code.

2.2.3 Deputy Managing Directors

During the period of financial restructuring, from February 9, 2010 to July 26, 2010, the CEO was assisted by two Deputy Managing Directors: Jean-François Azam, with responsibility for Operations, and François Rivière, with responsibility for Finance. They resigned from their positions as Deputy Managing Directors on July 23 and 26, 2010, respectively.

The list of the corporate offices held within and outside the Group, as well as the principal mandates and corporate offices held over the last five years by the Deputy Managing Directors is given in Section *[2.1.4.2 of the present Registration Document].*

2.2.4 Limitations of the powers of the General Management

The powers vested in the General Management are set out in a delegation of authority appended to the Internal Rules. This delegation of authority requires the prior authorization of the Board of directors for any of the following decisions:

- determining the annual budget and 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 €1 million.

2.3 Composition of the Board of directors

2.3.1 Role and members

The Board of directors is and must remain a collegial body collectively representing all the shareholders, and bound by the obligation to act in the company's corporate interest in all circumstances.

In exercising its legal prerogatives, the Board of directors fulfils the following chief duties:

- defining the Company's strategy;
- appointing executive management with responsibility for managing the Company in the light of this strategy;
- selecting the company's organization (separation or combining the positions of Chairman and CEO); and
- controlling the management and quality of the information provided to shareholders and the markets through the company's financial statements or in the event of major transactions.

In accordance with the Company's Internal Rules, the members of the Board of directors are elected by the General Meeting of Shareholders based on their skills and potential contribution to the Board, while maintaining the standards of independence, ethics and integrity that are expected of them.

The statutory director's term of office is tailored to the Company's specific needs and, consequently, is in compliance with recommendation R10 of the MiddleNext Code.

As of December 31, 2010, THEOLIA's Board of directors was composed of six members:

- Michel Meeus
  - Director since March 19, 2010,
  - Chairman of the Board of directors since July 26, 2010, and
  - Chairman of the Nomination and Remuneration Committee since December 1, 2010;
- Jean-Pierre Mattei
  - Director since September 22, 2009, and
  - Vice-Chairman of the Board of directors since July 26, 2010;
- Philippe Dominati
  - Director since June 11, 2009;
- David Fitoussi
  - Director and Chairman of the Audit Committee since July 26, 2010;
- Georgius J.M. HERSBACH
  - Director since April 14, 2006;
- Fady Khallouf
  - Director since March 19, 2010, and
  - Chief Executive Officer since May 20, 2010

At the date of writing, the composition of the Company's Board of directors remains unchanged.

The dates of appointment and expiry of terms of office, the duties performed within and outside the Group, and the main mandates and corporate offices held during the last five years are given in Section *[2.1.4.1 of the present Registration Document].*

The executive, financial and industry-specific abilities of the Company's directors, together with their varied experience, all enhance the quality of the deliberations of the Board of directors.

In accordance with recommendation R9 of the MiddleNext Code, when the appointment or co-optation of a new director is put before the ordinary shareholders' meeting, sufficient information about the director's experience and qualifications is provided to the shareholders, and each appointment is voted on in a separate resolution.

2.3.2. Independence

A member of the Board of directors is deemed independent if he has no relationship with the Company, its Group or General Management that might compromise his freedom of judgment.

At the date of writing, three of the six members of the Board are independent according to the criteria of the MiddleNext Code. These are Mssrs. Philippe Dominati, Jean-Pierre Mattei and David Fitoussi.

They are neither employees nor executive managers of the Company or a Group company, nor have they been within the past three years. These independent members are not major shareholders in the Company, have no family connection to an executive manager or major shareholder, and have not acted as auditors to the Group within the past three years.

Finally, they are not significant customers, suppliers of 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 of April 15, 2010, the Board of directors considered that the existence of special task agreements entered into by the Company and Messrs Philippe Dominati and Jean-Pierre Mattei would not affect their independence insofar as the amounts that are paid to them cannot be considered as compensation, but rather as honorariums for tasks 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.

With three independent directors out of six, the composition of the Board is in compliance with recommendation R8 of the MiddleNext Code, which recommends that a Board have at least two independent directors. Under these conditions, the tasks of the Board of directors are performed with the necessary independence and objectivity.

The three directors not considered to be independent according to the criteria of the MiddleNext Code are:

- Fady Khallouf, who is an executive manager 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;
- Mr. Michel Meeus, who is a significant shareholder of the Company: At the close of the 2010 fiscal year, he held 4,994,162 shares or about 4.53% of the capital and 4.47% of the voting rights in the Company and is, to the Company's knowledge, the second largest shareholder in the Company. In addition, Mr. Meeus is one of a group of shareholders who together owned 13,660,524 shares or about 12.38% of the Company's capital and 12.24% of the voting rights at December 31, 2010.

2.4 **Modus operandi of meetings of the Board of directors**

2.4.1 Preparation for Board meetings

In accordance with recommendation R11 of the MiddleNext Code, the directors receive the information and documents concerning items on the agenda of Board of directors meetings several days in advance of the meeting. They thus have the opportunity to gather information regarding the matters to be discussed at the meeting. Particularly sensitive or urgent topics may be discussed without prior distribution of materials or with prior communications closer to the meeting date.

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. The Board nonetheless prefers that directors attend Board meetings in person to foster discussion (which was the case for 67% of Board meetings during FY 2010).

The Board of directors is chaired by Michel Meeus who organizes and manages the Board's work and reports to the ordinary 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 Company's corporate bodies and ensures, in particular, that the directors are able to perform their duties.

The Board of directors has also appointed a Vice Chairman, Jean-Pierre Mattei, who leads discussions in the absence of the Chairman.

2.4.2 Activity of the Board of directors during the 2010 fiscal year

The Board of directors met 27 times in 2010, i.e. 2.25 times a month on average.

These frequent meetings reflect its involvement and how often it is consulted, particularly necessary given the Company's financial difficulties and the need to define and implement a financial restructuring plan [*see Section 3.1.1 of the present Registration Document].*

	18-Jan-10	29-Jan-10	8-Feb-10	9-Feb-10	22-Feb-10	24-Feb-10	8-Mar-10	11-Mar-10	18-Mar-10	19-mars-10 - 11:15	19-mars-10 - 15:00	29-Mar-10	15-Apr-10	20-Apr-10	7-May-10	18-May-10	20-May-10	31-May-10	1-Jun-10	15-Jun-10	21-Jun-10	26-Jul-10	2-Sep-10	14-Sep-10	8-Nov-10	15-Nov-10	1-Dec-10	Total Attendance	% attendance
CREUZET Gérard											•	•	•	•	•	•	•	•	•	•	•	•	•	•				14	100%
DOMINATI Philippe	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	27	100%
FERRAN Louis	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•				23	96%
FITOUSSI David																							•	•	•	•	•	5	100%
HERSBACH George	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	27	100%
KHALLOUF Fady											•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	17	100%
LEROY Philippe	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•				22	92%
MATTEI Jean-Pierre	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	25	93%
MEEUS Michel											•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	17	100%
PEUGEOT Eric	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•						22	100%
VAN'T NOORDENDE Marc	•	•	•	•	•	•	•	•	•	•																		9	90%

Symbol • director present
• director excused

The rate of attendance by directors is very high (96% in 2010 versus 92% in 2009, 93% in 2008 and 90% in 2007). The average length of a meeting in 2010 was 2 hours, 35 minutes.

The frequency and duration of meetings are in compliance with recommendation R13 of the MiddleNext Code.

During the course of the 2010 fiscal year, the Board of directors dealt, in particular, with the following matters:

- oversight of the preparation and implementation of the Company's financial restructuring plan and of the capital increases (various meetings throughout the year);
- authorizations to set up sureties, endorsements and guarantees (various meetings throughout the year);
- authorization of related-party agreements (meetings of May 7, June 15 and July 26, 2010);
- recognition of capital increases made at the end of the vesting period for free share allocations (meetings of January 18 and February 22, 2010);
- recognition of the capital increase following the conversion of OCEANE bonds into stock (meeting of November 15, 2010);
- review of the annual and half-yearly corporate and consolidated financial statements and of the 2009;
- Management Report (meetings of April 15, April 20 and September 2, 2010);
- review and approval of the 2009 Registration Document (meetings of May 7 and May 31, 2010);
- governance of the Company, guidelines for General Management and operation of the Board of directors
- (various meetings throughout the year);
- policy on directors' fees (meetings of February 22, April 15 and September 2, 2010);
- Appointment of a new CEO and deciding his compensation (meetings of February 9, February 22 and May 20, 2010);
- Appointment of two new Deputy Managing Directors and deciding their compensation (meeting of February 9, 2010);
- giving notice of the General Meeting of Bondholders on February 18, 2010 and drawing up draft resolutions (meeting of January 29, 2010);
- giving notice of the combined shareholders' meeting on March 19, 2010 and drawing up draft resolutions (meeting of January 29, 2010);
- giving notice of the Annual General Meeting of Shareholders on June 1, 2010 and drawing up draft resolutions (meetings of April 15 and 20, 2010);
- giving notice of the Ordinary General Meeting of Shareholders on December 17, 2010 and drawing up draft resolutions (meeting of November 8, 2010);
- change in members of the Nomination and Remuneration Committee, the Audit Committee and the Strategy Committee (meetings of March 19, June 1 and July 26, 2010);
- Appointment of a new Chairman of the Board of directors (meeting of July 26, 2010);
- co-opting a new director (meeting of July 26, 2010);
- amendment to the Internal Rules (meeting of April 15, 2010);
- approving the delegations of authority made within the Group (meetings of February 22 and April 15, 2010);
- review of the Audit Committee's charter (meeting of March 29, 2010);
- review of the Group's strategic priorities and the Business Plan (meeting of November 15, 2010); and
- review and approval of the stock option plan for General Management and employees (meeting of December 1, 2010).

2.4.3 *Evaluation of the Board's operation*

The Board of directors undertakes an assessment of its own operation at regular intervals. It conducts an annual review of its work once a year and a formal evaluation is conducted every three years by an independent director with the assistance of an outside consultant. The evaluation of the Board's work is carried out in accordance with recommendation R15 of the MiddleNext Code.

On March 30, 2009, the Board of directors engaged an independent expert to conduct an evaluation of the organization and operation of the Board of directors.

This assessment was done through individual interviews with each director. The questionnaire was prepared according to industry practices and tailored to the Group's specific needs.

The conclusions were presented to the Board of directors in August 2009.

The process resulted in guidelines for improving the way the Board is organized and run, and the majority of these were implemented by the Board. In the main these included:

- strengthening the Board's oversight role;
- standardizing and structuring the agenda;
- reviewing directors' potential conflicts of interest at the start of every Board meeting;
- improving the ongoing information given to Board members through a monthly activity report prepared by General Management;
- distributing the minutes of meetings of the Board of directors within a reasonable period of time after the meeting;
- annual review of the operation of the Board itself and of its committees;
- improving the directors' charter; and
- enhancing the professional skills of the Board of directors, by researching and specifying the desired profiles of new directors.

After the close of the fiscal year on December 31, 2010, the Board of directors will conduct an annual review of the operation of the Board and its committees. The main conclusions will be published in the Report of the Chairman of the Board of directors on corporate governance, internal control procedures and risk management for the 2011 fiscal year.

2.5 **Special committees of the Board of directors**

The Company has had an Audit Committee and a Nomination and Remuneration Committee since 2006. From March 19, 2010 to July 26, 2010 the Company also had a Strategy Committee. This organization complies with recommendation R12 of the MiddleNext Code.

2.5.1 *Audit Committee*

At the date of writing, the Audit Committee is composed of:

- David Fitoussi, Chairman of the Committee since July 26, 2010, independent director with accounting and financial expertise;
- Mr. Jean-Pierre Mattei, independent director, with accounting and financial expertise; and
- Philippe Dominati, independent director, member of the French Senate Finance Committee.

Philippe Leroy, independent director, was Chairman of the Audit Committee until July 26, 2010.

Main tasks

The Audit Committee helps the Board of directors to ensure the accuracy and fairness of the Group's corporate and consolidated financial statements, the quality of its internal control procedures and of the information provided to shareholders and the market.

The Audit Committee's charter was approved by the Board of directors on March 29, 2010. The Audit Committee's main responsibilities include:

- ensuring the effectiveness of internal control and risk management procedures;
- conducting regular reviews, with General Management, of the main risks faced by the Group, through risk mapping;

- supervising the selection and reappointment of the Statutory Auditors, advising regarding the fees requested by them, and submitting the results of its work to the Board of directors;
- ensuring that the ancillary assignments given to the Statutory Auditors do not compromise their independence;
- reviewing the Statutory Auditors' work program, conclusions and recommendations;
- on the basis of interviews with General Management and the Statutory Auditors, ensuring that the accounting methods used in preparing the corporate and consolidated financial statements are appropriate and ongoing, reviewing and assessing the consolidation scope, and reviewing and verifying the appropriateness of accounting policies applied in the Group;
- reviewing the corporate and consolidated financial statements before they are presented to the Board of directors; and
- monitoring the process for preparing and communicating financial information and, where necessary, supervising this process.

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.

The Audit Committee's work in 2010

The Audit Committee met five times in 2010, with all members present. The Statutory Auditors attended the meetings held on May 12, 2010 and August 25, 2010. The current members of the Audit Committee were present at the meetings of August 25 and 30, 2010.

The necessary accounting and financial documents, 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.

During the fiscal year, the Audit Committee was mainly involved in the following matters:

- reviewing the annual and semi-annual corporate and consolidated financial statements (meetings of April 6 and August 25, 2010)
- reviewing the Statutory Auditors' fees (meeting of April 12, 2010);
- drawing up the Audit Committee's charter (meeting of March 1, 2010);
- requesting special internal control assignments at subsidiaries (meeting of March 1, 2010);
- selecting the Statutory Auditors to replace Coexcom, which resigned (meeting of August 30, 2010); and
- approving the schedule for preparing the 2009 annual financial statements, the management report and the Chairman's report on internal controls (meetings of March 1 and April 12, 2010).

The Chairman of the Audit Committee reported to the Board of directors regarding each of the Committees' meetings.

2011 Outlook

A review of the Group's main risks will be the center of the Audit Committee's work in 2011. As part of the strategy of building an integrated Group and developing functional and operational expertise across its business lines, the risk-mapping developed in 2009 for the Company and extended to the subsidiaries in 2010 will be further developed in 2011.

The Audit Committee will also assist the Company in the process of testing the valuations of assets owned by the Group and in integrating the Statutory Auditors appointed at the end of 2010.

2.5.2 The Nomination and Remuneration Committee

At the date of writing, the Nomination and Remuneration Committee consisted of:

- Michel Meeus, shareholder and director, Chairman of the Nomination and Remuneration Committee from June 1, 2010 to July 26, 2010 and once again since December 1, 2010; and
- Georgius Hersbach, non-independent director.

Eric Peugeot, independent director and Chairman of the Board of directors, was a member of the Nomination and Remuneration Committee until February 9, 2010, the date of his resignation because of his appointment as CEO of the Company.

Louis Ferran, independent director, was Chairman of the Nomination and Remuneration Committee until June 1, 2010, when Michel Meeus resumed these duties.

Philippe Dominati, independent director, was Chairman of the Nomination and Remuneration Committee from July 26, 2010. He resigned this position on December 1, 2010, when Michel Meeus once again resumed these duties.

Main tasks

The Nomination and Remuneration Committee is chiefly responsible for:

- reviewing all candidates for appointment to a position as member of the Board of directors and formulating an opinion or recommendation on such appointments to the Board of directors;
- reviewing the independence of each director and setting the desired number of independent directors to sit on the Board of directors;
- preparing recommendations to replace executive managers in a timely manner;
- making recommendations on the compensation, retirement and provident plan, benefits in kind and various pecuniary rights including, as applicable, awards of stock purchase or subscription options, and free shares in the Company, for the General Management and any employee members of the Board of directors;
- making recommendations on the compensation of the members of the Board of directors.

The Nomination and Remuneration Committee may also be consulted with respect to the appointment of the Company's executive officers and the terms and conditions of their compensation.

The Nomination and Remuneration Committee appoints its Chairman. It meets at least twice a year, including once before the agenda of the annual shareholders' meeting is approved, to review the draft resolutions to be submitted to the meeting regarding seats on the Board of directors and, where applicable, observers.

The Nomination and Remuneration Committee's work in 2010

During the 2010 fiscal year, the work of the Nomination and Remuneration Committee concerned:

- dividing the directors' fees awarded by the ordinary shareholders' meeting of June 11, 2009 and by the ordinary shareholders' meeting of June 1, 2010 (meetings of March 18 and April 14, 2010) among the directors;
- compensation of the CEO and the Deputy Managing Directors (meeting of March 1, 2010);
- awarding free shares to executive officers and implementing the anti-dilution clause applicable to these free shares (meeting of February 18, 2010); and
- reviewing and approving the stock option plan for General Management and employees (meeting of October 28, 2010).

2011 Outlook

The Nomination and Remuneration Committee will ensure that compensation of the Group's employees is harmonized and in line with the Company's strategy. It will also analyze the rules applicable to directors' fees and awards of free shares and stock options. It will contact potential new Board members and assess their applications.

2.5.3 The Strategy Committee

The Strategy Committee was formed on March 19, 2010 tasked with analyzing and clarifying the strategic guidelines submitted to the Board of directors and monitoring the implementation and development of significant operations under way.

With the separation of the duties of Chairman and CEO on May 20, 2010, the successful financial restructuring and the appointment of a new Chairman of the Board of directors, this Committee was dissolved by decision of the Board on July 26, 2010.

2.6 **Principles of compensation of executive managers**

The executive compensation is fixed by the Board of directors based on a report by the Nomination and Remuneration Committee.

2.6.1 Compensation of executive managers who are not Company executives

The amount of compensation and honorariums received by directors who are not Company executives is presented *[in the present Registration Document in Section 2.2.2 (Compensation of the non-executive corporate officers)].* The information is presented comprehensively, and is substantiated, consistent, legible and transparent.

Directors' Fees

The ordinary shareholders' meeting of June 1, 2010, ruling under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the report of the Board of directors, decided to set the overall amount of directors' fees allotted to the members of the Board of directors at €510,000 for FY 2010 and subsequent years, until otherwise decided by the ordinary shareholders' meeting.

The distribution of directors' fees among the Board members is based on the actual attendance of directors at board meetings, their work on the committees and their involvement in the Company, in accordance with recommendation R14 of the MiddleNext Code.

Since the appointment of Fady Khallouf as CEO, the rules of good governance, according to which a director does not receive director's fees for any period during which he or she exercises executive functions in the Company, are once again complied with by the Company.

Accordingly, pursuant to the proposal submitted by the Nomination and Remuneration Committee, the Board of directors has decided on the following distribution of directors' fees in 2010:

- €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 lower 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 lower than 75%);
- €12,000 for the Chairman of the Nomination and Remuneration Committee and the Chairman of the Strategy Committee; and
- €9,000 for each member of the Nomination and Remuneration Committee and the Strategy Committee (reduced to €6,750 if the rate of attendance at Committee meetings is lower than 75%).

These guidelines have been applied and have resulted in the payment of an overall gross total of €391,276 in directors' fees to directors who are not Company executives for fiscal year 2010.

In view of the Company's cost reduction policy, the Board of directors has decided not to distribute the balance of the directors' fee package approved by the ordinary shareholders' meeting (namely €118,724).

Special tasks

In March 2010, Company directors Philippe Leroy, Jean-Pierre Mattei and Philippe Dominati, undertook special tasks for the Company and received exceptional honorariums for this work. This remuneration falls within the scope of the Company's financial restructuring plan, considering the work and missions completed by these directors. These tasks are described in Section *[2.2.2.3 of the present Registration Document]*, and primarily concerned:

- coordinating the work of various advisors to the Company;
- approving market strategy and investment options proposed by the Company's advisors;
- overseeing the preparation of documents related to the Financial Restructuring plan, review of all external Company financial communications;
- redefining communications related to Company strategy, defining key messages to be delivered to strategic Company contacts;
- supervising all contacts useful to the execution of the Financial Restructuring Plan;
- overseeing Company relations with the AMF;
- participating in meetings with shareholders, Company executives, and boards, etc. at the request of the Chairman and CEO.

These tasks resulted in the payment of a total of €430,000 for the work completed.

These special task agreements constitute related-party agreements according 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 are covered by a special Statutory Auditors' report, which was approved by the combined ordinary and extraordinary shareholders' meeting of June 1, 2010, which approved the financial statements for the fiscal year ended December 31, 2009.

Prior to his appointment as CEO on May 20, 2010, Fady Khallouf, a director, carried out special tasks for the Company. The purpose of these tasks was to provide special assistance to the Chairman and CEO, as part of strategic projects, acquisition opportunities, disposals, and financial transactions, analysis, and proposals to improve Company profitability in terms of operations and development, to reduce its risk factors or reduce its exposure to risk. In exchange for these tasks, the Company paid Fady Khallouf a total gross amount of €40,296 for the period from April 15 to May 20, 2010. A special tasks agreement was concluded for these tasks, which constitutes a related-party agreement as defined by Articles L. 225-38 et seq. of the French Commercial Code. The principle of this agreement was authorized by the Board of directors in its meeting of April 15, 2010. The Statutory Auditors will report on it, and this report will be submitted to the ordinary shareholders' meeting called to approve the financial statements for the fiscal year ended December 31, 2010.

2.6.2 Compensation of executive managers who are Company executives

The executives (CEO and Deputy Managing Directors) receive fixed and variable compensation, based on the achievement of targets set by the Board of directors.

Note that some former executives receive a free allocation of shares pursuant to the rules of the plan in force in the Group since December 17, 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 executive profiles, and are detailed in Section *[2.2.1 of the present Registration Document]*. The information is presented comprehensively, and is substantiated, consistent, legible and transparent, in line with recommendations R2 and R3 of the MidddleNext Code.

Some members of the General Management benefited from or currently benefit from a supplemental pension plan. The details of these benefits are presented in Section *[2.2.1.7 of the present Registration Document].* This practice complies with recommendation R4 of the MiddleNext Code.

2.7 **Terms and conditions for shareholder participation in ordinary shareholders' meetings**

All shareholders have the right to participate in ordinary shareholders' meetings, regardless of the number of shares they own:

- by attending in person;
- represented by the person of their choosing under the conditions in Articles L. 225-106, I- Section 2 s. of the French Commercial Code pursuant to the Order of December 9, 2010; or
- by proxy vote (postal vote).

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.

3. Internal control and risk management

The internal control process implemented within the Group by the new General Management includes ongoing controls drawn up according to internal procedures by each of the functional and operational departments. The result of these controls is the submission of reports to General Management and the associated departments on an ongoing basis. Identified risks are thus made known to the Audit Committee and General Management coordinates the internal efforts to remedy them.

It is in the context of this new internal procedure that on one hand the debt problems related to the Operation for third parties activity were brought to light and on the other that the accounting errors were acknowledged.

Presentation of revenue

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

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

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

Intangible assets

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

These problems that have been discovered thanks to a new internal control and risk management procedure encourage us to remain vigilant and to continue our ongoing efforts to improve this control process.

At the request of the Chairman of the Board of directors and the CEO, the Legal Department has compiled the items relating to the procedures in place with respect to internal controls and risk management.

The internal control process implemented within the Group takes into account the opinions and recommendations of the *Autorité des marchés financiers* ("AMF"). This Report was prepared with the help of the implementation guide for small- and mid-cap companies of the internal control reference framework published by the AMF in February 2008. The Company has applied this referential ever since it was set up.

However, as with any system of control, the Company's internal control mechanism can provide only reasonable assurance, not an absolute guarantee, of the complete elimination of risks.

3.1 Internal control definitions and goals

Internal control is an integral part of the Group's governance strategy. It is implemented to help the Chairman and General Management in their considerations of risk management. Internal control procedures are applicable to all companies included within the scope of consolidation. These procedures differ in certain areas, depending on whether the entity concerned is located in France or in another country.

Internal controls are a management lever for the Group. Their purpose is to guarantee:

- compliance with laws and regulations;
- the securing of decisions made within the Group;
- 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 control of all risks resulting from Company business activity and risks of error and fraud;
- the consistency between Group actions and values;
- 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.

3.2 Internal control components

Internal control and risk management mechanisms are adapted to the characteristics of the Group. They are comprised of an organizational framework that clearly defines the roles and responsibilities of every participant (Section 3.2.1), an effective risk management process (Section 3.2.2) and the control of the internal distribution of information (Section 3.2.3).

3.2.1 An organizational framework that clearly defines the roles and responsibilities of each participant

The recent organization of internal controls and risk management implemented by the new General Management in 2010 made it possible for the Company to continue its efforts and strengthen the deployment of the cross-departmental procedures that enable greater harmonization of activities within the Group and guarantee feedback on information from the subsidiaries.

Internal controls and risk management involve all actors within the Group. Its major participants, both internal and external, are:

- the Board of directors;
- the Audit Committee;
- the Legal/Human Resources Department;
- the Project Financing, Cash Flow, and M&A Department;
- the Accounting/Consolidation Department;
- Management Auditing;
- the Industrial and Project Audit Department;
- the IT Department;
- the General Management of the subsidiaries; and
- the various service providers with respect to accounting, tax or legal matters.

Through the clear definition of the roles and responsibilities of each Group participant, this new organization of the internal control processes has made possible the cancellation of the positions of “Internal Control Manager” and “Internal Audit Manager".

3.2.2 An effective risk management process

In order to 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 principal risk factors are identified and analyzed *[in the present Registration Document (see Section 1.9 “Principal risk factors”)]*, where the procedures to better anticipate and handle them are also mentioned.

The definition of significant risks is theoretically undertaken by the General Management of the Company, in close collaboration with its Audit Committee, then implemented by the various divisions and departments of the Company.

The risk identification and evaluation process continued throughout 2010. This identification of risks is part of an ongoing process and covers risks that may have a significant effect on the Group’s financial and operational position. The mapping of Group risks, which was updated as a result in 2010, includes all risks related to Group subsidiaries and to projects (the previous risk mapping was prepared for the holding only). The General Management and the Audit Committee use this mapping as a basis for the launching of any audit mission that may be necessary from time to time.

3.2.3 The control of the internal distribution of information

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 (Audit Committee and Nomination and Remuneration Committee) are subject to formal reports based on the decisions made and actions to be taken to guarantee the sharing of relevant information with all Group employees.

Meetings between the General Management, the Company departments, and the General Management of each subsidiary are organized based on Group priorities and strive to take into account each actor’s availability. For 2011, there are plans to organize these meetings on a regular, monthly basis.

Meetings are organized with all head office employees and the General Management in order to present the major actions undertaken and the challenges for the upcoming period.

Meetings are also organized with the employees of the major subsidiaries and the Group's General Management.

3.3 Group procedures regarding internal control

Throughout 2010, the Group has strengthened its internal control procedures with respect to the preparation and processing of accounting and financial information (Section 3.3.1) and the new procedures that enable information feedback and the standardization of Group practices (Section 3.3.2).

3.3.1 Procedures for preparing and processing accounting and financial information

Group accounting and financial information is prepared and treated in accordance with the procedures for the closing of financial statements and consolidation, the monitoring of cash flow, financial communication, and verification of the application of the laws and regulations in force.

Closing of financial statements and consolidation

The financial statements for the main French companies, as well as their consolidation packages, were prepared by the accounting and financial staff of the holding company until the third quarter of 2009. This team worked under the authority of the Group Accounting and Consolidation Director, who in turn is under the authority of the Group Financial Director, a function currently held by the Company's CEO. 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 2010, in order to improve familiarity with computer accounting systems and to improve the quality of the information disclosed.

Moreover, following the restatements made to the 2007 and 2008 financial statements (which are detailed in Section 3.2.1(C) of the 2009 Management Report), the Group conducted an analysis of the causes of these restatements and the closing procedures were amended as a result. In particular, the Company now requires that the 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.

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 comply with IFRS, which has been the comprehensive basis for the consolidated financial statements since 2005. The Group's Financial Department continues to be on the lookout for new IFRS being prepared in order to alert and anticipate as much as possible their impact on the Group financial statements.

The processing and centralization of cash flows and the hedging of interest rate risks are guaranteed by the Manager of Project Finance, M&A and Treasury, which ensures the listing of commitments and makes it possible for them to be acknowledged *[see Section 1.9.1.1 of the present Registration Document].*

Investment plans are approved by the CEO and validated by the Board of directors. Any changes in relation to projections must receive special prior authorization.

The accounting and financial elements prepared by the consolidated subsidiaries are subject to, at the very least, limited examination at the closing of the semi-annual financial statements and an audit at the closing of the annual financial statements by the Statutory Auditors. This work also includes the validation of the bridging of the gap between local accounting principles and IFRS standards in the accounts. In accordance with legal requirements, the Company relies on two panels of Statutory Auditors to validate accounting information, including restatements of consolidation, through their network of local auditors that consult with various subsidiaries. The remit of these Statutory Auditors is to verify that the financial statements provide a true and fair presentation, according to accounting rules and standards, and are a sincere representation of the results of operations for the past year, as well as the Company's financial situation and its assets on the closing date.

At 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 flow monitoring process, etc. In the area of transactions, procedures are meant to guarantee compliance with certain standards that constitute the Company's core business.

Cash flow monitoring

The Group was aware that improvements in its internal controls were necessary, in particular regarding the monitoring of the Group's cash position, especially 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 worked to define and implement measures that made it possible to rapidly improve the process for preparing forecasts and account statements of the Group's cash position. In-depth work was conducted by the Group to verify and make reliable the information related to cash position as of December 31, 2010 as stated in the annual and consolidated financial statements and the Management Report. Accordingly, the improvements put in place or strengthened during 2010 were related to:

- the development of a cash management tool for all of the Group's subsidiaries. The Group and its main subsidiaries' cash position is currently monitored by the cash management software;

- the daily reporting of the Group's cash position and recognized operations, with the close monitoring of certain subsidiaries and specific reporting such as the monitoring of the cash position of project support companies;
- the development of a debt management tool for the global management of all Group debt;
- monthly monitoring of Group net debt in the form of a monthly report;
- the updating of all tools to include new European security regulations regarding bank exchanges (payments, etc.);
- the standardization of the Cash Forecast, the securing of projections for France, and the implementation of analysis of discrepancies between projected and actual data for all subsidiaries;
- the securing of the liquidity agreement by integrating its management into the cash management software;
- an available cash investment policy for the Company and its subsidiaries;
- an interfacing of accounting tools with the cash management software to secure the transmission of information;
- the rewriting of all banking proxies for all French and Moroccan subsidiaries; and
- the implementation of a signature platform to strengthen security for bank payment orders (encryption key).

Financial disclosure

As a publicly traded company, the Company must comply with AMF requirements regarding the communication 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 semi-annual and annual 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 Registration Document is prepared under the direction of the Financial Communication and Legal Departments, who guarantee the coordination of the various teams participating in its preparation.

Application of laws and regulations

As a publicly-traded company, the Company is subject to the regulations in force common to all companies as well as the laws and regulations specifically concerning publicly-traded companies (especially the AMF General Regulations).
The Legal Department is in charge of implementing and verifying the application of procedures that ensure compliance with all regulations.

3.3.2 New procedures implemented in 2010

Moreover, in order to anticipate and manage as much as possible the risks that it may face, over 2010, the Group strengthened the implementation of the information submission procedures and the standardization of intra-Group practices, which are steered by each Company department and division.

Legal Department

Since 2010, the Group has implemented various procedures to standardize some of its practices in order to guarantee the management of legal risks and the compliance of its entities with various applicable laws and regulations:

- monthly monitoring reports for Group legal disputes;
- the implementation of semi-annual monitoring reports for Group off-balance sheet items; and

- the implementation of quarterly Group monitoring reports for the Group's scope of consolidation.

In 2011, the terms for the deployment of a high-performance management system for contractual commitments will be studied and implemented.

Human resources

The quality and expertise of Group employees are important elements of the internal control procedures. In 2010, the Group's human resources policy was based on:

- improvement of the recruiting process;
- clarification of the roles of all employees through the implementation of detailed job descriptions;
- the implementation of a common employee evaluation system; and
- investment in training.

Project controls

In addition, as part of the securing of its project portfolio, the Company has implemented:

- monthly reporting on its wind portfolio, thus allowing the continuous updating of the risk levels used to determine the accounting provisions and depreciations to be made;
- an inter-subsidiary "wind deposit" working group. 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; and
- the monthly production report of the farms is being expanded.

Management controls

The new General Management wished to considerably strengthen management controls within the Group. Significant progress has been made in this area, such as:

- the introduction of a monthly budget (January to December 2010);
- the implementation of a budgetary re-projection cycle (a "reality check" performed in May and October); and
- the implementation of a consolidated medium-term plan.

Information systems

Beyond the creation of the position of Group IT Manager in order to secure the Group's IT systems, in 2011, the General Management decided to implement an ERP (Enterprise Resource Planning), management software that will be used by the vast majority of Group subsidiaries. The deployment of this software will also contribute to the reliability and securing of the information production process, especially for accounting and financial information.

3.4 **Monitoring of internal control mechanisms**

It is the responsibility of the General Management, in close collaboration with the Company's Audit Committee, to guarantee that each department and operating division of the Company and the General Managements of the subsidiaries comply with the internal control rules and procedures.

The strengthening of the procedures for submitting information and standardizing practices within the main Group subsidiaries has resulted in the identification of areas where internal controls could be improved and strengthened for 2010, such as:

- the extension of risk mapping to all areas of activity;
- the constant safeguarding of the project portfolio and project monitoring; and
- the deployment of internal controls in all Group subsidiaries.

Moreover, this ongoing management of internal controls by General Management makes it possible to set in motion and monitor the internal control procedures in order to better adapt them to the Group's position and activity.

It is the responsibility of General Management to report information related to internal controls to the Board of directors and the Audit Committee. The Board of directors and the Audit Committee may conduct the verifications or take any other initiative that they consider appropriate in order to control any potential dysfunction.

During 2011, the General Management and the Audit Committee will continue to intensify their control of risks and strengthen inter-departmental cooperation within the Group, so that the technical expertise of each subsidiary is made available to the whole Group in an effective manner.

4. Notes: Complete text of the Internal Rules and Regulations of the Board of directors)

PREAMBLE

The members of the THEOLIA Board of directors have expressed a desire to adhere to the following rules of operation, which constitute the Internal Rules and Regulations of the Board of directors. These Rules are part of the recommendations in place to guarantee compliance with the basic principles of corporate governance. The THEOLIA Board of directors currently refers to the principles of corporate governance as presented in the MiddleNext Code for small- and medium-cap enterprises.

These Rules are applicable to all current or future directors. Their purpose is to supplement the laws and regulations in force and the Articles of incorporation and specify the terms of operation of the Board and its Committees, in the interests of the Company and its shareholders.

They may not be invoked by shareholders or third parties against the Company's directors.

1. Missions and powers of the Board of directors

1.1. Mission of the Board of directors

The Board of directors determines the general direction of the Company's business activities and oversees their implementation.

The Board is a collegial body that collectively represents all shareholders and is bound to act in all circumstances in the corporate interests of the Company.

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 CEO of the Company is required to communicate to all directors the information necessary for the accomplishment of their mission.

1.2. Composition of the Board of directors

In accordance with the law, the Board of directors of the Company is comprised of three to eighteen members, unless otherwise provided by law, in particular in the event of a merger.

The term of office of the directors appointed or re-elected to their offices shall be set at three years. The term of office of each director shall always be renewable. However, directors who have reached the age of 70 are deemed to have resigned automatically.

The directors of the Company:

- contribute their professional skills and experience; and
- have a duty of vigilance and shall exercise their complete freedom of judgment.

This freedom of judgment enables them to participate with complete independence in the decisions or work of the Board and, as the case may be, of its Committees.

1.3. "Independent" directors

Several criteria make it possible to determine the independence of members of the Board, which is characterized by the absence of significant financial, contractual, or family ties that may alter independence of judgment, such as:

- not being an employee or executive officer of the Company or a company of its Group, either currently or within the past three years;
- not being a significant client, supplier or banker of the Company or its Group or for which the Company or its Group represents a significant portion of business activity;
- not being a reference shareholder of the Company, i.e., a shareholder that holds a significant stake in the company, which enables it to have significant influence over decision-making;
- not having any close family ties with an executive manager or reference shareholder; and

- not having been an auditor of the Company over the past three years.

It is the responsibility of the Board of directors to examine once per year, on a case-by-case basis, the situation of each of its members with regard to the criteria stated above. Provided that it justifies its position, the Board may deem one of its members independent even though he or she does not meet all of the criteria; conversely, it may deem a member that meets all of these criteria not to be independent.

1.4. The Chairman of the Board of directors

The Board of directors shall appoint as Chairman an individual from among its members, who may be elected for his entire term as director and may be reelected.

The Chairman presides over meetings of the Board of directors, organizes and directs its work and reports on it to the ordinary shareholders' 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.

He shall have the material resources necessary for the accomplishment of his mission.

1.5. Terms of exercise of General Management

The Board of directors determines the terms of exercise of General Management.

In accordance with the provisions of the law, General Management is assumed, under its responsibility, by either the Chairman of the Board of directors or by another individual appointed by the Board of directors with the title of CEO, who must be under 65 years of age.

The Board must make a decision relating to the terms of exercise of General Management during the appointment or renewal of the term of the CEO if such office is separate from that of the Chairman.

It is the constant desire of the Board of directors to guarantee the implementation by General Management of the general policies that it has defined.

To this end, it entrusts to its Chairman the task of developing and maintaining a trustful and regular relationship between the Board of directors and the CEO.

1.6. Powers of General Management

The CEO, whether such powers are assumed by the Chairman of the Board of directors or by another person, is vested with all powers necessary to act in all circumstances on behalf of the Company. He exercises these powers within the limits of the corporate purpose, in accordance with the rules set forth by the Articles of incorporation of the Company and subject to those powers that the law explicitly attributes to shareholder meetings and the Board of directors, and the limitations set forth in the table attached below.

The CEO represents the Company in its relations with third parties.

2. Operation of the Board of directors

2.1. Convening and meeting of the Board of directors

The Board of directors meets as often as the interests of the Company require, and at least four times per year, as convened by its Chairman.

Notices of meeting, which may be sent by any person authorized to that effect by the Chairman of the Board of directors, shall be made seven business days before the meeting by letter, telex, telegram, fax, electronic mail or verbally. They shall specify the place of meeting, which may be the corporate headquarters or any other location.

There shall be kept at the corporate headquarters a register of attendance signed by the members of the Board of directors participating in the meeting, either in their own right or for the other members of the Board of directors that they represent. Proxies given by letter, which may be sent by fax, telex, telegram or electronic mail when the conditions of certification of electronic signatures have been determined, shall be attached to the register of attendance.

The secretary for the meeting shall be appointed by the Chairman.

2.2. Information of the members of the Board of directors

All documents necessary for informing the directors of the agenda and the questions submitted for examination by the Board of directors shall be attached to the notice of meeting or sent to them or issued in a timely fashion prior to the meeting.

Directors shall make sure that they receive sufficient information in a timely manner so that the Board may validly deliberate.

It is their responsibility to request of the Chairman the items that they believe to be indispensable for their information within the appropriate period of time.

Information related to the Group communicated to directors as part of their functions is given to them on a confidential basis. They must personally protect its confidentiality and not disclose it under any circumstances. This personal obligation is also imposed on representatives of a director that is a corporate entity.

The CEO, or any other person authorized by him, shall provide the directors with useful information at any time during the life of the Company between meetings of the Board of directors, if the importance or urgency of the information so requires.

Moreover, the Chairman of the Board of directors shall give all new directors a file of documents so that they may quickly become well-versed in the issues currently being dealt with by the Board. This file shall include:

- With respect to governance:
  - The Articles of incorporation;
  - Board of directors Internal Rules and Regulations;
  - Report of the Chairman on the operations of the Board of directors and internal controls;
  - Board evaluation report (if any);
  - the minutes from the Board meetings of the past three years;
  - description of procedures concerning transactions on securities by directors and the publication of information that may affect the share price;
  - procedure for managing conflicts of interests (rules for participation in discussions and prohibitions from voting);
  - biographies and contact information of the directors, senior managers and the Secretary of the Board;
  - details regarding the manager liability insurance arranged by the Company; and
  - summary reports of the most recent meetings of Board Committees.

- With respect to Company business activity:
  - most recently published Registration Document;
  - Company share prices for the past 12 months;
  - three-year strategic plan;
  - annual budget (investments and operation) and financing plan;
  - performance indicators used by General Management, especially those related to creation of value by the Company;
  - key data on major competitors;
  - items that make it possible to project business activity for the upcoming months;
  - cash projections for a minimum of three months; and
  - monitoring indicators for working capital requirement items.

This file will be regularly updated.

2.3. Participation in meetings of the Board of directors by teleconference or videoconference

Prior to each meeting of the Board of directors, at the request of one or more directors, the Chairman of the Board of directors may decide to authorize them to participate in a meeting by videoconference or by other means of telecommunication (including telephone conferencing).

In accordance with the laws and regulations in force and Article 14, Section 2 of the Articles of incorporation, directors participating in the meeting through teleconferencing or videoconferencing media shall be deemed present for the calculation of the quorum and a majority.

The characteristics of the teleconferencing or videoconferencing media must meet technical standards that allow the transmission of the image or at least the voice of the participants in a simultaneous and continuous manner so that the directors may be identified and their effective participation in the Board of directors meeting guaranteed.

Failing this, the directors in question may not be counted as present and, in the absence of a quorum, the Board meeting shall be adjourned.

Participation by teleconferencing or videoconferencing is excluded in the cases explicitly set forth by the law; as of the date of the most recent version of these Internal Rules and Regulations, such exclusion affects meetings of the Board of directors convened to prepare the annual financial statements and the reports related thereto.

In the event of a malfunction of the teleconferencing or videoconferencing system noted by the Chairman of the Board of directors, the Board of directors may validly deliberate and/or continue with only those members physically present if the conditions of quorum have been met.

The occurrence of any technical incidents that disturb the operation of the Board, including the interruption and reestablishment of participation by teleconferencing or videoconferencing, shall be mentioned in the minutes of the meeting of the Board of directors.

2.4. Minutes

The minutes that record the deliberations of the Board of directors shall be signed by the Chairman of the meeting and by a director, or in the event that the Chairman of the meeting is unable to do so, by at least two directors.

A signing clerk authorized to this effect may certify the copies or excerpts of the minutes of the proceedings.

The draft minutes of the most recent meeting of the Board of directors shall be sent or submitted to all directors no later than the date that notice of the following meeting is sent.

3. Audit Committee

3.1. Composition

The Audit Committee is a body established by the Board of directors and appointed by it.

It is comprised of three members, at least two of which are independent Company directors. However, if the total number of directors is less than seven, the Board of directors may, for organizational purposes, agree that the Audit Committee shall be comprised of two members, one of whom shall be “independent”.

The Board of directors of the Company selects an independent director to act as Chairman of the Audit Committee.

One member of the Audit Committee must possess proven financial skills.

The secretary of the Audit Committee shall be designated at each Committee meeting by the Chairman of the Audit Committee.

3.2. Missions

The Audit Committee’s missions are:

3.2.1. Risk management and internal controls

- Guaranteeing that the effectiveness of internal control and risk management systems, including the evaluation of internal control systems, is monitored, examining the program and results of the work of the Audit Department and the recommendations and subsequent tasks given to them, as well as the working relationships with internal auditors for the preparation of financial statements;
- Conducting the regular review, with General Management, of the main risks the Group faces, particularly through risk mapping.

3.2.2. Relationship with the Statutory Auditors

- Managing of the selection and renewal of the Statutory Auditors, formulating opinions on the amount of the professional fees requested by them and submitting to the Board of directors the results of their work;
- Examining whether the related missions do not affect the independence of the Statutory Auditors;
- Reviewing the work program of the Statutory Auditors, their conclusions and their recommendations.

3.2.3. Financial information and communication

- On the basis of interviews with the General Management and the Statutory Auditors, guaranteeing the relevance and consistency of the accounting methods adopted for the preparation of the corporate financial statements and consolidated financial statements, examining and assessing the scope of consolidation and examining and verifying the relevance of the accounting rules applied to the Group;
- Examining, before the presentation to the Board, the corporate and consolidated financial statements;
- Guaranteeing that the process for preparing and communicating financial information is monitored and, if necessary, supervising it.

3.3. Operations

3.3.1. Meeting attendance

Only members of the Audit Committee have the right to participate in meetings of the Audit Committee. Meetings are convened by the Chairman of the Audit Committee.

The Chairman, the other independent directors, the CEO, the Managing Director of Finance, the internal audit manager, external auditors or any other person may attend meetings solely by invitation of the Committee.

At least once a year, the Audit Committee must meet to confer with the internal and external auditors without the members of the Board present. It is preferable that the Audit Committee meet with the internal and external auditors at separate meetings.

The Audit Committee may meet validly only if at least two members are present.

Prior to each meeting, at the request of one or more members, the Chairman may decide that the meeting will take place by teleconference or videoconference (members participating in the meeting by teleconferencing or videoconferencing shall be deemed present for the calculation of the quorum).

3.3.2. Frequency of meetings

A minimum of four meetings shall be organized each year and shall be convened by the Chairman of the Committee.

3.3.3. Prior information

The documentation related to the agenda prepared according to a standardized format shall be sent to the members of the Committee at least one week before the meeting.

3.3.4. Relationship of the Audit Committee with the Board of directors, the other Committees of the Board, General Management, internal auditors and external auditors

The Committee shall report on its work to the Board. It shall examine all questions that the Board of directors may put before it.

The minutes of every Audit Committee meeting shall be submitted to the Board of directors.

The Audit Committee shall evaluate its method of operation at least once a year.

3.4. Powers

The Board of directors authorizes the Audit Committee to:

- review any matter that falls within the scope of its assigned duties;
- receive any information necessary in support of its mission and have all documents that it shall deem useful submitted to it; and
- have independent access to the Statutory Auditors of the Company.

4. Nomination and Remuneration Committee

4.1. Operations

The Nomination and Remuneration Committee is comprised of at least three members and no more than five members designated by the Board of directors from among its members. However, if the total number of directors is less than seven, the Board of directors may, for organizational purposes, agree that the Nomination and Remuneration Committee shall be comprised of two members.

The term of office of the members of the Committee is concurrent with their term as directors. Committee membership may be renewed at the same time as Board membership.

The Committee shall appoint its own Chairman.

The Committee meets at least twice a year, with one of these times being prior to the approval of the agenda of the annual general meeting to examine the draft resolutions that shall be submitted to it and that effect the offices of the members of the Board of directors and, as the case may be, the non-voting members of the Board.

It shall meet as often as needed as convened by the Chairman of the Committee or half of its members.

In order to deliberate validly, at least half of its members must be present. A member of the Committee may not be represented by someone else.

The Committee shall prepare minutes of its meetings. They shall be sent to the members of the Committee and the other members of the Board of directors. The Chairman of the Committee or a member of the Committee designated to that effect shall report the opinions and recommendations of the Committee to the Board of directors so that it may deliberate on them.

4.2. Missions

Pursuant to Article 14, Section 4 of the Articles of incorporation, a Nomination and Remuneration Committee has been instituted.

The Nomination and Remuneration Committee receives its mission from the Board of directors:

- 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 examine whether Company directors may be classified as independent directors, and to determine the desirable number of independent directors on the Board of directors; and
    - to promptly prepare recommendations for the succession of executive managers and representatives.
- regarding compensation:
    - to make recommendations to the Board of directors concerning compensation, pension and prudential plans, benefits in kind, and various compensations, including as necessary, allocations of stock options and
    - free Company shares to the CEO, the Deputy Managing Directors and employees of the company upon the proposal of the CEO; and
    - to make recommendations on the compensation of the members of the Board of directors.

5. Rights and obligations of the members of the Board of directors

5.1. Knowledge of and compliance with regulatory texts

Before they accept their position, directors must declare that they have knowledge of:

- the limitations specific to the Company that result in particular from the Articles of incorporation and terms of these Internal Rules and Regulations;
- the laws and regulations that govern French corporations with boards of directors, especially: the rules that limit the plurality of offices, and the rules related to the agreements and operations concluded between directors and the Company;
- the definition of the powers of the Board of directors; and
- the rules related to the possession and use of privileged information, which are developed below in Note II of these Internal Rules and Regulations.

5.2. Compliance with corporate interests

Directors, even if they are not independent, represent all shareholders and must act in the corporate interest of the company under all circumstances. Directors undertake to ensure that the decisions of the Company do not favor one party or category of shareholders to the detriment of another.

Directors are elected by the General Meeting of Shareholders because of their skills and the contribution that they can make to the administration of the Company. The Internal Rules and Regulations are established in order to enable these skills to be exercised fully and to guarantee the complete effectiveness of the contribution of every Group director, in compliance with the rules of independence, ethics and integrity that is expected of them.

In accordance with the principles of good governance, directors perform their functions in good faith in the way that they believe best promotes the Company and with the care normally expected of a person in the exercise of such a mission.

All Company directors, as well as all permanent representatives of directors that are corporate entities, shall by dint of accepting their office adhere to the Internal Rules and Regulations (a copy of the Internal Rules and Regulations that includes the Directors' Charter shall be issued to them upon appointment).

Directors that do not comply with the Directors' Charter must draw the necessary conclusions from it and resign from their position as director or representative of a director that is a corporate entity.

Directors have the obligation to notify the Board upon their accession thereto of any conflict of interest, even if potential, with the items mentioned in the agenda and must consequently abstain from participating in the corresponding deliberations.

5.3. *Effectiveness of the Board*

Directors shall be fully aware that it is the responsibility of the Board of directors to define the missions and values of the Company, determine its strategic goals, guarantee the implementation of structures and procedures intended to achieve those goals, oversee the control of the Company and provide information and explanations to shareholders.

The deliberations of the Board are subject to formal votes as regards the preparation of financial statements, approval of the budget, and the drafting of resolutions to be submitted to the general meeting, as well as significant topics related to the life of the Group. The assessment of the importance of the items is made by the Chairman under his responsibility.

Directors shall be attentive to the definition and the exercise of the respective powers and responsibilities of Company bodies.

In particular, they shall verify that no person may exercise within the Company discretionary powers without control; they shall guarantee the proper operation of the special committees created by the Board of directors; they shall see to it that the internal control bodies operate effectively and that the Statutory Auditors carry out their mission in a satisfactory manner.

5.4. *Freedom of judgment*

Directors undertake, in all circumstances, to maintain their independence of analysis, judgment, decision and action and to reject all pressure, direct or indirect, that may be exerted on them by General Management, directors, specific groups of shareholders, creditors, suppliers, and any third party generally.

Directors undertake not to seek out or accept from the Company or from companies related thereto, directly or indirectly, benefits that may be construed as compromising their independence.

Under all circumstances, the Board of directors must guarantee that all candidates for appointment to a position as member of the Board of directors are not likely to be in a proven permanent or quasi-permanent conflict of interest.

5.5. *Prevention of conflicts of interest*

Conflict of interest is understood to mean the personal interest by any director (directly or indirectly, in particular through the corporate entities within which he exercises managerial functions or has interests or that he represents) in a vote on a decision of the Board.

All directors or all candidates for appointment to position as members of the Board of directors must fully and immediately inform the Board of directors of any real or potential conflicts of interest that they may have as part of their functions as a director, in order to determine in particular if they must abstain from debates and/or voting on deliberations.

As part of the prevention of any potential conflicts of interest, since directors are elected by the General Meeting of Shareholders due to their skills and contribution to the administration and development of the Company and receive compensation for these reasons, they are forbidden from receiving compensation in any form whatsoever (professional fees, invoices, other fees) directly or indirectly on the part of the Group (through the corporate entities within which they exercise managerial functions or have interests or that they represent), in particular for business procurement agreements, agreements establishing relationships with investors or any other financial, technical or legal and administrative services providers, with the exception of directors' fees and exceptional compensation paid under the conditions set forth in Article L. 225-46 of the French Commercial Code.

The Board of directors may recommend that a serving director whom it believes to be in an acknowledged and permanent or quasi-permanent conflict of interest tender his resignation.

For the application of this Article, it is further noted that compensation pursuant to an employment contract or corporate term of office within a company of the Group (other than the Company) and the associated fees related to these compensations are not affected hereby.

5.6. *Obligation of due diligence*

Directors must dedicate the necessary time and attention to their functions. In the event that a director intends to accept an office in addition to those that he holds (with the exception of the offices of director exercised in controlled unlisted companies), he shall make this fact known to the Chairman of the Nomination and Compensation Committee, who shall help him determine if this new responsibility will allow him sufficient time for Company responsibilities.

The annual report indicates the offices held, left or accepted for the year by the directors and reports their rate of attendance at meetings of the Board and the committees of which they are members.

All members of the Board of directors undertake to be diligent to:

- attend, by videoconference or teleconference if necessary, all Board meetings, unless prevented from doing so for serious reasons;

- attending all General Meetings of Shareholders insofar as possible; and
- attending the meetings of any Committees of which they are members.

5.7. Obligation of confidentiality

Directors and all persons participating in the work of the Board of directors:

- are bound by an absolute obligation of confidentiality with respect to the content of the debates and deliberations of the Board of directors and of its Committees as well as the information and documents presented at those meetings or submitted to them for the preparation of their work. This obligation applies in principle, whether the Chairman has explicitly made known the confidential nature of the information or not;
- are bound not to communicate externally with respect to the materials mentioned above to the press and media of any kind. It is the responsibility of the CEO to make known to the markets the information that the Company is to communicate to them;
- must also abstain from communicating the abovementioned information privately, including to Company employees, except for the purposes of the work of the Board of directors as part of the duty of information of directors mentioned in Article 2.2 of these Internal Rules and Regulations; and
- are strictly bound by the legal and regulatory obligations with regard to insider trading.

Directors and persons attending the debates whose appointment took place at or was proposed to the ordinary shareholders' meeting for the representation of a shareholder or other interested party in the Company (such as employees), and are required to report their office to the entity that they represent, must agree with the Chairman on the conditions under which such communication of information shall take place, in order to guarantee that corporate interests take precedent.

5.8. Stock market ethics

In order to comply with the new AMF Recommendation 2010-07 of November 3, 2010, the Board of directors, at its meeting of April 18, 2011, adopted a Code of Good Conduct relating to the prevention of insider trading (attached as Note II to these Internal Rules and Regulations).

5.9. Holding of a minimum number of shares

The obligation for directors to hold at least one share in the share capital of the Company was repealed by decision of the General Meeting of Shareholders of June 1, 2010.

6. Executive compensation

Directors receive directors' fees, the amount of which is approved by the General Meeting of Shareholders pursuant to Article 19 of the Articles of incorporation, distribution of which is determined by the Board of directors.

The distribution of directors' fees between the members of the Board of directors is conducted based on the actual attendance of the directors at the meetings as well as their work on committees and their involvement. It includes:

- €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 to the Chairman of the Audit Committee;
- €11,250 to each member of the Audit Committee (reduced to €8,500 in the event of a rate of attendance at Committee meetings of under 75%);
- €12,000 to the Chairman of the Nomination and Remuneration Committee; and
- €9,000 for each member of the Nomination and Remuneration Committee (reduced to €6,750 in the event of a rate of attendance at Committee meetings of under 75%).

7. Annual evaluation of the operations of the Board of directors

The Board of directors shall conduct an evaluation of its own operations at regular intervals:

- once a year, the Board of directors shall dedicate an item of its agenda to debate on its operations; and
- a formal evaluation shall be conducted at least every three years by an independent director with the aid of an external consultant.

The Board of directors shall inform the shareholders of this evaluation in the Annual Report.

8. Amendment of the Internal Rules and Regulations

These Rules may be amended by a decision of the Board of directors.

Note I to the Internal Rules and Regulations: Limitation of powers of the General Management

Annual and multi-year budgets and strategic plans				
1.	Preparation of THEOLIA annual and multi-year budgets and strategic plans			**Prior approval of the Board of directors**
CAPEX				
2.	Projects included in an annual or multi-year budget approved by the Board of directors	2.A	The total sum of expenses does not exceed the amount set in the budget previously approved by the Board of directors	**No other prior approval of the Board of directors**
		2.B	The total sum of expenses exceeds by more than 15% the amount set in the budget previously approved by the Board of directors	**Prior approval of the Board of directors**
	Non-budgeted projects	2.C	The total sum of expenses does not exceed €1 million	**No other prior approval of the Board of directors**
		2.D	The total sum of expenses exceeds €1 million	**Prior approval of the Board of directors**
Project financing				
3.	Conclusion of project financing agreements	3.A	Covered by 2.A or 2.B	**No other prior approval of the Board of directors**
		3.B	Not covered by 2.A or 2.B	**Prior approval of the Board of directors**
Company financing				
4.	Conclusion of any financing agreement by the company through loans or capital.			**Prior approval of the Board of directors**
Acquisitions/Divestitures				
5.	Merger with any other company or enterprise	5.A	**Prior approval the Board of directors**	
	(i) Purchase of an equity stake or acquisition of any other security convertible into capital of any other company or (ii) creation or acquisition of a subsidiary	5.B	Covered by 2.A or 2.B	**No other prior approval of the Board of directors**
		5.C	Not covered by 2.A or 2.B and not exceeding €1 million	**No other prior approval of the Board of directors**
		5.D	Not covered by 2.A or 2.B and exceeding €1 million	**Prior approval of the Board of directors**
	Any divestiture operation with the exception of the direct or indirect sale of wind farms	5.E	Covered by 2.A or 2.B	**No other prior approval of the Board of directors**
		5.F	Not covered by 2.A or 2.B and not exceeding €1 million	**No other prior approval of the Board of directors**
		5.G	Not covered by 2.A or 2.B and exceeding €1 million	**Prior approval of the Board of directors**
	Direct or indirect sale of wind farms	5.H	**No prior approval of the Board of directors**	
Contractual Commitments				
6.	Conclusion by THEOLIA of any agreement (service or supply)	6.A	Covered by 2.A or 2.B	**No other prior approval of the Board of directors**
		6.B	Not covered by 2.A or 2.B and not exceeding €1 million	**No other prior approval of the Board of directors**
	Conclusion by THEOLIA of any agreement (service or supply)	6.C	Not covered by 2.A or 2.B and exceeding €1 million	**Prior approval of the Board of directors**
		6.D	Not covered by 2.A or 2.B and exceeding €500,000 per year over several years	**Prior approval of the Board of directors**
New geographic market				
7.	Decision to develop an activity in a new geographic market (including acquisition, creation of subsidiaries, conclusion of joint venture agreements)			**Prior approval of the Board of directors**
Guarantees				
8.	Physical collateral on the assets of THEOLIA and personal sureties	8.A	Specifically covered by 2.A or 2.B and the period between the date of approval by the Board of directors and the conclusion of the guarantee does not exceed 12 months.	**No other prior approval of the Board of directors**
		8.B	Specifically covered by 2.A or 2.B and the period between the date of approval by the Board of directors and the conclusion of the guarantee exceeds 12 months	**Prior approval of the Board of directors**
		8.C	Generally covered by 2.A or 2.B	**Prior approval of the Board of directors**
		8.D	Not covered by 2.A or 2.B	**Prior approval of the Board of directors**
Litigation				
9.	For all disputes related to an amount exceeding €1 million, initiation and abandonment of legal proceedings, amicable settlement, declaration of liability by THEOLIA			**Prior approval of the Board of directors**

Note II to the Internal Rules and Regulations

Complete text of the Code of Good Conduct relating to the prevention of insider trading

This code ("Code") sets forth the rules of good conduct with respect to transactions on securities conducted by the directors, the Chairman of the Board of directors, the CEO, the Deputy Managing Directors (if any) (jointly "Executive Managers") and the employees of THEOLIA SA ("Company") and of its subsidiaries ("Group"). It also sets forth some of the major legal provisions on which this Code is founded.

The Company wishes to guarantee the prudent management of its securities in compliance with regulations in force and alert its Executive Managers as well as its employees in accordance with the principle of precaution to the rules associated with some of the transactions on the shares, bonds and compound securities issued by the Company and the derivatives and other instruments related to the securities (options, units of employee mutual funds, etc.) (jointly "Securities").

Failure to comply with the rules that appear in this Code and, generally speaking, any applicable regulations, may expose the persons involved to civil, criminal, administrative or disciplinary penalties. Moreover, the negative publicity caused by an investigation into non-compliance or insider trading, even if it does not result in a formal accusation, may gravely harm the reputation and business activity of the Company.

All Executive Managers and Group employees have been informed by electronic mail that the Code is available. They are required to review the rules of the Code set forth below and comply with them.

I – DEFINITIONS

A – Definition of privileged information

Privileged information is information that:

- has not been made public;
- directly or indirectly affects the Company or one or more of its financial instruments;
- is specific, i.e., is information (i) that mentions a set of circumstances or events that occurred or may occur and (ii) from which it is possible to draw a conclusion regarding the possible effect of such circumstances or such event on the price of the financial instruments of the Company (or financial instruments related to them); and
- if it were made public, might have an appreciable influence on the price of the financial instruments in question or the price of financial instruments related to them, or have an influence on the decisions that reasonable investors might use as one of the bases for their investment decisions ("Privileged Information").

In order to help you better understand what may be considered Privileged Information, examples of decisions of the Enforcement Committee of the *Autorité des Marchés Financiers* ("AMF") are listed in Note 1 below.

Information is considered to have been made public when it has been brought to the attention of the public (i) by an official press release from the Company, (ii) by a financial notice published in the press at the initiative of the persons duly authorized to speak on behalf of the Company, (iii) by the Company website, (iv) during teleconferences or videoconferences, (v) during the general meetings of the Company, and (vi) during presentations made to the French Society of Financial Analysts.

Generally speaking, Privileged Information includes, for example, information respecting:

- the financial position of the company, such as:
    - the position of the Company and/or the Group,
    - the outlook for the projected results and financial forecasts of the Company and/or the Group,
    - projected changes in the price of Securities,
    - significant changes in the financial position or operating income of the Company and/or the Group,
    - changes to dividend payment policy,
    - the issue of Securities by the Company, and
    - transactions on Securities (buyback of shares, free allocations of options or shares, etc.).
- the strategy and lines of development of the Company and/or the Group, such as:
    - significant external growth operations or disposals,

- structural reorganizations or restructuring operations,
- the change of control of the Company and/or the Group,
- changes in management in the Company and/or the Group, and
- negotiations in progress regarding joint ventures.

- the operational and commercial activity of the Company and/or the Group, such as:
  - the identification of sites,
  - results of wind studies and project construction studies,
  - obtaining new administrative authorizations, including construction and operation authorizations,
  - the selection of subcontractors, including turbine suppliers,
  - briefings on project financing,
  - strategic decisions for wind farm development, and
  - the conclusion of major new agreements.
- disputes, investigations or proceedings involving the Company and/or the Group before the courts or judicial, arbitration or administrative authorities.

Privileged Information, whether it is favorable or unfavorable, may be significant in that it may positively or negatively impact the price of Securities or might influence a decision to purchase or sell Securities by an investor.

In the event of any doubt over the privileged nature of information or the performance of a transaction, the person in question shall contact the Compliance Officer (see below II, A, 1.1.3).

B – Definition of insiders within the Group and the persons related to them

Under the terms of Article L. 621-18-4 of the French Monetary and Financial Code, issuers whose financial instruments are admitted for trade on a regulated market or for which an application for admission for trade on such a market has been submitted are required to establish, update and submit to the AMF, on paper or by electronic mail at the request of the AMF, a list of persons working for their company who have access to privileged information concerning them directly or indirectly, as well as companies acting on their behalf and in their name that have access to such information as part of the professional relations they maintain with them ("Insiders").

The Executive Managers of the Group, the major operational managers and certain other Group employees who have the power to make management decisions concerning its development and strategy, as well as external third-party service providers that, due to their profession or their functions, are exposed (i) on a regular basis to Privileged Information or (ii) periodically to Privileged Information on the occasion of a specific event or the preparation or performance of a specific operation of major importance are Insiders.

Moreover, persons having close personal ties with one of the Insiders, as defined in Article R. 621-43-1 of the French Monetary and Financial Code, including in particular unseparated spouses, partners in a civil union (*pacte civil de solidarité*), an unemancipated minor child or any other relative that has shared their domicile for at least one year are classified as "Persons related to them".

II – PREVENTION OF INSIDER TRADING

A – Obligations of discretion incumbent upon Insiders

1.1.1 General obligation to abstain from transacting Securities

The first rule for all Insiders is to abstain, before the public has knowledge of the Privileged Information that they possess, from conducting or enabling the conducting of any transaction (acquisition, sale, exchange, subscription, including through forward financial instruments or options) on Securities either directly or indirectly (by Persons related to them or by any other intermediary) on their own behalf or on behalf of a third party, pursuant or not to an authorization other than Programmed Trading Mandates (see below, A, 1.1.4.).

1.1.2 General prohibition on the disclosure of Privileged Information

The second rule for all Insiders is that it is prohibited, through the taking of any useful measure to this effect, to disclose Privileged Information, whether inside or outside the Group, outside of the normal framework of one's corporate office or functions, for purposes or for an activity other than those for which it is possessed.

In particular, any participation in a stock market forum that directly or indirectly discusses the Company on any website is to be banned.

1.1.3 Specific obligations

The Executive Managers and the Persons related to them must, as necessary,

- hold the Securities that they possess in registered form, either registered with the Company or with its agent, or in registered form administered by an intermediary (bank, financial institution or investment services provider) of their choice; and
- keep at least 30% of the shares allocated freely or from the exercise of options until the end of their term of office.

Any transaction considered speculative on the Securities such as, in particular, margin buying and short selling, rolling over deferred settlement orders, round-trip trading over short periods (under six months) or transactions in commodities otherwise than for hedging purposes are prohibited to Insiders. In this regard, the Executive Managers and employees of the Group are prohibited from resorting to hedging on Securities allocated freely or the Securities options that they hold.

Insiders are prohibited from conducting any transaction on Securities during the following periods:

- from 15 calendar days before the publication of quarterly information to the day following the publication of such information;
- from a minimum of 30 calendar days before the publication of the complete Group annual and semi-annual financial statements and, as the case may be, quarterly financial statements to the day following the publication of such information.

Stock options may not be allocated (in accordance with Article L. 225-177 of the French Commercial Code) and, at the end of the legal hold period, free shares may not be sold (in accordance with Article L. 225-197-1 of the French Commercial Code) during the following periods: (i) 10 trading days preceding and following the date on which the consolidated financial statements or the annual financial statements are made public and/or (ii) from the date on which the corporate bodies of the Company have knowledge of Privileged Information to the date ten trading days after the date when such Privileged Information is made public, inclusive.

Insiders who participate directly or indirectly in a Company transaction (signature or termination of major commercial agreements, acquisition, disposal, merger, combination, restructuring, etc.) with one or more third-party company or companies (especially if the securities of such company or companies are issued for trading on a regulated market) as well as Persons related to them must abstain from conducting transactions on the securities of such company or companies once they have knowledge of Privileged Information acquired in the exercise of their functions.

Before any transaction on Securities is conducted, Group Executive Managers and employees are invited as a matter of course to contact the Group compliance officer ("Compliance Officer"), Ms. Fernanda Alonso, Legal and HR Director - (email: fernanda.alonso@theolia.com, tel.: +33 (0) 4 42 904 909).

The Compliance Officer shall give her opinion on the transaction on Securities planned not only with regard to the applicable legal and regulatory provisions but also the specific rules contained in this Code. The opinion given by the Compliance Officer is merely advisory in nature, and the decision whether or not to transact the Securities is the sole responsibility of the employee in question.

Besides consulting the Compliance Officer, Executive Managers are invited to provide immediately, independently of the transaction statements published on the AMF website, ex post information to the members of the Board of directors of the Company.

Consultation of the Compliance Officer by the Group Executive Managers and the employees does not exclude the possibility that such persons have to seek the opinion of their usual legal counsel in order to obtain more complete information about the option of conducting the transaction on Securities planned or the regulations applicable.

1.1.4 Programmed Trading Mandates

Insiders are considered to be likely to possess Privileged Information on a continuous basis, and recent European case law with respect to penalties for insider trading (CJEU, December 23, 2009, case C-45/08, Spector Photo Group NV, Chris Van Raemdonck/CBFA) places a rebuttable presumption of use of Privileged Information on them. Indeed, the act of Insiders who have Privileged Information making a transaction, on their own behalf or on behalf of others, either directly or indirectly, on securities to which such Privileged Information is related implies that they used that Privileged Information, subject to compliance with the right of defense and in particular the right to rebut the presumption.

In order to escape this rebuttable presumption of the use of Privileged Information, the AMF authorizes Insiders to set up authorizations beforehand called programmed trading mandates ("Programmed Trading Mandates"). The implementation of these mandates places on Insiders the rebuttable presumption that they did not conduct insider transactions unless a violation of the rules of the mandate has been demonstrated.

The AMF, in its recommendation 2010-07 of November 3, 2010, enjoins the managers of listed companies to implement such mandates. To this end, the Company recommends that each Executive Manager and employee who transacts Securities establish a Programmed Trading Mandate.

The Programmed Trading Mandate, which is concluded for a minimum term of 12 months, is established at the initiative of the Insider.

The instructions given by Insiders to their agent, financial institution or management company must comply with the principles set forth by AMF recommendation 2010-07 of November 3, 2010.

The instructions must be executed three months after they are communicated to the agent and are irrevocable, except in the event of force majeure or in the specific cases mentioned in AMF recommendation 2010-07 of November 3, 2010. When notice is given of the original instruction and upon each renewal, Insiders must declare that they do not hold Privileged Information likely to have an appreciable sizable influence on the Securities price.

Insiders have a duty not to interfere in the execution of the Programmed Trading Mandate. They must abstain from any contact with the agent and are prohibited from conducting purchases or sales other than those covered under the terms of the Programmed Trading Mandate respecting (i) the exercise of Securities options, (ii) the sale of Securities exercised on behalf of the Insider that were previously acquired or allocated and (iii) the subscription or purchase of Securities.

The agent selected must not be the one that manages the personal and family assets of the Insider and must furnish a statement of independence with regard to the Insider indicating in particular the absence of any family relationship as well as the absence of any business relationship prior to the conclusion of the mandate.

Insiders who set up a Programmed Trading Mandate are required to submit a copy of the mandate and of the instruction to the Compliance Officer and the AMF. Information related to the purpose of the mandate, as defined by the instruction given to the agent at the time of the conclusion of the mandate and upon each renewal shall be placed on the Company website by the Compliance Officer.

Any transaction conducted by the agent on behalf of the Insiders is subject to the duty of disclosure (see below II, C).

B – Lists of insiders

In accordance with the provisions of Article L. 621-18-4 of the French Monetary and Financial Code, the Company is required to establish, update and make available to the AMF a list of Insiders in the Group.

These lists indicate the identity and office of the Insiders, the purposes for their registration, the date of registration and delisting of the Insiders and the date of creation of each of the lists and their most recent update.

These lists must be quickly updated, especially in the following cases:

- in the event of a change of reason why a person was registered on a list,
- whenever a new person must be registered on the list,
- whenever a person ceases to be registered on the list, with a mention of the date on which such person ceases to have access to Privileged Information.

The Company shall notify Insiders by electronic mail of their registration on the aforesaid list, and attach a copy of this Code thereto, in order to make them aware of the obligations and legal, regulatory, administrative, and disciplinary penalties provided in the event of a violation of these rules.

External third-party service providers appearing on the list of Insiders must, under the same conditions as the Company, establish, update and make available to the AMF a list of names of persons who work for them and have access to Privileged Information as well as the external third-party service providers that have access to such Privileged Information as part of their professional relations with them.

The failure of a person to appear on these lists does not exempt him or her in any way from complying with legal and regulatory provisions and is not in any way a statement on his or her classification as an Insider.

C – Specific duty of individual disclosure of transactions on securities by Insiders

French law requires Executive Managers and, generally speaking, those who have the power to make management decisions regarding Company and/or Group development and strategy and have regular access to Privileged Information that directly or indirectly affects the Company and/or Group and the Persons related to them to communicate directly to the AMF, and the Company, the details of the transactions that they are conducting (acquisitions, subscriptions (including the exercise of Securities Options), sale or exchange of Securities, transactions on forward financial instruments or instruments related to such Securities, whether they are acting on their own behalf or on behalf of third party pursuant to an authorization. In the event of a Programmed Trading Mandate, the agent may make the declaration on behalf of the Insider. The declaration must, however, always clearly specify that the transaction is made under the terms of the Programmed Trading Mandate.

Notice of this declaration, which must indicate the name and title of the originator of the transaction, the type and number of Securities affected, the type, date and place of execution of the transaction as well as the price at which it took place and the amount of the transaction, shall be served by the person in question to the AMF by electronic mail within a period of five trading days following the completion of the transaction. Moreover, the originator of such notice must send a copy of it to the Company within the same period.

The purpose of these declarations is to make it possible for the market to be quickly informed of the transactions to which the executive managers as well as, generally speaking, those who have the power to make management decisions regarding Company development and strategy and have regular access to Privileged Information that directly or indirectly affects the Company and the Persons related to them may examine the Securities and assess the significance that they may hold.

The duty to disclose mentioned above is not required when the total sum of transactions conducted does not exceed €5,000 over a calendar year.

The declarations by name of the executive managers must be directly sent by electronic mail to the AMF (declarationdirigeants@amf-france.org) and to the Compliance Officer. Such declarations shall then be made public on the AMF website and on the Company website.

The Enforcement Committee shall act severely in this regard and impose monetary penalties, in particular in the event of a failure to declare or for a late and incomplete declaration.

III – PENALTIES FOR INSIDER TRADING AND THE OBLIGATION TO ABSTAIN FROM USING PRIVILEGED INFORMATION

The use of privileged information may be subject to administrative penalties and legal penalties. It is to be noted that any penalties provided by the law in the event of non-compliance by an Insider of the obligations mentioned above do not exclude disciplinary provisions that may be taken within the Group.

In practice, the penalties imposed by the AMF Enforcement Committee are more frequent than the criminal penalties decided by the criminal courts and may go as high as €100,000,000 or ten times the amount of any profits (Article L. 621-15 of the French Monetary and Financial Code). In accordance with the provisions of Articles 622-1 and 622-2 of the AMF General Regulation, the AMF Enforcement Committee shall pronounce such penalty when Insiders have violated their obligation to abstain from:

- using Privileged Information that they possess by acquiring or selling, or by attempting to acquire or sell, on their own behalf or on behalf of others, either directly or indirectly, the Securities to which such Privileged Information is related.
- (i) communicating such information to another person outside of the normal framework of their work, profession or office or for purposes other than the reason for which it was communicated to them and/or (ii) recommending that another person acquire or sell, or have another person acquire or sell, on the basis of Privileged Information, the Securities to which the Privileged Information is related.

Moreover, insider trading is also severely penalized by the criminal courts pursuant to Article L. 465-1 of the French Monetary and Financial Code:

- any Insider who, through the use of Privileged Information, conducts or enables the conduct, either directly or through an intermediary, of one or more transactions on Securities is subject to a term of imprisonment of up to two years and a fine of €1,500,000, which may go as high as ten times any profits that may be made;
- any Insiders who communicate Privileged information to a third party outside of the normal framework of their profession or office is subject to a maximum term of prison of one year and a fine of €150,000; and
- any persons who themselves may not be classified as Insiders but who, through the use of Privileged Information, conducts or enables the conduct of, either directly or through an intermediary, one or more transactions on Securities or communicates Privileged Information to a third party is subject to a term of imprisonment of one year and a fine of €150,000 that may go as high as ten times the amount made. Whenever Privileged Information involves the committing of a crime or offense, penalties are increased to seven years of imprisonment and €1,500,000 if the amount of profit made is below this number.

Note 1 of the Code of Good Conduct relating to the prevention of insider trading: Examples of information considered privileged by the Enforcement Committee of the AMF

Influence of information on trading prices

- The announcement by an issuer that its projected earnings were not achieved is, by its nature, likely to have an appreciable impact on the price of shares issued.
- Information according to which a party acquires a significant portion of capital of an issuer at a price significantly higher than the trading price is, by its nature, likely to have an appreciable impact on the share price. Indeed, if it were known to the market, it would trigger offers to sell, at that price at the least, and shareholders are guaranteed to find a purchaser at that level and, as long as the price did not reach the amount set by the purchaser, requests to purchase from other parties tempted by capital gains from transfers.
- An issue of securities granting access to capital has as its necessary consequence an issue of shares when the bond matures, or even before that in the event of early repayment, such that the price of shares already issued on the date of the announcements of new compound securities tends, within minutes following the announcement of such an issue, to be aligned with the theoretical value of the share after the dilution that the issue of securities granting access to capital involves. Moreover, when the issue price of the securities granting access to capital is, for example, due to the prepayment of the coupon, discounted in relation to the share price, shareholders are led to sell the shares that they hold to acquire the securities granting access to capital. The result of this is that the information related to the issue of the equity notes was such that, if it were known, it had an appreciable impact on the price of the financial instruments issued.
- Information related to the difficulties connected with the implementation of restitution guarantees under the terms of an agreement constitute information such that, if it were known, would have appreciable impact on the behavior of investors because such difficulties, by creating a high level of tension regarding Group cash flow, disturbed the behavior of certain markets, contributed to a loss of Group credibility with respect to certain major clients and led to a loss of market share and finally, as the Company acknowledges, the initiation of court-ordered reorganization proceedings.

Information relating to a proposed public offer

- The announcement of a proposed public offer may have an appreciable impact on the share price of the company targeted by the offer.
- By their nature, proposed simplified takeover bids, because they provide a premium of over 30% in relation to the share price over the past six months, were such that they triggered an adjustment of that price regarding the price proposed for the offer. As a result, the information in question was likely to have an appreciable impact on the share price of the company targeted.

Information regarding an inventory surplus

- Information regarding an inventory surplus of a subsidiary has a direct effect on working capital requirements and therefore, de facto, on the earnings of the parent company. In fact, following statements informing the public of a drop in earnings the Group, the share price of the parent company fell. The information in question was consequently very likely to have an appreciable impact on the share price.

The announcement by an issuer that its projected earnings will not be achieved

- The announcement by an issuer that its projected earnings will not be achieved is, by its nature, likely to have an appreciable impact on the share price.

Information related to a proposed partnership between an energy distributor and an energy producer

- The partnership of an energy distribution company with a major producer makes it possible for the distributing company to gain autonomy with respect to energy producers with which up until then it was restricted to purchasing “in bulk”. Moreover, acquisition of a stake of that distribution company by one of the major “historic” European operators (for more details, see the decision) reinforced its technical and financial solidity while allowing it to maintain its independence, because the participation of its partner remained a minority interest. The information in question therefore deals with objective items that will develop trust with a reasonable investor and make him or her determined to invest, such that such information is likely to have a highly favorable impact on the share price of that company.
- Even though it had been made public, the information relating to the proposed partnership between the two companies was likely to have an appreciable impact on the share price of the distribution company because it was such that it would strengthen confidence in the future of the company. This was confirmed by a significant rise in the share price starting on the day following the announcement to the public.

Information relating to the dismissal of the CEO and the delisting of an issuer

- Information relating to the dismissal of the CEO and the delisting of an issuer that leads to the quantifiable downward revision of its revenue and net earnings projections that were distributed previously is such that it would have an appreciable impact on the share price of that issuer.

Information relating to a sizable transaction on the capital of an issuer

- Information relating to a sizable transaction on the capital and control of a company is likely to have an appreciable impact on its share price.
- Information relating to a sizable transaction on the capital of the issuer was such that it would have the same negative impact on the share price, which is confirmed because when the listing was resumed, a sharp drop was recorded in the share price.
- Information concerning a large-scale capital increase for the issuer in question is such that it would have a significant impact on the price of its share as defined by Article 621-1 of the General Regulation of the AMF. This influence may be emphasized by noting the change in price of this share once listing was resumed (in this case, the share registered a drop of over 19%).

Information relating to accounting irregularities

- Information relating to accounting irregularities, if they had been made public, would have been such that, by disclosing to investors that the earnings of the issuer in question were actually much less satisfactory than those announced, they would have an appreciable impact on the share price of the issuer.

Information relating to the erroneous nature of a press release

- The knowledge of the erroneous nature of the press release in question was information that reasonable investors would have been likely to use as one of the bases of their investment decisions. Accordingly, such information constitutes information likely to have an appreciable impact on the share price as defined by Article 622-1 of the General Regulation of the AMF.

Information relating to the proposed sale of a significant portion of the capital of the Company

- Information on the sale of a significant portion of Company capital at a price considerably higher than its listing is by its nature likely to have an appreciable impact on the share price.
- If the announcement of the imminent sale, by questioning, of its stake in Company capital at a price higher than the trading price had been known to the market, such information would have triggered transactions on the share, at the sale price agreed at the least. Indeed, as long as the price had not achieved the amount set by the purchaser, requests to purchase from other parties tempted by a capital gain from transfers could be submitted.

Information relating to a proposed acquisition

- Information relating to a proposed acquisition of a company by an issuer, whenever such acquisition caused not only the enlargement of the issuer but also the diversification of its activities and its outlook, was likely to have an appreciable impact on the share price.

Information respecting a proposed buyback of the stake of a company in the capital of another company

- This information was likely to impact the share price of the company in question because reasonable investors would use this information as one of the bases for their decision. These investors did indeed have reason to believe that such a transaction could be done only at a price higher than the trading price if it was to have a chance of being accepted. Moreover, it was likely to cause submission of a takeover bid for all the shares of the aforementioned company, which did in the end occur and caused an increase in the share price.

Information on revenue

(a) If as a basis for an investment decision, revenue is a less relevant item than, for example, earnings, and even though it must be treated with caution in relation with other items and by taking into account the particular nature of each segment, the objective and specific piece of data that it constitutes could not, however, out of principle be dismissed as insignificant.

(b) The comparison between projected revenue published in the second press release, which corresponded to revenue earned over the last ten months of the year and a projection for the 2 months remaining, and annual consolidated revenue, which was known by the issuer before its publication, showed a sharp increase over the last month of the year, in relation to the previous quarters and the projections previously published. The convergence of the content of the analyses, following the most recent press release, also confirm that the final amount of revenue published at the time exceeded the expectations of the market. Consequently, information related to revenue was similar to information that reasonable investors would be likely to use as one of the bases for their investment decisions.

Information relating to a significant drop in Company revenue

- Information relating to a significant drop in revenue was likely to have a significant impact on the share price of the Company because any reasonable investor informed of a significant decrease in revenue of that company, which specializes in gaming software, at the end of the year no less, could use such information as the basis for a decision not to invest in a company or cut investment in it.

Information relating to the improvement of the financial position of the company

- Because it discusses the significant improvement of the financial position of the company, information was likely to influence the share price, which was confirmed spectacularly upon the publication of information that was up to that time privileged.
- Information relating to significant improvement of the financial position of the Company is likely to have an appreciable impact on the price of the financial instruments in question is information that reasonable investors would have been likely to use as one of the bases for their investment decisions.

Information relating to an upcoming cessation of payment

- Information relating first of all to the inability of the company, despite a capital increase, to handle floating debt, followed by the necessity to declare a cessation of its payments, are such that they would have an appreciable impact on the share price of the company.
- The public announcement of the upcoming filing of a declaration of insolvency of a company whose shares are listed on the stock market is such that it would significantly alter public confidence in the solidity of the share.

Information relating to the initiation of alert procedures

- Information regarding the initiation of alert procedures, which of necessity involve the endangering of the continuity of operations of the Company, could not be similar to those related to the existence of simple financial difficulties since they do not have, in the absence of any particular further information, any consequences for the survival of the Company.
- The existence and continuation of alert procedures, which presuppose the observation of circumstances such that it would call to question the continuity of operations, and even the survival of the Company, are such that they would have an appreciable impact on the share price.

Information disclosing the financial fragility of the Company

- If it had been made known to the public, the information in question, because it reveals that the financial position of the Company was particularly fragile and that the Company may have soon been entering collective proceedings, would have been such that reasonable investors would have determined not to invest in the share or to divest from the positions made on it and would consequently have an unfavorable impact on the share price of the Company.

2.3.5 Report of the Statutory Auditors prepared pursuant to Article L. 225-235 of the French Commercial Code on the Report by the Chairman of the Board of directors

To the Shareholders,

In our capacity as Statutory Auditors of the THEOLIA Company, and pursuant to the provisions of Article L.225-235 of the French Commercial Code, we hereby present our report on the report prepared by the Chairman of your Company, in accordance with the provisions of Article L. 225-37 of the French Commercial Code, for the year ended December 31, 2010.

It is the Chairman's responsibility to prepare and submit to the Board of directors for approval a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by Article L. 225-37 of the French Commercial Code, particularly regarding the system of corporate governance.

It is our responsibility:

- to convey to you any comments we may have regarding the information contained in the Chairman's report on the internal control and risk management procedures related to the preparation and processing of the accounting and financial information, and
- to certify that the report contains the other disclosures required under Article L. 225-37 of the French Commercial Code, with the understanding that it is not our responsibility to verify the fairness of such other disclosures.

We conducted our work in accordance with the 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:

- reviewing the internal control and risk management procedures relating to the preparation and processing of the accounting and financial disclosures underlying the information presented in the Chairman's report and of any existing documentation;
- reviewing 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 the accounting and financial information contained in the report prepared by the Chairman of the Board of directors in accordance with Article L. 225-37 of the French Commercial Code.

Other disclosures

We hereby certify that the report by the Chairman of the Board of directors includes the other disclosures required under Article L. 225-37 of the French Commercial Code.

Marseilles and Paris, April 28, 2011

The Statutory Auditors

Deloitte & Associés **Didier Kling & Associés**

Christophe PERRAU Christophe BONTE Didier KLING

2.4 RELATED-PARTY TRANSACTIONS

2.4.1 Summary of transactions carried out with related parties

The description of related party transactions is included in the notes to the consolidated financial statements as of December 31, 2010.

The following table provides a summary of the transactions that took place with related companies (excluding transactions that took place between Group companies) during the year ended December 31, 2010 as well as during previous years when those transactions had effect in 2010:

<table>
<tr><td>Parties
• Windreich AG (company controlled by Willi Balz); THEOLIA Naturenergien GmbH (formerly NATENCO GmbH); and THEOLIA (in which Willi Balz was a director in 2009 before resigning)
Type of Agreement
• Non-exclusive marketing agreement whereby the company Windreich AG is awarded a commission (variable from 2.5 to 5% depending on the origin of the customer contact) in the event of sales negotiated by Windreich AG of wind projects owned by THEOLIA Naturenergien GmbH (formerly NATENCO GmbH).
• After an amendment dated December 21, 2007, applicable from January 1 to December 31, 2008, Windreich AG's commission percentage was modified.
• In addition, for this period, Windreich AG was awarded exclusive marketing rights for the first hundred MW sold in German-speaking countries by THEOLIA Naturenergien GmbH (formerly NATENCO GmbH).
• Since January 1, 2009, this exclusivity is no longer applicable and the stipulations of the original agreement are, again, in force.</td>
<td>Date
• February 02, 2007
Financial Compensation
• All commissions paid by the Group to Windreich AG under this agreement as of the date of this Registration Document amount to €6.3 million for 2007, €2.2 million for 2008 (owed during 2007), and €0.2 million for 2009 (due to a lack of sales in 2008, they are zero for this year).
Duration / Term
• In effect until December 31, 2011</td></tr>
</table>

<table>
<tr><td>Parties
• THEOLIA; and Heartstream Corporate Finance B.V. (companies in which Georgius Hersbach held an executive management position)
Type of Agreement
• Service agreement under which Heartstream Corporate Finance BV offers consulting services in connection with the sale by THEOLIA of a wind farm in Germany</td>
<td>Date
• September 22, 2009 (as amended on May 7, 2010)
Financial Compensation
• Bonus of 1.25% of the company value held for the transaction. The total sum of fees paid by the Company in 2010 to Heartstream Corporate Finance BV under this agreement amounted to 900,000 euros.
Duration / Term
• Agreement ended on July 1, 2010</td></tr>
</table>

Parties	Date
• **VENTURA SA** [(1)]; **THEOLIA France SAS**; and **Vol-V** [(1)] Type of Agreement • Joint guarantee granted by the Company for amounts owed by VENTURA SA and THEOLIA France to VOL--V.	• September 16, 2009 Financial Compensation • Guarantee granted for a sum of 966,083 euros Duration / Term • Guarantee expired in January, 2011 (balance of sum owed by THEOLIA France were paid)

(1) Companies in which François Bouffard, Arnaud Guyot, and Cédric le Saulnier de Saint Jouan held executive management positions

Parties	Date
• **THEOLIA** and **Philippe Leroy, Philippe Dominati, and Jean-Pierre Mattei**, directors of the Company Type of Agreement • Special task agreements assigned to three directors as part of financial restructuring	• March 19, 2010 Financial Compensation • Total compensation of 430,000 euros for work Duration / Term • Agreements executed and ended on August 31, 2010

Parties	Date
• **THEOLIA** and **Jean-François Azam and François Rivière**, Deputy Managing Directors of the Company Type of Agreement • Non-compete compensation, supplemental pension, and unemployment insurance for the Deputy Managing Directors	• April 15, 2010 Financial Compensation • Benefit of supplemental pension and mandatory provident plans in force within the Company, an unemployment insurance mechanism underwritten by the Group without special terms, and compensation due under the non-compete clause. • Following the resignation of François Rivière on July 26, 2010, the Company paid him non-compete compensation in the sum of 96,667 euros. • No non-compete compensation was paid to Jean-François Azam following his resignation on July 23, 2010, as he had a new employment contract as Industrial Director. Duration / Term • July 26, 2010

Parties	Date
• **THEOLIA** and **Fady Khallouf**, director of the Company Type of Agreement • Special task agreement to provide special assistance to the Chairman and CEO[(2)]	• April 15, 2010 Financial Compensation • Total gross compensation of 40,296 euros for this task Duration / Term • Agreement ended on May 20, 2010

Parties	Date
• **THEOLIA** and **Fady Khallouf**, director and CEO of the Company Type of Agreement • Non-compete compensation, supplemental pension, and unemployment insurance for the CEO (2)	• June 15, 2010 Financial Compensation • Benefit of supplemental pension and mandatory provident plans in force within the Company, an unemployment insurance mechanism underwritten by the Group without special terms, and compensation due under the non-compete clause (24 months of gross fixed and variable compensation). Duration / Term • In progress

Parties	Date
• **THEOLIA** and **Michel Meeus**, director and 3.32% shareholder of the Company's share capital (as of the date of the commitment) Type of Agreement • Commitment to subscribe to the capital increase that was to take place before August 31, 2010 as part of the Company's financial restructuring.(2)	• June 18, 2010 Financial Compensation • Subscription to 3,656,912 new shares of the Company, with a par value of one euro. Duration / Term • Execution on July 7, 2010

(2) *It was not possible to submit these transactions (also covered in Section 2.4.2 below) to the approval of the ordinary and extraordinary shareholders' meeting held on June 17, 2011, because the quorum was not reached.*

At the date of publication of this Registration Document, no new transactions have been carried out with related parties since the end of the fiscal year on December 31, 2010.

2.4.2 Statutory Auditors' report on regulated agreements and commitments

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements and commitments.

It is our responsibility to inform you of the basic features and terms and conditions of the agreements and commitments brought to our attention or discovered by us in the course of our engagement, based on the information provided to us, without expressing an opinion on their usefulness and appropriateness, and without seeking to identify other such agreements and commitments.

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.

It is our responsibility, where relevant, to provide you with the information covered by Article R. 225-31 of the French Commercial Code relative to the performance of the following agreements and commitments during the past fiscal year, and previously approved by the ordinary shareholders' meeting.

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.

Agreements and commitments submitted for approval by the ordinary shareholders' meeting

Agreements and commitments authorized during the fiscal year

Pursuant to Article L. 225-40 of the French Commercial Code the following agreements and commitments, previously authorized by your Board of directors, have been brought to our attention.

1. Special task agreement entrusted to Fady Khallouf, dated May 7, 2010

Person concerned: Fady Khallouf, a director of your company

Type and purpose: On April 15, 2010, the Board of directors gave Mr. Fady Khallouf the special task of providing special assistance to the Chairman and CEO, particularly in the area of strategic projects, opportunities for acquisitions, disposals, and financial transactions, analysis, and proposals to improve Company profitability in terms of operations and development and reduce its risk factors or reduce its exposure to risk.

Fady Khallouf performed this special task for the company until May 20, 2010, when the Board of directors voted to terminate this engagement.

Terms and conditions: In exchange for this task, the Company paid Fady Khallouf a gross amount of €40,296, or €37,169 net of CSG (general social security contribution) and CRDS (repayment of social debt levy).

This agreement was authorized by your Board of directors on April 15, 2010.

2. Non-compete compensation, supplemental pension, and unemployment insurance for the CEO

Person concerned: Fady Khallouf, director and CEO

Type and purpose: Fady Khallouf benefits from the supplemental and mandatory pension and provident schemes applicable within the Company, i.e. MEDERIC and B2V-CIRICA (supplemental pension plans) and ALLIANZ (provident plan), an unemployment insurance mechanism underwritten by the Group without special terms, and compensation due under the non-compete clause

Terms and conditions: The compensation due under the non-compete clause stipulated between the Company and Fady Khallouf amounts to 24 months' gross compensation (fixed and variable). This compensation shall be repaid by Fady Khallouf should a court of law render a final and non-appealable decision stating that he has committed gross negligence.

This agreement was authorized by your Board of directors on June 15, 2010.

3. Commitment to subscribe to the capital increase on June 18, 2010

Person concerned: Michel Meeus, director and 3.32% shareholder of your Company's share capital (as of the date of the commitment)

Type and purpose: Commitment to subscribe to the capital increase that was to take place before August 31, 2010 as part of the Company's financial restructuring.

Terms and conditions: Subscription to 3,656,912 new shares of the Company, with a par value of one euro.

This agreement was authorized by your Board of directors on June 15, 2010 and performed on July 7, 2010.

Agreements and commitments previously approved by the ordinary shareholders' meeting

Agreements and commitments approved over the course of previous fiscal years

a) with continuing effect during the past fiscal year

Pursuant to Article R. 225-30 of the French Commercial Code, we have been informed that the performance of the following agreements and commitments, already authorized by the ordinary shareholders' meeting during previous fiscal years, continued during the past fiscal year.

1. Special task contracts entrusted to Messrs Philippe Leroy, Jean-Pierre Mattei and Philippe Dominati

In 2010, Messrs Philippe Leroy, Jean-Pierre Mattei and Philippe Dominati carried out special tasks 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.

These three directors collectively received compensation totaling €280,000 for their work up until the combined shareholders' meeting of March 19, 2010 and additional compensation totaling €150,000 for the period from March 19, 2010 to August 31, 2010, paid and distributed as follows:

- Philippe Leroy received €170,000, i.e., €156,808 net of CSG (general social security contributions) and CRDS (repayment of social debt levy).
- Jean-Pierre Mattei and Philippe Dominati each received €130,000, i.e., €119,912 net of CSG and CRDS.

2. Non-compete compensation, supplemental pension and unemployment insurance scheme for the Deputy Managing Directors

Jean-François Azam (Deputy Managing Director of Operations from February 9 to July 23, 2010) and François Rivière (Deputy Managing Director of Finance from February 9 to July 26, 2010) benefited from the supplemental and mandatory pension and provident schemes applicable within the Company, i.e. MEDERIC (supplemental pension plan) and IPECA and AGF (provident plan), an unemployment insurance mechanism underwritten by the Group without special terms, and compensation due under the non-compete clause.

The compensation owed under the non-compete clause between the Company and Jean-François Azam amounts to (i) 24 months' gross fixed and variable compensation 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. Jean-François Azam resigned from his position as Deputy Managing Director of Operations on July 23, 2010 and no compensation due under the non-compete clause has been paid to him, as he received a new employment contract (Industrial Director).

The compensation owed under the non-compete clause between the Company and François Rivière amounts to 18 months' compensation. 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. François Rivière resigned from his position as Deputy Managing Director of Finance on July 26, 2010. Compensation in the amount of four month's fixed gross compensation i.e. €96,667, was paid to him under the non-compete clause.

3. Provision of services agreement between THEOLIA SA and HEARSTREAM Corporate Finance B.V. dated September 22, 2009 and amendment to this agreement dated May 7, 2010

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. The total sum of fees paid in 2010 to HEARSTREAM Corporate Finance B.V. under this agreement amounted to €900,000. An advance payment of €150,000 was paid on May 12, 2010 and the balance of €750,000 on May 27, 2010.

The agreement ended on July 1, 2010.

4. Centralized cash management agreement

A centralized 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 centralizing all of the group's cash requirements and surpluses. This agreement is currently being performed.

Interest income in respect of 2010 totals €8,669,602.

5. Shareholders' loans

Pursuant to the wind farms financing agreement, THEOLIA SA granted several shareholders' loans to its subsidiaries as follows:

- a loan to CEMDF (CENTRALE EOLIENNE DU MOULIN DE FROIDURE) in the amount of €4,487,642 at year-end, capitalizing interest at a rate of 5%. 2010 interest totaled €213,704;
- a loan to CEPLO (CENTRALE EOLIENNE DES PLOS) in the amount of €1,626,160 at year-end, capitalizing interest at a rate of 5%. 2010 interest totaled €77,439;
- a loan to CESAM (CENTRALE EOLIENNE SEGLIEN AR TRI MILIN) in the amount of €3,412,116 at year-end, capitalizing interest at a rate of 5%. 2010 interest totaled €162,487;
- a loan to CEFF (CENTRALE EOLIENNE DE FONDS DE FRESNE) in the amount of €1,977,576 at year-end, capitalizing interest at a rate of 5%. 2010 interest totaled €85,162;
- a loan to CESA (CENTRALE EOLIENNE DES SABLONS) in the amount of €3,430,210 at year-end, capitalizing interest at a rate of 5%. 2010 interest totaled €163,348;
- a loan to CESAL (CENTRALE EOLIENNE DE SALLEN) in the amount of €3,021,162 at year-end, capitalizing interest at a rate of 5%. 2010 interest totaled €143,870.

6. Acquisition by THEOLIA SA of the shares held by THEOLIA Emerging Markets in Ecolutions GmbH & Co. KGaA on January 20, 2010

Acquisition by THEOLIA SA 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.

This agreement was performed on January 20, 2010. The acquisition price was settled by offset against a shareholder's loan for a nominal amount of €25 million granted by THEOLIA to THEOLIA Emerging Markets at end-2007, with an impairment amount of €10.65 million posted at 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.

7. Loan to THEOLIA Emerging Markets

As part of financing 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 for a nominal amount of €25,000,000, the balance of which totals €27,709,862 at the end of the 2009 fiscal year after capitalization of interest at 5%.

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 million loan with no impact on fiscal year 2010, since it was fully written off as of December 31, 2009, in addition to the provision of €10.65 million, which was also recorded on the €25,000,000 loan.

b) not performed during the fiscal year

We have been informed of the following agreements and commitments, already authorized by the ordinary shareholders' meeting during previous fiscal years, which were not continued during the past fiscal year.

1. Surety in favor of Crédit Industriel d'Alsace

On August 10, 2007, THEOLIA granted a surety in the amount of €250,000 for an indefinite 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 universal 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. Debtors' agreement

An agreement was entered into by RBS bank and Royal Wind, CEFF (CENTRALE EOLIENNE DE FONDS DE FRESNE), CESAM (CENTRALE EOLIENNE SEGLIEN AR TRI MILIN), THEOLIA France (after the merger of Ventura SA), Vol-V and THEOLIA SA to finance the construction of THEOLIA Group wind farms.

This agreement remains in place.

3. Tax group agreement

Pursuant to the terms of this agreement, THEOLIA SA 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 five years commencing July 1, 2005, between THEOLIA SA and its French subsidiaries.

This agreement was replaced, with effect from January 1, 2010, by new tax group agreements dated April 28, 2010 and May 19, 2010. These new agreements are considered to be covered by Article L. 225-39 of the French Commercial Code.

4. Surety agreement granted by THEOLIA SA for THEOLIA France SAS to VOL-V, dated October 15, 2009

Pursuant to the surety agreement, THEOLIA SA agrees to act as guarantor for the amounts owed by THEOLIA France SAS (and Ventura SA prior to its merger with 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 project 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 or before January 31, 2012.

This surety expired in January 2011 when THEOLIA France SAS settled the balance of the sums owed.

5. Non-compete compensation relating to the former CEO

The compensation payable in respect of the non-compete clause concluded by the Company with Marc VAN'T NOORDENDE (CEO from September 29, 2008 to February 9, 2010 and a director of your company) amounts to 18 months' gross fixed compensation (including the "impatriation" bonus); however, this compensation is not due to directors in the event of serious misconduct or gross negligence on their part. 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 compensation amount equal to six-months' gross fixed compensation (including the impatriation bonus). No compensation was paid by the Company under this non-compete clause, following signature of a transactional memorandum of understanding on March 11, 2011.

6. Non-compete compensation relating to the former Deputy Managing Director for Finance

The compensation payable in respect of the non-compete clause concluded by the Company with Olivier DUBOIS (Deputy Managing Director for Finance from May 1, 2009 to February 9, 2010) amounts to 12 months' gross fixed compensation; however, this compensation is not due to directors in the event of serious misconduct or gross negligence on their part 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 compensation equal to six-months gross fixed compensation. No compensation was paid to him by the Company under this non-compete clause, following signature of a transactional memorandum of understanding on March 11, 2011.

Paris and Marseille, May 25, 2011

The Statutory Auditors

Didier Kling & Associés		Deloitte & Associés
Didier KLING	Christophe BONTE	Christophe PERRAU

3. THE GROUP'S BUSINESS ACTIVITY IN 2010

3.1 HIGHLIGHTS OF THE 2010 FINANCIAL YEAR

3.1.1 Financial restructuring of the Company

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

This plan was subject to three conditions:

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

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

3.1.1.1 Delivery of the fairness opinion by the independent financial expert

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

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

3.1.1.2 Bondholders' and shareholders' General Meetings

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

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

3.1.1.3 Capital increase

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

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

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

3.1.1.4 Change in the terms of the convertible bonds

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

The principal new terms of the OCEANEs are as follows:

A. Redemption and/or buyback of the OCEANEs

a. Partial early redemption on July 22, 2010

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

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

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

The power conferred on the bondholders to request the early buyback of all or part of their OCEANEs was postponed from January 1, 2012 to January 1, 2015. The early buyback price fell from €21.94 to €15.29 per OCEANE.

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

c. Clauses triggering early buyback

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

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

d. Early redemption by the Company

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

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

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

B. Converting and/or exchanging the OCEANEs for shares

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

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

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

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

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

C. Interest

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

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

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

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

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

3.1.2 The Group’s operational progress

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

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

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

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

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

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

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

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

3.1.3 Reorganization of the Board of directors and the General Management

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

On February 9, 2010, Eric Peugeot, the chairman of THEOLIA’s Board of directors was also appointed CEO. He replaces Marc van’t Noordende who took that position in September 2008.

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

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

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

Three directors tendered their resignations in September 2010: Louis Ferran, Gérard Creuzet and Philippe Leroy.

On June 6, 2011, Philippe Dominati tendered his resignation. Five directors now sit on the Board.

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

3.1.4 Sale of wind farms

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

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

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

3.1.5 Conversion of bonds into shares

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

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

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

3.2 PRESENTATION OF THE FINANCIAL INFORMATION

3.2.1 Impact of applying certain IFRS and IAS standards

3.2.1.1 IAS 16

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

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

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

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

- the residual value previously used was zero and corresponded to the end of life of the farm. The new residual value corresponds to the estimated sale value of the farm and is hence significant. Therefore the amortization base is reduced to the estimated residual value.

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

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

3.2.1.2 IAS 36

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

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

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

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

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

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

3.2.1.3 IAS 39

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

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

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

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

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

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

3.2.1.4 IAS 8

Presentation of revenue

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

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

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

Intangible assets

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

3.2.1.5 IFRS 5

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

The main consequences of this treatment are listed below.

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

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

3.2.2 Sector information

3.2.2.1 Business segments

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

- the Sale of electricity for own account activity corresponds to the sale of the electricity produced by the wind farms owned by the Group;
- the Development, construction, sale activity includes development and construction completed for third parties, as well as sales of wind projects and wind farms to third parties.

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

3.2.2.2 Geographical segments

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

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

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

- France;
- Germany,
- Italy; and
- Rest of the World.

3.2.3 Performance indicators

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

3.2.3.1 EBITDA

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

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

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

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

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

3.2.3.2 Cash

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

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

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

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

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

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

3.2.4 Critical accounting principles

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

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

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

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

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

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

3.3 RESULTS FROM OPERATIONS AS OF DECEMBER 31, 2010

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

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

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

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

Income statement (selected information) *(in thousands of euros)*	2010	2009 (restated)	2009 (recorded)
	Year ended December 31		
Revenue	**154,542** (1)	**294,380** (1)	**328,593**
EBITDA (2)	**3,438**	**45,479**	**49,612**
Amortization and non-operating provisions	(23,116)	(22,110)	(21,801)
Current operating income	**(19,678)**	**23,369**	**27,811**
Other non-current income and expenses	(1,807)	(1,856)	(140)
Impairment	(12,998)	4,509	4,509
Operating income	**(34,483)**	**26,022**	**32,180**
Cost of net financial debt	(24,095)	(28,530)	(28,530)
Other financial income and expenses	69,721	(2,279)	(2,279)
Financial income (expense)	**45,626**	**(30,809)**	**(30,809)**
Net income from continued activities	6,473	(15,737)	(11,662)
Net income from activities held for sale	(1,480)	(9,439)	(9,439)
Net income (expense)	**4,993**	**(25,176)**	**(21,101)**
o/w Group share	**5,857**	**(24,840)**	**(20,765)**
o/w minority share	(865)	(335)	(335)

(1) *Restatement of revenue generated from the sale of electricity from wind farms owned by third parties who have contracts offering no guaranteed margins.*
(2) *Un-audited non IFRS indicator.*

3.3.1 Consolidated revenue

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

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

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

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

Applying IAS 16 (see Section 3.2.1.1 of this Registration Document) had a positive effect of €65 million on 2009 revenue. However, if it had been applied since January 1, 2009, it would have led to the recognition of additional revenue of €3.2 million for 2009.

3.3.2 Consolidated EBITDA

The Group uses the following formula to calculate its EBITDA (see Section 3.2.3.1 of this Registration Document):

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

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

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

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

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

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

This indicator was nonetheless impacted by four negative factors:

- the drop in EBITDA from the Sale of electricity for own account activity, mainly due to the disposals of wind farms carried out in 2009 and early 2010 that reduced the Group's installed capacity for own account;
- the reduction in the pace of disposals over the second half of 2010, which prevented the Group from making enough profit to absorb the overhead costs of development, construction, and sales;
- the provision for old debts related to the Operation activity for an amount of €9 million, the Group taking into consideration a risk of non collection; and
- the negative impact from the sale of a 39% stake of the Italian wind farm Giunchetto for an amount of €3.1 million, notably due to the partial derecognition of the goodwill related to this wind farm.

3.3.3 Current operating income

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

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

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

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

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

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

3.3.4 Operating income

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

Pursuant to IAS 36 (see Section 3.2.1.2 of this Registration Document), the Group performs impairment tests to make certain that non-amortizable assets are valued correctly. In 2010, the tests were extended to all amortizable assets (and inventories) owing to indications of a loss in value from a market capitalization below shareholders' equity.

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

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

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

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

3.3.5 Financial income (expense)

The Group's financial income showed €45.6 million in income in 2010 compared with a loss of €30.8 million in 2009. This change reflects mainly the impact of the financial restructuring carried out in 2010 (see Section 3.1.1 of this Registration Document).

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

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

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

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

Pursuant to IAS 39 (see Section 3.2.1.3 of this Registration Document), renegotiating a debt involving a substantial amendment to the contract is considered as extinguishing the debt. The value of the debt for the convertible bond remaining on the balance sheet after partial early redemption of the face value is reversed on the books based on the market value of the convertible bond. Therefore, the total reversal of the debt resulted in the recognition of income of €80.7 million.

3.3.6 Net income (expense)

Income net of tax from activities discontinued or in the process of sale, grouping together the Group's non-wind companies concerned by the application of IFRS 5 (see Section 3.2.1.5 of this Registration Document) shows a loss of €1.5 million in 2010, compared with a loss of €9.4 million in 2009.

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

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

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

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

3.4 SECTOR INFORMATION

3.4.1 Consolidated revenue by business segment

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

	Year ended December 31			
Revenue by business segment[(1)] *(in thousands of euros)*	**2010 (restated)** [(2)]	**2010 (recorded)**	**2009 (restated)** [(2)]	**2009 (recorded)**
Sale of electricity for own account	37,537	37,537	51,918	51,918
Development, construction, sale	110,640	110,640	236,465	236,465
Operation	4,962	38,217	4,286	38,499
Non wind activity	1,403	1,403	1,710	1,710
TOTAL	**154,542**	**187,796**	**294,380**	**328,593**

(1) The Corporate sector does not generate any revenue and is therefore not presented in this table.

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

Revenue Sale of electricity for own account

Revenue from the sale of electricity for own account activity include payments made to the Group by the buyers of the electricity produced by the operational wind farms owned by the Group in France, Germany, Morocco and Italy (see Section 1.4.1.2 of this Registration Document).

Revenue from the Sale of electricity for own account activity represents 24% of total revenue for the year ended December 31, 2010. It amounts to €37.5 million in 2010, down 28% from 2009. This decline is due mainly to income from disposals of owned farms in 2009 and early 2010.

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

Revenue Development, construction, sale

Revenue from Development, construction and sale activity includes income from the sale of wind projects or wind farms in operation, as well as billing for development and construction services for third parties (see Section 1.4.1.2 of this Registration Document).

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

Revenue Operation

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

Revenue from the Operations activity represents 3% of total revenue for the fiscal year ending December 31, 2010. It totaled €5 million as against €4.3 million in 2009. The increase results from the rise in volume of management fees.

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

Revenue Non-wind activity

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

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

3.4.2 Consolidated revenue by geographical segment

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

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

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

France

Revenue from France represented 10% of total revenue for the fiscal year ending December 31, 2010. It mainly consisted of the sale of electricity for the company's own account plus €3.6 million billed for construction services on behalf of others (Development, construction and sales activity). Revenue for France fell by €36.3 million to €15.5 million for the fiscal year ending December 31, 2010, a 70.1% decline from the previous fiscal year. This compared with €51.7 million for the year ending December 31, 2009. This decline was mainly the result of a slower pace of disposals of wind farms and projects in 2010 at the Group level, which led to the absence of wind farm and project sales in France during the year.

Germany

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

Italy

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

Rest of the World

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

3.4.3 Consolidated EBITDA by business segment

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

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

EBITDA Sale of electricity for own account

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

EBITDA for the Sale of electricity for the company's own account came to €24.8 million in 2010 as against €35.2 million in 2009, a 30% reduction. Since most of the operating expenses for this activity are fixed, its EBITDA follows the same trend as its revenue, which is to say it fell due to the sale of operating wind farms which occurred in 2009 and over the first half of 2010.

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

EBITDA Development, construction, sale

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

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

Furthermore, the margin achieved from the sale of the 55.5 MW wind farm in Germany in May 2010 was weak given the existence of a goodwill associated with the wind farm since it was acquired in 2007.

Lastly, the amount of sales recorded by this activity fell sharply, from 234 MW in 2009 to 72 MW in 2010.

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

EBITDA Operation

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

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

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

EBITDA Non-wind activity

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

EBITDA Corporate

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

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

3.4.4 Consolidated EBITDA by geographical segment

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

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

3.5 FINANCIAL STRUCTURE AND CASH

3.5.1 General points

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

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

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

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

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

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

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

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

- safeguard the Group’s viability and its development capacity;
- guarantee sufficient access to external financing to cover its seasonal working capital and long-term growth requirements;
- deploy its capital effectively on the most profitable projects; and
- meet the Group's financial obligations on the relevant due dates.

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

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

The objective of all these measures is to create value that should incite the OCEANE holders to convert their bonds into shares and thereby limit the cash repayment that could be required on January 1, 2015. Bond conversions made between July 21 and December 31, 2010, have already reduced the maximum repayment amount by €17 million should it be demanded on January 1, 2015.

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

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

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

- lending on the basis of stricter financial ratios;

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

3.5.2 Shareholders' equity – Group share

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

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

3.5.3 Net financial debt

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

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

The table below sets forth the Group's net debt as of the dates indicated:

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

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

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

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

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

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

3.5.3.1 Convertible bond

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

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

The main new terms of the OCEANEs are outlined in Section 3.1.1.4 of this Registration Document.

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

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

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

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

3.5.3.2 Project financing

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

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

Financing documentation

The SPV enter into financing agreements with banks without recourse or with limited recourse to the parent company. However, in some cases, the Company may be required to guarantee a financing deficit of the SPV during a project construction phase. Such guarantee commitments usually take the form of comfort or support commitments (see Section 3.7 of this Registration Document).

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

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

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

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

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

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

Project financing agreements may also include financial covenants, such as a debt service coverage ratio and a debt-to-equity ratio. If the ratios are not maintained above a first threshold, the SPV is prevented from making distributions to its shareholders. If the ratios are not maintained above a second (lower) threshold, the lenders have the option of demanding early repayment of the debt. Cross default clauses are contained in some agreements that contain more severe repercussions if the Group defaults on its debt. If a cross default clause is implemented, the Company could face a major liquidity problem (see Section 1.9.1.2 of this Registration Document). These financial ratios are calculated by the Group and are certified by the Statutory Auditors when required by the financial documentation.

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

Non compliance with ratios/ covenants

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

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

- for the wind farms operated in France by Centrale Éolienne de Séglien Ar Tri Milin (CESAM) and Centrale Éolienne de Fonds de Fresnes (CEFF), representing a total bank debt of approximately €17 million, the minimum debt servicing coverage ratio was not respected owing to exceptionally poor wind conditions in 2010. This case of default with respect to the financing terms was covered by a waiver obtained on March 25, 2011.
- for the wind farm operated in France by Centrale Éolienne des Sablons (CESA), representing a total bank debt of approximately €9.9 million, the minimum debt servicing coverage ratio was not respected owing to exceptionally poor wind conditions in 2010. This case of default with respect to the financing terms was covered by a waiver obtained on March 25, 2011.
- for all the wind farms located in France, with the exception of Corséol, insurance policies (machine breakage, operating loss and civil liability) were optimized and amended without the prior agreement of the lenders. The amount of the bank debt associated with these projects represents around €64.7 million. This case of default under the financing documentation received a waiver on October 31, 2010 for financing representing around €17 million. Waivers are now being obtained for the remainder based on experts' reports ordered for the banks indicating that the new policies are in compliance with the credit documentation. As of the publication date of this document, no default notices have been received;
- for the farms operated in France by Centrale Éolienne du Moulin de Froidure (CEMDF) and Centrale Éolienne de Sallen (CESAL), representing a total bank debt of approximately €23 million, the minimum debt servicing coverage ratio was not respected owing to exceptionally poor wind conditions in 2010. The lenders (Société Générale and GE Corporate Finance Bank at 50% each) were notified in early January 2011 to waive this case of default and amend the documentation in order to reestablish the default ratio in line with the market (1.25x in the documentation for market levels of approximately 1.10x). Société Générale indicated its agreement with the request for a waiver on the condition of a waiver fee of 50 bps and satisfactory documentation concerning the changes to be made by rider. The Group had accepted these terms. On March 25, 2011, GE Corporate Finance Bank announced an additional request to increase the margin to 200 bps from 100 bps as contained in the current documentation. The Group finds these terms unreasonable and has so informed the lenders. Therefore, there is no waiver for this case of default. In any event, a demand to pay these loans early can be issued only by decision of a two thirds majority of the lenders.

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

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

Accounting impact of non compliance with ratios/ covenants

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

The financial debts concerned are the financing for projects of the companies CEFF, CESAM, CESA, CEMDF and CESAL (see note 23 of the notes to the Group's consolidated financial statements for the year ended December 31, 2010 and Section 1.9 of this Registration Document).

3.5.3.3 *Lines of credit*

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

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

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

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

3.5.3.4 *Other financial liabilities*

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

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

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

3.5.4 Change in the working capital requirement

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

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

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

The working capital requirement fell by €33.9 million in 2010, compared to a decrease of €54.3 million in 2009. This change is mainly explained by the following:

- in 2009, the large wind farm and wind project disposal project was carried out, in particular out of the inventories built up in 2008, leading to a major reduction of inventory in 2009. In 2010, the Group continued selling wind farms and projects amounting to outflows of inventories of €24.3 million. At year-end, the inventory for wind projects and farms related to the trading business in Germany was almost entirely renewed. The Group stocked over €12.8 million worth of inventory overall for wind projects and wind farms throughout the year. Inventory therefore decreased by €11.5 million in 2010;

- sales of wind farms and wind projects in 2009 only generated a €5.1 million increase in trade receivables for the fiscal year because the majority of these disposals had been completed and paid before December 31, 2009. 2010 is marked by the increase of outstandings related to the Operation activity. This effect is partially offset by the recognition of €9 million in depreciation of receivables in this segment. Furthermore, a significant €5.7 million sale made at the end of the fiscal year was not closed by year-end;
- the change in trade payables between 2009 and 2010 is insignificant. The debt tied to wind farm and wind project acquisitions stocked during the 2010 fiscal year were settled throughout the year. The change in trade payables related to farms in construction for own account has an impact on investment cash flow and not trade payables. In 2009, trade payables had decreased by €39.1 million, following the 2009 settlement of purchases made in 2008; and
- in 2010, the change in other receivables and payables generated a positive cash flow, in particular due to reimbursements of receivables held on wind farms sold throughout the fiscal year, i.e. €16.9 million. It should be noted that the deductible VAT tied to turbines acquired by THEOLIA SA, i.e. €4 million, have been reimbursed during the fiscal year.

3.5.5 Cash and cash equivalents

The following table sets forth selected consolidated cash flow data of the Group for the periods indicated:

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

As of December 31, 2010, the Group has €110.4 million in cash, compared to €94.2 million in cash at December 31, 2009. Cash thus increased by €16.2 million between these two periods. The main changes are described below:

Cash flow from operating activities

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

Net cash flow generated by investment activities

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

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

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

Net cash flow generated by financing activities

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

This positive balance results mainly from the following changes:

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

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

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

3.6 INVESTMENTS

3.6.1 Investments made in the last two fiscal years

3.6.1.1 Main investments made during fiscal year ended 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, equal to the nominal value of the shares and financed through shareholders' equity.

The conditions precedent 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.

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 many initiatives in order to rebuild its cash: resumption of disposals of operating wind farms in Germany, sales of certain non-wind entities, sales of wind farms and wind projects in France and in Germany, reduction of workforce 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.

3.6.1.2 Main investments made during fiscal year ended December 31, 2010

Commissioning of the Giunchetto farm in Italy

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

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

Start of construction of the Gargouilles farm in France

Construction of the Gargouilles wind farm, in the Essonne and Eure et Loir departments in France began in September 2010. This farm includes eight wind turbines of 2.3 MW nominal power, i.e. a capacity of 18.4 MW for own account and eight wind turbines of 2.3 MW nominal power, i.e. a capacity of 18.4 MW, for third parties. The staged commissioning began at the end of May 2011 and will end in October 2011.

Continuation of investments in wind projects under development

During the fiscal year 2010, the Group continued a sustained pace of investing to push the progress of its portfolio of wind projects. Such investments have mainly been made in the advancement of wind projects under development in France and in Italy.

The following table presents the Group's investments during the 2010 fiscal year:

Investments *(in thousands of euros)*	**Year ended December 31, 2010**
Intangible assets	
Project currently under development	4 964
Development cost	-
Software and similar rights	94
Other intangible assets	1 930
SUB-TOTAL	**6 987**
Tangible assets	
Land	63
Fixtures and fittings	733
Project currently under construction	16 355
Technical installations	13 814
Other tangible assets	461
SUB-TOTAL	**31 426**
TOTAL	**38 413**

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

3.6.2 Investments in progress

Since the beginning of 2011, THEOLIA continues to pursue its investments. Such investments concern in particular the construction site of the Gargouilles wind farm and the advancement of projects in Italy.

As part of its trading activity in wind farms, in the first quarter 2011 the Group commissioned three wind farms for a cumulative capacity 8 MW.

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

During the 2010 fiscal year, the Group significantly invested in its projects in Italy and Germany. The Group will maintain its investment policy in the 2011 fiscal year.

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

3.7 OFF-BALANCE SHEET COMMITMENTS

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

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

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

These off-balance sheet commitments include:

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

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

The tables below provide the breakdown of the significant off-balance sheet commitments related to the Group's scope of consolidation, to financing and to the Company's operational activities and those of its subsidiaries as of December 31, 2010. An update of the off-balance sheet commitments related to the Group as of June 30, 2011 can be read in Section 4.1.2 of this Registration Document (see note 20 of the Half-year Financial Report 2011).

3.7.1 Off-balance sheet commitments related to the scope of the consolidated Group

Commitments given	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration/ Term	2009 *Amount in millions of €*	2010 *Amount in millions of €*
THEOLIA Guarantee	Ecoval Technology	BFCC	Guarantee granted in 2005 for an overall maximum 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 Cabriès	N/A	0.1	0.1
TOTAL						**0.1**

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

3.7.2 Off-balance sheet commitments related to the financing of the Company and its subsidiaries

Commitments given	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration/ Term	2009 *Amount in millions of €*	2010 *Amount in millions of €*
Pledge of bank accounts	THEOLIA Naturenergien GmbH	Credit institutions	Pledges to different banks of a certain number of accounts opened in their books to guarantee the costs that could arise when dismantling certain wind farms in Germany	Variable according to the duration of the loan granted	7.9	6.9
Pledge of bank accounts Pledge of cash balances	SPVs France	Credit institutions	Pledge with banks of accounts opened on their books	Variable according to term of loan granted	N/A	3.7
Pledge of SPV shares	SPVs	Credit institutions or their assignees	Certain Group companies – listed below in Section 3.8.2 of this Registration Document– may be required to pledge their bonds as security for lenders.	Variable according to term of loan granted	74.7	63.8
TOTAL						**74.4**

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

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

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

3.8 CONTRACTUAL COMMITMENTS AND PLEDGES

3.8.1 Contractual commitments

The table below summarizes the Group's main contractual commitments, according to maturity, as of December 31, 2010:

(in thousands of euros)	Less than 1 year	1 to 5 years	More than 5 years	TOTAL
	Current	Non-current		
Long term-debts	74,870	179,172	73,961	328,003
Simple lease contracts	380	1,320	1,165	2,865
TOTAL	**75,250**	**180,492**	**75,126**	**330,868**
	Less than 1 year	1 to 5 years	More than 5 years	TOTAL
Line of credit	86,496	179,172	73,961	339,629
TOTAL	**86,496**	**179,172**	**73,961**	**339,629**

3.8.2 Pledges of shares and assets

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 wind turbines. 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, 2010:

Entity	**Pledge starting date**	**Pledge expiry date**	**Amount of pledged asset (in thousands of euros)**
France			
CEFF	09/13/2005	06/30/2021	61
CESAM	09/13/2005	06/30/2021	680
ROYAL WIND	09/13/2005	06/30/2021	2,492
LEPLA	09/22/2006	04/30/2021	798
CESA	10/12/2006	12/31/2020	30
THEOWATT	06/21/2007	12/31/2023	40
CEPLO	06/21/2007	12/31/2022	184
CEMDF	06/21/2007	12/31/2022	56
CESAL	03/20/2008	12/31/2023	645
Morocco			
La Compagnie Eolienne du Détroit	01/04/2008	12/15/2011	45,385
Italy			
Aero-Chetto Srl *	12/15/2009	06/30/2025	530
Vibinum Srl	12/24/2010	Variable	7,500
Garbino Eolica Srl (Pergola) *	07/10/2009	07/06/2011**	1 164
Germany			
Dritte Busmann Wind GmbH & Co. Betriebs KG (Ladbergen I) *	06/26/2009	Variable	548
20. UPEG Windpark GmbH (Ladbergen II) *	06/26/2009	Variable	554
19. UPEG Windpark GmbH (Ladbergen III) *	06/26/2009	Variable	555
WP Saerbeck GmbH & Co. KG *	06/26/2009	Variable	2,559
Group Total as of December 31, 2010			**63,781**

* *Pledges made for the assignee and not for a financial establishment*

** *Pledge extended from June 30, 2010 to July 6, 2011*

An update of the pledges of shares and assets related to the Group as of June 30, 2011 can be read in Section 4.1.2 of this Registration Document (see note 20 of the Half-year Financial Report 2011).

3.9 CONTINUITY OF OPERATION

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

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

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

3.10 DIVIDEND DISTRIBUTION POLICY

3.10.1 Total dividend

The Company has not paid a dividend during the past three fiscal years.

3.10.2 Future dividend policy

The payment of dividends will depend mainly on the income earned by the Company, its financial position, its investment policy and the reduction of its debt. The Company does not intend to distribute dividends in 2011 for the fiscal year ended December 31, 2010.

3.10.3. Prescription period for dividends

Dividends that are unclaimed at the end of a five-year period from their date of payment revert to the State.

3.11 THEOLIA SA PARENT COMPANY RESULTS AS OF DECEMBER 31, 2010

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

3.11.1 Analysis of income statement

3.11.1.1 Revenue and other income

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

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

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

In 2008 THEOLIA had purchased turbines for €19.4 million, recorded as inventory for the Martignano project.

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

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

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

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

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

Reversal of provisions	5.2
Charges transferred	4.3

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

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

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

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

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

3.11.1.2 Operating income

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

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

- expenses related to the financial restructuring carried out in 2010, amounting to €9.6 million, posted as "External expenses". These expenses were offset against €4.2 million in charges transferred recorded under "Other income" (see section 3.11.1.1) The net expense was €5.4 million;
- exceptional compensation, of €415,000, and indemnities payable under negotiated termination settlements, of €1.4 million, paid to former senior executives of the Company, and recognized under "Salaries and wages";
- provisions for contingencies and losses of €2.1 million; and
- exceptional amortization of €3.8 million, corresponding to expenses incurred for the 2007 bond issue; amortized on a straight-line basis over the term of the loan, which were fully amortized in 2010 following the renegotiation of the loan.

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

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

3.11.1.3 Financial income (expense)

Financial income for the 2010 fiscal year was a loss of €79.5 million, whereas it was up €0.2 million in 2009. Financial income was €33 million compared to €47.6 million in 2009. Financial expenses amounted to €112.5 million, compared to €47.5 million in 2009.

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

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

At the end of 2007, THEOLIA had granted a shareholder loan to its subsidiary THEOLIA Emerging Markets (TEM), in the amount of €25 million, for the acquisition of the company ecolutions GmbH & Co. KGaA. A depreciation of €10.6 million had been recognized on this loan in 2009, reflecting the decline in the value of the company ecolutions GmbH & Co. KGaA. The accumulated interest on this loan in the amount of €2.7 million had also been depreciated. Cumulative impairment charges totaled €13.4 million.

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

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

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

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

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

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

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

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

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

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

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

3.11.1.4 Extraordinary income or loss

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

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

3.11.1.5 Net income (expense)

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

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

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

3.11.2 Cash flow statement

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

(in thousands of euros)	**12/31/2010**	**12/31/2009**
Working capital provided from operations	(2,496)	28,174
Charge in operating working capital	13,862	(32,615)
Cash flows from operations	11,366	(4,441)
Cash flows from investment activities	(16,915)	16,484
Cash flows from financing activities	30,431	4,370
Change in cash and cash equivalents	**24,883**	**16,413**
Cash and cash equivalents as of January 1	30,151	13,738
Cash and cash equivalents as of December 31	55,034	30,151

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

Cash flows from operations

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

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

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

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

Cash flows from investing activities

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

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

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

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

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

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

Cash flows from financing activities

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

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

3.11.3 Financial debt

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

This significant €48 million decrease is a result of:

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

3.11.4 Information on suppliers

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

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

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

3.12 SIGNIFICANT CONTRACTS

The Group has not entered into a material contract over the two fiscal years preceding the Registration Document other than those concluded within the normal course of business, with the exception of the contracts presented below:

- sale of a portfolio of 100.6 MW of operating wind farms and wind projects to 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 of 47 MW to Boralex. These sales marked a major stage in the completion of a disposal program of approximately 200 MW of wind projects and assets; acquisition of the minority interest in the shares held by the former founders of Ventura (today THEOLIA France) in THEOLIA France and certain wind farms in France, on September 8, 2009;
- agreements in December 2009 with the main holders of OCEANE convertible bonds in view of restructuring;
- agreement in April 2010, for the sale of a wind farm of 55.5 MW in Germany: Dortmunder Energie- und Wasserversorgung GmbH and THEOLIA 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 will ensure the full technical and commercial management during the lifetime of the wind farm;
- agreement for the disposal of a share of the Group in the Giunchetto Project: Maestrale Green Energy, an Italian subsidiary of THEOLIA, and Repower Produzione Italia spa, a wholly owned entity of Repower, signed an agreement on April 28, 2010 for the sale of a 39% interest in a 30 megawatt (MW) wind project located in the province of Enna (Sicily – Italy). At the end of two years of operating the wind farm, Repower Produzione Italia spa will be able to exercise an option to purchase the remaining 51% held by THEOLIA, for a period of six months. The project comprises 35 Vestas turbines. Financing of the project was announced in January 2010 and the commissioning of the farm was completed in October 2010;
- the January 28, 2011 signing of an agreement between Centrale Éolienne des Gargouilles (Borrower) and a pool of banks for the financing of the Gargouilles wind farm located on the communes of Gommerville, Oysonville and Pussay, in the department of the Eure et Loir in France, with a capacity of 18.4 MW (see Section 3.13.1.1 below). The financing breaks down as follows:: a long term loan of €23.2 million and shareholder equity and quasi shareholder-equity of the Borrower;
- the signing by the Company on March 11, 2011, of a transactional agreement protocol with Marc van't Noordende and Olivier Dubois, former CEO and Deputy Managing Director of the Company, that placed a final term to disputes, existing or future, between them and the Company (see Section 1.10.2 of this Registration Document for further information);
- the signing by the Company on May 31, 2011, of a transactional agreement protocol with the Moroccan Office National de l'Électricité (ONE) to plan and build together a farm of 300 MW at Tétouan, Morocco (see Section 3.13.1.3 below for further information).

3.13 RECENT EVENTS AND PROSPECTS

3.13.1 Changes since the 2010 year-end closing

3.13.1.1 Signing of an agreement with the Moroccan Office National de l'Electricité for the joint development and construction of a wind farm of 300 MW in Morocco

Following an initial profitable partnership as part of the concession granted by the Moroccan *Office National de l'Electricité* ("ONE") to the *Compagnie Eolienne du Détroit* ("CED"), a subsidiary of THEOLIA Group, for the operation of a 50.4 MW wind farm in Tetouan, near Tangier, THEOLIA and the ONE signed, on May 31, 2011, an agreement for the joint development and construction of a wind project on the Tétouan site, which will be developed in two phases, as follows:

- the construction of 100 MW on the existing Koudia al Baïda site, through the replacing of the existing turbines by higher capacity turbines (repowering); and
- the construction of an additional 200 MW.

The launch of the first phase of construction will begin in June 2012.

In July 2011, conception and engineering works started. Tenders for construction works and turbine supply will be launched in the coming weeks.

3.13.1.2 Commissioning of the Gargouilles wind farm

The Gargouilles wind farm is located in the *Eure et Loir* department in France, in the towns of Gommerville, Oysonville and Pussay. It comprises 8 Enercon wind turbines, each with a capacity of 2.3 MW, for a total capacity of the farm of 18.4 MW.

The construction works began in October 2010. The first part of the farm, for a capacity of 9.2 MW, was commissioned end of June 2011 and the second part of the farm, for a capacity of 9.2 MW, has been commissioned end of September 2011.

The Gargouilles wind farm is fully operational. The construction works and the tests preceding the industrial commissioning have been completed.

3.13.1.3 Creation of the investment vehicle THEOLIA Utilities Investment Company

In July 2011, THEOLIA and IWB Industrielle Werke Basel ("IWB"), electricity producer and distributor in Switzerland, announced their intention to enter into partnership to jointly invest in wind farms.

In August 2011, the two partners created THEOLIA Utilities Investment Company, an investment vehicle dedicated to invest in wind projects in France, Germany and Italy. This vehicle is set aside for utilities, producers and distributors of electricity, willing to commit themselves for the long term and sharing the same vision of the development potential of wind energy and the imminent rebalancing of the energy mix in favor of green energies.

In October 2011, THEOLIA and IWB announced their intention to be joined by the German utility company Badenova in THEOLIA Utilities Investment Company, after the approval by the German competition authorities.

THEOLIA Utilities Investment Company is composed of THEOLIA, a French developer and operator of wind farms, and two major European utilities: IWB in Switzerland and now Badenova in Germany. With Badenova joining the vehicle, the shareholding of THEOLIA Utilities Investment Company will be spread between THEOLIA holding 40%, and IWB and Badenova holding each a 30% interest. This agreement is subject to the approval of the German competition authorities within a month.

This cross-border partnership brings together three European energy players with the aim of jointly developing and operating onshore wind farms in France, Germany and Italy. THEOLIA acts as the operating partner: it transfers to THEOLIA Utilities Investment Company wind projects that it has previously developed, while pursuing the construction and operation of these wind farms on behalf of the vehicle. With this partnership, IWB and Badenova spread abroad and implement their strategic vision of the need of developing green energy.

The objective of the vehicle is to reach a total wind capacity of 150 to 200 MW. With a final target of 100 million euros of equity invested, combined with project financing, the vehicle will be in a position to invest more than 300 million euros.

3.13.1.4 Progress on Magremont project in France farm

The Magremont project, based in Naours and Beauval in the *Somme* department, has a construction permit free of third party claims for six wind turbines. At the beginning of August 2011, THEOLIA signed a contract to purchase turbines with a nominal capacity of 2.5 MW. The construction of this wind farm, which will have a total capacity of 15 MW, began in the beginning of September 2011.

3.13.1.4 Continued bond conversions

The Company recognized the conversion of 1,976,986 OCEANEs between January 1, 2011 and July 31, 2011, resulting in the creation of 17,081,158 new shares and reducing by €30.2 million the maximum amount to repay in case of requests on January 1, 2015.

From July 20, 2010, the date of effect of the amended terms of the OCEANEs, to July 31, 2011, 3,079,056 OCEANEs have been converted, resulting in the creation of 26,602,174 new shares.

As of July 2011, there are 8, 456, 406 OCEANEs outstanding, that would lead to a maximum amount to repay in case of requests from all bondholders on January 1, 2015 of €129.3 million.

3.13.2 First quarter 2011 revenue

The consolidated revenue of the THEOLIA Group is €13.9 million for the first three months of 2011, compared to €21.2 million for the first three months of 2010.

(in thousands of euros)	Wind activities			Non wind activity (1)	Consolidated total
	Sale of electricity for own account	Development, construction, sale	Operation		
First quarter 2011	11,236	796	1,612	244	13,888
First quarter 2010	12,989	6,705	1,307 (2)	198	21,200
Change	-13%	-88%	+23%	+23%	-34%

(1) *Excluding Environment activities*

(2) *Restatement of revenue generated from the sale of electricity from wind farms managed for third parties who have contracts offering no guaranteed margins. For further information, please see note 2.1 of the notes to the consolidated financial statements for the year ended December 31, 2010. Before restatement, the revenue of the Operation activity for the first quarter 2010 reached €11.1 million.*

Revenue of the **Sale of electricity for own account** activity reached €11.2 million for the first quarter 2011, compared to €13 million for the first quarter 2010, in line with the reduction of the capacity installed for own account between these two periods. As of March 31, 2011, the capacity installed for own account reached 291 MW compared to 319 MW at March 31, 2010. The difference comes mainly from the disposal of a farm of 55.5 MW in Germany, which took place in May 2010.

Revenue from the **Development, construction and sale** activity reached €796 thousand in the first three months of 2011, down by 88%. The Group did not sell a wind farm in the first quarter of 2011, whereas 4.5 MW had been sold in the first quarter of 2010.

Revenue of the **Operation** activity reached €1.6 million, up 23% compared to first three months of 2010. This increase results mainly from the increase in the capacity managed for third parties, which went from 463 MW on March 31, 2010 to 586 MW on March 31, 2011.

The **Non-wind** activity recorded revenue of €244 thousand in the 2011 first quarter due to the solar farm in Germany.

3.13.3 The ordinary and extraordinary shareholders' meeting of June 17, 2011

The ordinary and extraordinary shareholders' meeting of THEOLIA was convened on Friday June 17, 2011, and was chaired by Michel Meeus, Chairman of the Board of directors, in the presence of all the board members.

A quorum of 25.38% was reached for 20 of the 21 resolutions proposed for the shareholders' vote.

With a quorum less than 20%, due to the exclusion of votes of persons concerned with that resolution and mandates that they represented, the fourth resolution relating to the approval of regulated agreements was not proposed for shareholders' vote.

The seventeenth resolution relating to the capital increase for the Group's employees was rejected in accordance with the request of the Board of directors.

All other resolutions were approved by large majorities.

3.13.4 Revenue for the first nine months of 2011

The Group's consolidated revenue for the first nine months of 2011 amounted to 40 million euros. Following the implementation of the policy of reduction in the pace of wind farm disposals, the Group did not sell any wind farm or project over the period.

The Sale of electricity for own account activity grew by +21%. By reducing the pace of wind farm disposals and by focusing on commissioning new wind farms, the Group increases its recurring revenue benefitting from a dependable margin.

(in thousands of euros)	Wind activities			Non wind activity (1)	Consolidated total
	Sale of electricity for own account	Development, construction, sale	Operation		
First nine months of 2011	31,690	2,624	4,326	1,378	40,019
First nine months of 2010	26,161	89,044	3,613 (2)	1,252	120,071
Change	+21%	-97%	+20%	+10%	-67%

(3) *Excluding Environment activities*

(4) *Restatement of revenue generated from the sale of electricity from wind farms managed for third parties who have contracts offering no guaranteed margins. For further information, please see note 2.1 of the notes to the consolidated financial statements for the year ended December 31, 2010. Before restatement, the revenue of the Operation activity for the first nine months of 2010 reached €26,692 thousand.*

The revenue from the **Sale of electricity for own account** activity reached 31.7 million euros for the first nine months of 2011, an increase of +21% compared to the first nine months of 2010. This strong growth reflects the increase in installed capacity for own account over the period.

Excluding the second part of the Gargouilles wind farm that almost recorded no revenue for the first nine months of 2011, the Group's installed capacity for own account grew by +12% over the period. Once again, the revenue from the **Sale of electricity for own account** activity grew faster than the installed capacity.

To maintain a sustained pace in the commissioning of wind farms, THEOLIA began, during the third quarter of 2011, the construction of two new wind farms, for a cumulative capacity of 25 MW.

The revenue from the **Operation** activity amounted to 4.3 million euros for the first nine months of 2011, up by +20%. This growth is mainly due to the increase in capacity managed for third parties that rose from 533 MW as of September 30, 2010 to 586 MW as of September 30, 2011.

The revenue from the **Development, construction, sale** activity amounted to 2.6 million euros for the first nine months of 2011. The Group did not sell any wind farm during the first nine months of the year. The revenue from this activity over the period mainly includes construction services invoiced to third parties in France, for 2.1 million euros.

The **Non-wind** activity registered revenue of 1.4 million euros for the first nine months of 2011, produced by the solar park in Germany.

3.13.5 Outlook

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

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

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

The Group anticipates this situation will continue to progressively improve due to rigorous management, the continuing conversion of bonds into shares and the resulting debt reduction. The Group's growth strategy is composed of three main pillars:

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

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

At the operational level, the Group is focused on maturing its projects under development. In 2010, €36 million have been invested in the construction of wind farms and €5 million have been invested in the development of wind projects. In 2010, the Group commissioned the Giunchetto farm in Italy, with a net capacity for the Group of 15 MW. Since September 2010, the Group constructed an 18 MW farm in France for its own account. The first part of this wind farm, for a capacity of 9 MW, has been commissioned at the end of June 2011. The commissioning of the second and final part, for a capacity of 9 MW, will occur in the coming weeks. In July 2011, the Group also launched the construction works for the first part of the Bovino wind farm, for a capacity of 10 MW. During the first quarter of 2011, the Group commissioned, as part of its activity of trading of operating wind farms, three wind farms with a cumulative capacity of 8 MW in Germany. As of July 31, 2011, the Group also has 116 MW divided between France and Italy for which construction permits or equivalent authorizations have been obtained. The Group is going to continue to focus its investments on projects with the highest profitability.

The financial restructuring has already allowed the Group to reduce the pace of wind farm and project disposals. The Group hopes to maintain this trend.

A co-investment strategy has been implemented with the creation of an investment vehicle dedicated to housing some projects. This initiative will enable the Group to obtain additional financial means to support its future growth.

The signing of an agreement with the Moroccan *Office National de l'Electricité* for the development and construction of a 300 MW wind farm in Morocco

The project will be developed in two phases, as follows:

- the construction of 100 MW on the existing Koudia al Baïda site, through the replacing of the existing turbines by higher capacity turbines (repowering); and

  the construction of an additional 200 MW on sites next to this farm.

The start of the development of the first phase will begin in June 2012.

3.13.6 Forecasts or estimates of profits

The Company does not publish forecasts or estimates.

4. CONSOLIDATED FINANCIAL STATEMENTS

4.1 HALF-YEAR FINANCIAL STATEMENTS AS OF JUNE 30, 2011

4.1.1 Half-year activity report

4.1.1.1 Key highlights of the first half of 2011

Signing of an agreement with the Moroccan *Office National de l'Electricité* ("ONE") for the development and construction in common of a 300 MW wind farm in Morocco

Following an initial profitable partnership as part of the concession awarded by the ONE to the *Compagnie Eolienne du Détroit* ("CED"), a subsidiary of THEOLIA Group, for the operation of a 50.4 MW wind farm at Tetouan near Tangiers, THEOLIA and the ONE have decided to continue their partnership to develop a 300 MW wind farm.

The agreement, signed on May 31, 2011, includes the development and construction of a wind project on the Tetouan site, which will be developed in two phases:

- the construction of 100 MW on the existing Koudia al Baïda site, through the replacing of the existing turbines with higher capacity turbines (repowering); and
- the construction of an additional 200 MW.

The launch of the first phase of construction is planned for June 2012.

This project falls within the ONE's Integrated Program for developing 1,000 MW of wind energy. For THEOLIA, this project represents an additional gross capacity of 250 MW.

THEOLIA will be the majority investor in the entity holding the future wind farm; the ONE will hold 20%.

Commissioning of the first part of the Gargouilles wind farm in France

The Gargouilles wind farm, with a total capacity of 18.4 MW, is located in the towns of Gommerville, Oysonville and Pussay, in the *Eure et Loir* department, in France.

Financing for the project was secured at end-January 2011 and construction continued during the first half of the year. The first part of the wind farm was commissioned at end-June 2011 and represents 9.2 MW of additional capacity for own account.

The construction of the second and final part of the wind farm, which will have a capacity of 9.2 MW, is underway. This part will be commissioned during the next few weeks.

Significant bond conversions during the first half of 2011

Since new terms regarding OCEANEs became effective on July 20, 2010, many bondholders have chosen to convert their OCEANEs into shares.

Between July 20, 2010 and December 31, 2010, 1,102,070 OCEANEs (convertible bonds) have been converted, resulting in the creation of 9,521,016 new shares and reducing by €16.9 million the maximum amount to be reimbursed on January 1, 2015 in case of request.

Between January 1, 2011 and June 30, 2011, conversions have significantly accelerated: 1,976,986 OCEANEs have been converted, resulting in the creation of 17,081,158 new shares and reducing by €30.2 million the maximum amount to be reimbursed on January 1, 2015 in case of request.

As of June 30, 2011, 8,459,406 OCEANEs remain in circulation, which corresponds to a maximum reimbursement amount on January 1, 2015 in the case of a reimbursement request from all bondholders of €129.3 million.

4.1.1.2 The Group's business activity over the first half of 2011

Fady Khallouf, Chief Executive Officer of THEOLIA, stated: "*THEOLIA's position has vastly improved between end-June 2010 and end-June 2011: we have increased the Group's installed capacity by 33 MW divided between Italy, France and Germany, and have implemented stringent cost and cash control measures. This came along with the reduction in the pace of wind farm disposals in order to favor revenue generated by the sale of electricity. The initial benefits of this strategy can already be seen in the half-year accounts: EBITDA is ticking up, boosted by high and recurrent EBITDA in the Sale of electricity for own account activity.*

Moreover, the high number of bond conversions during the first half of 2011 decreased the level of convertible debt and its associated interest expense.

During the same period, we managed a return of THEOLIA to ambitious, but guarded, growth. We have thus signed an agreement with the ONE for the development and construction of a 300 MW wind farm in Morocco. We have also created an investment vehicle, THEOLIA Utilities Investment Company, which will generate additional financial means to further more accelerate our growth.

We are actively pursuing the preparation of the Group's future and we are confident in its growth prospects".

THEOLIA's consolidated financial statements for the first six months of 2011 were approved by THEOLIA's Board of Directors during its meeting on August 31, 2011, in the presence of the Statutory auditors.

It is noted that revenue for the two periods presented is not comparable due to the policy adopted by the Company since the second half of 2010 to reduce the pace of wind farm and project disposals.

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	**06/30/2011**	**06/30/2010** (1)
Revenue	27,394	99,016
EBITDA (2)	7,578	(1,449)
Operating income	758	(8,467)
Financial result	(6,688)	(19,119)
Net income of the consolidated Group	(6,861)	(28,515)

(1) *In application of the IAS 8 standard, restatement of revenue generated from the sale of electricity from wind farms managed for third parties offering no guaranteed margins and restatement of some intangible assets in France (see note 2 of the notes to the consolidated half-year summary financial statements, on page 18 of this Report).*

(2) *EBITDA = current operating income + amortization + non operational risk provisions.*

- **Revenue**

Following the implementation of the adopted policy of reduction in the pace of wind farm disposals, the Group's consolidated revenue for the first half of 2011 amounts to €27.4 million. The breakdown by activity is as follows:

	WIND ACTIVITIES			**Non-wind activity** (1)	**Consolidated total**
(in thousands of euros)	Sale of electricity for own account	Development, construction, sale	Operation		
First half of 2011	21,803	1,742	2,996	852	27,394
First half of 2010	18,598	77,107	2,555	757	99,017
Change	+17%	-98%	+17%	+13%	-72%

(1) *Excluding Environment activities.*

The revenue from the **Sale of electricity for own account activity** is €21.8 million for the first half of 2011, compared to €18.6 million for the first half of 2010. This +17% growth reflects a part of the increase in installed capacity for own account over these two periods.

As of June 30, 2011, the installed capacity for own account amounts to 300 MW versus 267 MW as of June 30, 2010, an increase of 33 MW due to the commissioning realized over the last twelve months, of which mainly:

- the commissioning, in October 2010, of the Giunchetto wind farm in Italy, for a net capacity of 15 MW for the Group, and
- the commissioning, during the first quarter of 2011, of three wind farms in Germany, for a cumulative capacity of 8 MW.

The 9.2 MW commissioning, at the end of June 2011, of the first part of the Gargouilles wind farm in France and the coming commissioning of the second part of 9.2 MW will contribute to the growth in revenue from the second half of 2011.

The revenue from the **Development, construction, sale activity** amounts to €1.7 million for the first half of 2011, compared to €77.1 million for the first half of 2010. Following the implementation of the adopted policy of reduction in the pace of wind farm disposals, the Group did not sell any wind farms during the first half of 2011, while 60 MW were sold in the first half of 2010.

The revenue from the **Operation activity** amounts to €3 million for the first half of 2011, compared to €2.6 million for the first half of 2010, up by +17%. This growth is mainly due to the increase in capacity managed for third parties that rose from 518 MW as of June 30, 2010 to 586 MW as of June 30, 2011.

The **Non-wind activity** registers revenue of €852 thousand for the first half of 2011, produced by the solar park in Germany.

By concentrating on commissioning new wind farms, the Group increases by +17% its recurring revenue from the Sale of electricity for own account activity, benefitting from a dependable margin.

- **EBITDA**

The Group's consolidated EBITDA records a strong growth. It amounts to €7.6 million for the first half of 2011, compared to a loss of €1.5 million for the first half of 2010. The breakdown by activity is as follows:

	WIND ACTIVITIES			**Non-wind activity** (1)	**Corporate**	**Consolidated total**
(in thousands of euros)	Sale of electricity for own account	Development, construction, sale	Operation			
First half of 2011	15,152	(6,480)	(354)	382	(1,122)	7,578
First half of 2010	11,985	(3,034)	(3,990)	486	(6,895)	(1,449)

(2) *Excluding Environment activities.*

EBITDA for the **Sale of electricity for own account activity** reaches €15.2 million in the first half of 2011, compared to €12 million in the first half of 2010. As the majority of operating expenses for this activity are fixed, the +17% increase in revenue implies a +26% improvement in EBITDA and a 5 point improvement in the EBITDA margin for this activity over the period.

EBITDA for the **Development, construction, sale activity** shows a loss of €6.5 million in the first half of 2011, compared to a loss of €3 million in the first half of 2010. Fixed costs in this activity were not offset by the sale of wind farms during the first half of 2011. Moreover during the first half of 2011, as part of a complete review of its pipeline of development projects, the Group has decreased the net value of some of its development projects accounted in inventories by €1.7 million in France and €0.4 million in Germany.

The **Operation activity** shows a marked improvement in EBITDA over the period. This activity registers an EBITDA loss of just €0.4 million despite being penalized by the accounting of a depreciation in trade receivables of €0.3 million in Germany. The increase in installed capacity managed for third parties allowed the Group to almost reach break even in this activity. In the first half of 2010, EBITDA for this activity showed a loss of €4 million, impacted by the accounting of risk provisions for clients in Germany for €3.6 million.

The **Non-wind activity** registers EBITDA of €0.4 million in the first half of 2011, compared to €0.5 million in the first half of 2010.

EBITDA from the **Corporate activity** shows a loss of €1.1 million in the first half of 2011, compared to a loss of €6.9 million in the first half of 2010. This clear improvement is due to the reduction in structural costs, staff costs and charges related to the grant of free shares.

The strong improvement in consolidated EBITDA is due to recent commissioning by the Group as well as a stringent management of all activities.

- **Operating income**

The Group's operating income amounts to €0.8 million for the first half of 2011, compared to a loss of €8.5 million for the first half of 2010.

(in thousands of euros)	**06/30/2011**	**06/30/2010**
EBITDA	7,578	(1,449)
Net allocations to depreciation and amortization	*(6,222)*	*(5,173)*
Other non-current income and expense	*(357)*	*(270)*
Impairment	*(241)*	*(1,574)*
Operating income	758	(8,467)

The Group's operating income is in nature impacted by wind seasonality and wind farm disposals, and is thus not linear over the year.

- **Financial result**

The Group's financial result represents a net expense of €6.7 million in the first half of 2011, compared to a net expense of €19.1 million in the first half of 2010. This significant decrease is illustrated in the table below:

(in thousands of euros)	**06/30/2011**	**06/30/2010**	**Change**
Interest expense related to the convertible bond	(1,681)	(7,551)	(5,870)
Interest expense related to loans of operational farms	(4,455)	(3,495)	+ 960
Change in the fair value of the interest rate risk hedging instruments	48	(4,519)	(4,567)
Financial expenses related to the sale of a wind farm during the first half of 2010	-	(2,600)	(2,600)
Others	(600)	(954)	(354)
Financial result	**(6,688)**	**(19,119)**	**(12,431)**

The interest expense related to the convertible bond (OCEANEs) has decreased markedly, notably due to a reduction in the loan after numerous bondholders converted their OCEANEs during the first half of 2011. The bond conversions that occurred during the first half of 2011 generated an interest expense reversal of €4.1 million.

The interest expense on loans held by wind farms in operation, as part of the Group's regular activities, has increased due to the commissioning of new wind farms during the period.

Changes in the fair value of derivatives were, as of June 30, 2010, recognized as financial expenses. As of January 1, 2011, the Group has opted for hedge accounting, as allowed under IFRS, and thus recognizes changes in the fair value of derivatives directly in shareholders' equity for the part deemed to correspond to the hedge.

- **Net income of the consolidated Group**

In total, the net income of the consolidated Group as of June 30, 2011 is a loss of €6.9 million, versus a loss of €28.5 million as of June 30, 2010.

DEBT AND CASH POSITION

The **net debt** went from €237.6 million as of December 31, 2010 to €230.6 million as of June 30, 2011 and breaks down as follows:

(in thousands of euros)	**06/30/2011**	**12/31/2010**
Financial debt	(214,339)	(222,123)
of which project financing	*(214,339)*	*(210,497)*
of which corporate lines of credit	-	*(11,626)*
Convertible bond	(97,580)	(117,506)
Other financial liabilities	(7,746)	(8,477)
of which financial instruments or SWAP	*(5,184)*	*(5,956)*
Current financial assets	402	106
Cash and cash equivalents	88,713	110,432
Net financial debt	**(230,550)**	**(237,569)**

Project financing debt that is non-recourse or with limited recourse to the parent company, registers an increase of €3.8 million during the first half of the year following the completion of wind farms during the period.

The corporate finance €11.6 million euro line of credit in Germany has been fully reimbursed.

As of June 30, 2011, the convertible bond had plummeted by €19.9 million to €97.6 million as in particular numerous bondholders converted their OCEANEs during the first half of 2011.

The Group's **net cash position** is high and amounts to €88.7 million as of June 30, 2011, after taking into account the reimbursement of a €11.6 million line of credit in Germany and investments in wind projects in France, Germany and Italy for an amount of €17 million.

The net cash position breaks down as follows:

(in thousands of euros)	**06/30/2011**	**12/31/2010**
Pledged cash	22,883	23,587
Reserved cash for SPV [1]	16,621	17,661
Free cash	49,209	69,184
Bank overdrafts	-	(71)
Net cash position	**88,713**	**110,361**

[1] *SPV: special purpose vehicle.*

4.1.1.3 Significant events after the date of closing of the half-year accounts

Creation of the investment vehicle THEOLIA Utilities Investment Company

In July 2011, THEOLIA and IWB Industrielle Werke Basel ("IWB"), electricity producer and distributor in Switzerland, announced entering into partnership to jointly invest in wind farms. Formal approval has been given by both Boards of Directors.

In August 2011, the two partners created THEOLIA Utilities Investment Company, an investment vehicle dedicated to invest in wind projects in France, Germany and Italy. This vehicle is set aside for utilities, producers and distributors of electricity, willing to commit themselves for the long term and sharing the same vision of the development potential of wind energy and the imminent rebalancing of the energy mix in favor of green energies.

With a final target of €100 million of equity invested, combined with project financing, the vehicle will be in a position to invest more than €300 million.

IWB is the first partner to join the vehicle with an interest of 30%. At the creation, THEOLIA holds 70% of THEOLIA Utilities Investment Company and its target is to hold a 40% interest at the end. Discussions are ongoing with other utilities willing to join the vehicle.

Wind projects will be acquired by THEOLIA Utilities Investment Company from THEOLIA, which will be in charge of the development, construction and operation of the farms for their life span. THEOLIA will be paid for each of these tasks.

As first achievement, THEOLIA Utilities Investment Company will invest in a wind project, developed by THEOLIA in France and having a construction permit free of third party claims.

The creation of THEOLIA Utilities Investment Company occurred after June 30, 2011 and has thus had no impact on the half-year consolidated financial statements.

Progress on Magremont project in France

The Magremont project, based in Naours and Beauval in the *Somme* department, has a construction permit free of third party claims for six wind turbines. At the beginning of August 2011, THEOLIA signed a contract to purchase turbines with a nominal capacity of 2.5 MW. The construction of this wind farm, which will have a total capacity of 15 MW, will begin in September 2011.

4.1.1.4 Main risks and uncertainties for the second half of 2011

As of June 30, 2011, the risk factors are of the same nature as exposed in the 2010 annual financial report (on pages 52 to 70). Only financial covenants have changed. Their detail is provided on note 18 of the notes to the consolidated half-year summary financial statements, on page 38 of this Report.

THEOLIA, as any economic player, monitors the current volatility of financial markets as well as uncertainties and fragilities of global economy.

4.1.1.5 Main transactions between related parties

The information pertaining to transactions between related parties relevant to the half-year period ending June 30, 2011 appears in note 19 of the notes to the consolidated half-year summary financial statements, on page 39 of this Report.

4.1.2 Consolidated half-year summary financial statements

4.1.2.1 Income statement

(in thousands of euros)

	Notes	06/30/2011	06/30/2010
Revenue	4	**27,394**	**99,016**
Purchases and changes in inventories		(4,028)	(73,745)
External expenses		(10,708)	(14,138)
Taxes		(708)	(614)
Staff expenses	5	(5,227)	(9,397)
Amortization		(6,125)	(3,584)
Provisions		(675)	(5,658)
Other operating income and expenses		1,434	1,497
Current operating income		**1,356**	**(6,623)**
Other non-current income and expenses		(357)	(270)
OPERATING INCOME (before impairment)		**999**	**(6,893)**
Impairment		(241)	(1,574)
OPERATING INCOME (after impairment)		**758**	**(8,467)**
Cost of net financial debt	6	**(6,801)**	**(12,323)**
Other financial income	6	522	1,362
Other financial expenses	6	(409)	(8,158)
Financial result		**(6,688)**	**(19,119)**
Share in income from associates		(12)	(245)
Tax expenses	7	334	(131)
Net income from continued activities		**(5,608)**	**(27,962)**
Income net of corporate tax from discontinued activities or assets held for sale	13	(1,253)	(553)
NET INCOME of the consolidated Group		**(6,861)**	**(28,515)**
Attributable to the Group		(6,647)	(27,978)
Attributable to non-controlling interests		(214)	(535)
Consolidated income per share (in euros)		(0.06)	(0.70)
Consolidated diluted income per share (in euros)		(0.03)	(0.67)

Comparative information as of June 30, 2010 is restated in line with IAS 8 (see Note 2).

4.1.2.2 Comprehensive income

(in thousands of euros)

	06/30/2011	06/30/2010
Net income (loss)	**(6,861)**	**(28,515)**
Foreign exchange differences	78	(125)
Fair value of derivatives hedges	745	-
Total earnings and expenses posted	**823**	**(125)**
OVERALL COMPREHENSIVE INCOME	**(6,037)**	**(28,641)**

Comparative information as of June 30, 2010 is restated in line with IAS 8 (see Note 2).

4.1.2.3 Balance sheet

(in thousands of euros)

Assets	Notes	06/30/2011	12/31/2010	06/30/2010
Goodwill	8	71,138	71,138	79,460
Intangible assets	9	90,465	90,294	81,147
Tangible assets	10	297,651	278,790	255,630
Investment in associates		9,616	10,466	10,406
Non-current financial assets		11,513	11,016	13,765
Deferred tax assets		694	30,144	5,355
Non-current assets		**481,077**	**491,848**	**445,764**
Inventories and work in progress	11	15,202	19,805	56,857
Clients		22,341	30,833	31,638
Other current assets		17,749	19,827	31,929
Tax receivables on income		5,847	5,687	4,230
Current financial assets		402	106	1
Cash and cash equivalents	12	88,713	110,432	78,631
Current assets		**150,254**	**186,690**	**203,286**
Assets related to activities which are held for sale		13,212	13,201	15,828
TOTAL ASSETS		**644,543**	**691,739**	**664,878**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Share capital	14	127,418	110,293	40,309
Issue premiums		305,149	304,947	307,133
Other reserves		(192,449)	(198,829)	(198,294)
Net income – Group share		(6,647)	5,857	(27,979)
Shareholders' equity – Group share		**233,471**	**222,268**	**121,169**
Non-controlling interests		(2,444)	(2,261)	(2,123)
Shareholders' equity		**231,027**	**220,007**	**119,046**
Non-current financial debt	16	243,676	255,424	164,324
Provisions – non-current share		20,052	18,316	17,211
Personnel benefits		156	129	93
Deferred tax liabilities		12,669	43,122	16,865
Other non-current liabilities		8,060	8,060	560
Non-current liabilities		**284,613**	**325,051**	**199,053**
Current financial debt	16	75,988	92,683	290,076
Provisions – current share		-	597	597
Trade payables and other current liabilities		38,463	35,299	35,060
Tax and social liabilities		4,181	7,313	9,713
Corporation tax debts		1,085	1,062	714
Current liabilities		**119,717**	**136,954**	**336,160**
Liabilities related to activities which are held for d for sale		9,186	9,727	10,618
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**644,543**	**691,739**	**664,878**

Comparative information as of June 30, 2010 is restated in line with IAS 8 (see Note 2).

4.1.2.4 Cash flow statement

(in thousands of euros)

	06/30/2011	06/30/2010	12/31/2010
Total net income of consolidated companies	**(6,861)**	**(28,513)**	**4,993**
Income from discontinued activities	1,252	553	1,480
Elimination of amortization, depreciation and provisions	6,596	9,720	36,815
Elimination of change in deferred taxes	(331)	136	4,523
Elimination of capital gains/losses from disposals	269	(1,167)	(510)
Elimination of the share of income from equity	11	245	180
Financial expenses	7,221	11,931	23,468
Other income & expenses with no effect on cash	361	19,964	(58,899)
Gross self-financing margin (A)	**8,517**	**12,869**	**12,051**
Effect of WCR variation related to activity (B)	4,864	5,143	33,879
Corporation tax paid (C)	(759)	(1,799)	(2,575)
Flows related to discontinued activities (D)	(1,279)	-	(1,804)
CASH FROM OPERATIONAL ACTIVITIES (a) = (A+B+C+D)	**11,343**	**16,213**	**41,551**
Acquisitions of fixed assets	(17,019)	(22,001)	(38,225)
Acquisitions of financial assets	-	-	-
Disposals of fixed assets	1,015	678	1,666
Change in loans granted	95	7,178	10,092
Effect of change in scope of consolidation: subsidiary acquisitions net of cash acquired	(72)	(4,255)	(15,784)
NET FLOW GENERATED BY INVESTMENT ACTIVITIES (b)	**(15,980)**	**(18,434)**	**(42,250)**
Treasury shares	-	81	-
Capital increase (decrease)	-	-	56,284
Increase in loans and other debts	18,848	30,622	45,460
Repayments of loans and other debt	(25,760)	(34,596)	(70,630)
Interests paid	(9,972)	(9,625)	(14,448)
Financing transactions with no effect on cash	-	(16)	69
NET FLOW GENERATED BY FINANCING ACTVITIES (c)	**(16,883)**	**(13,534)**	**16,734**
Effect of variations on exchange rates	(127)	206	146
CHANGES IN CASH AND CASH EQUIVALENTS (d) = (a) + (b) + (c)	**(21,647)**	**(15,550)**	**16,180**
Net cash and cash equivalents – opening balance	110,360	94,180	94,180
Net cash and cash equivalents of discontinued activities – closing balance	-	-	-
Net cash and cash equivalents – closing balance*	88,713	78,630	110,360
CHANGES IN CASH AND CASH EQUIVALENTS	**(21,647)**	**(15,550)**	**16,180**
*Cash posted on the balance sheet	88,713	78,631	110,432
Bank overdrafts	-	(1)	(72)
Net cash and cash equivalents – closing balance	***88,713***	***78,630***	***110,360***

Comparative information as of June 30, 2010 is restated in line with IAS 8 (see Note 2).

4.1.2.5 Statement of changes in equity

(in thousands of euros)

	Capital	Premiums	Currency translation adjustments	Consolidated reserves and income	Shareholders' equity - Group share	Non-controlling interests	Total Shareholders' equity
As of 12/31/2009	**39,895**	**307,547**	**221**	**(202,718)**	**144,943**	**(1,823)**	**143,120**
Expenses and income directly recorded under Shareholders' equity			409		**409**		**409**
Net income (expense)				**(27,978)**	**(27,978)**		**(27,978)**
Comprehensive income	**-**	**-**	**409**	**(27,978)**	**(27,569)**	**-**	**(27,569)**
Capital increase	414	(414)			**-**		**-**
Share-based payments and options				4,142	**4,142**		**4,142**
Treasury shares				(23)	**(23)**		**(23)**
Transactions between shareholders				(318)	**(318)**		**(318)**
Other reclassifications			(56)	48	**(6)**	(300)	**(306)**
As of 06/30/2010	**40,309**	**307,132**	**574**	**(226,847)**	**121,169**	**(2,123)**	**119,046**
Expenses and income directly recorded under Shareholders' equity			(275)	(69)	**(344)**		**(344)**
Net income (expense)				**33,835**	**33,835**	**(864)**	**32,971**
Comprehensive income	**-**	**-**	**(275)**	**33,766**	**33,491**	**(864)**	**32,627**
Capital increase	60,463				**60,463**		**60,463**
Capital increase costs		(4,179)			**(4,179)**		**(4,179)**
Bond conversions	9,521	1,973		3,159	**14,653**		**14,653**
Share-based payments				(3,116)	**(3,116)**		**(3,116)**
Treasury shares				(106)	**(106)**		**(106)**
Transactions between shareholders				(167)	**(167)**	485	**318**
Other reclassifications		21		39	**60**	241	**301**
As of 12/31/2010	**110,293**	**304,948**	**299**	**(193,272)**	**222,268**	**(2,261)**	**220,007**
Expenses and income directly recorded under Shareholders' equity			(540)	745	**205**		**205**
Net income (expense)				**(6,647)**	**(6,647)**	**(214)**	**(6,861)**
Comprehensive income	**-**	**-**	**(540)**	**(5,903)**	**(6,442)**	**(214)**	**(6,656)**
Bond conversions	17,081	246			**17,327**		**17,327**
Share-based payments	44	(44)		178	**178**		**178**
Treasury shares				91	**91**		**91**
Transactions between shareholders				(21)	**(21)**	21	**-**
Other reclassifications			62	7	**69**	10	**79**
As of 06/30/2011	**127,419**	**305,149**	**(178)**	**(198,919)**	**233,471**	**(2,444)**	**231,027**

4.1.2.6 Notes to the consolidated half-year summary financial statements

Note 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 Company, as well as its subsidiaries ("the Group"), conduct their business in the development, construction, operation and sale of wind farms. The Group also engages in environmental activities which are being sold. The Group operates mainly in Europe.

The Company is listed for trading on the Euronext Paris market, Compartment C.

The Company closes its annual accounts on December 31. The period for which the financial statements are presented began on January 1, 2011 and ended on June 30, 2011.

The summary financial statements were approved by the Board of Directors on August 31, 2011.

The explanatory notes below are provided with the presentation of the consolidated financial statements and are an integral part of the statements.

The financial statements are presented in thousands of euros, unless otherwise indicated.

Note 2. Accounting principles and valuation methods

Basis for preparing the financial statements

In accordance with European regulation no. 1606/2002 dated July 19, 2002, THEOLIA's consolidated half-year summary financial statements have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union as of June 30, 2011.

The summary half-year financial statements, for the period ended June 30, 2011, are presented and have been prepared on the basis of the provisions of standard IAS 34 "Interim Financial Reporting."

Because these are interim statements, they do not include all the information required by the IFRS for the preparation of consolidated financial statements. They may be complemented by reading THEOLIA's financial statements published for the year ended December 31, 2010.

The summary consolidated financial statements are established using the accounting policies and methods applied by the Group to the financial statements for fiscal year 2010 (described in note 2 to the consolidated financial statements as of December 31, 2010), with the exception of the following standards and amendments to the standards applicable as of January 1, 2011:

Standard	Description	Potential impact on the Group's financial statements
IAS 24 Revised	Related parties	These standards, amendments and interpretations have had no impact on this document
Amendment IAS 32	Classification of rights	
Amendment IFRIC 14	Early payments of minimum finance obligations	
IFRIC 19	Extinction of debt	
Annual improvements	Annual improvements (2008-2010)	

IAS 8 - Accounting policies, changes in accounting estimates and errors

- Intangible assets

Following the acquisition of Ventura in the first half of 2005, the Group carried out an appraisal of the fair value of the acquired assets and liabilities. On the date of taking control, the company had lodged applications for construction permits for a total of 272 MW, of which 32 had been accepted and had become final. Based on statistics, the Group had taken into consideration the completion of 72 MW of the 240 MW being developed. The total number of revalued MW was thus equal to 104.

The revaluation recorded amounted to €13,316 thousand with the recognition of a deferred tax liability of €4,505 thousand.

During the previous financial periods, some of these projects have been sold outside of the Group and others commissioned. Following these transactions, the related assets should have been derecognized and should have had an impact on the results from the disposal of these projects, or should have been amortized. This handling error was identified during the work on closing the accounts for 2010 and necessitated restating the 2010 half-year financial statements.

The restatement involved the following:

- projects sold in 2009 and before: restatement of non-current assets with a counterparty in the opening shareholders' equity;
- operating projects: recording of amortizations.

Impacts on the balance sheet as of 06/30/2010

(in thousands of euros)

Assets	
Intangible assets	(8,579)
Deferred tax assets	(4,152)
	(12,730)
Liabilities	
Opening reserves	(5,532)
Income	(4,296)
Deferred tax liabilities	(2,902)
	(12,729)

Impacts on the income statement as of 06/30/2010

(in thousands of euros)

Amortization	(218)
Taxes	(4,078)
	(4,296)

- Presentation of revenue

Until December 31, 2009, the production of electricity from wind farms managed for third parties was recorded as revenue based on the volume produced and delivered over the period. The Group wrongly assumed that it was not acting as an agent for the purpose of these transactions, mainly because the contract for the sale of electricity to the grid operator applied between the Group and the end customer and did not involve the owner of the asset managed by the Group.

In the second half of 2010, an in-depth review focusing on the contracts between the German subsidiary in question and its customers was carried out by the Group, notably with regard to Section 21 of the appendix to IAS 18 added by the IASB in 2009 as part of the annual improvement of IFRS. On that basis, the Group has changed its accounting for revenue from wind farms managed for third parties: sale of electricity for third parties is no longer recorded as revenue for the period, except in some cases where, on account of the contractual relationships, the transaction risks are mainly borne by the Group.

In accordance with IAS 8, revenue for the period ended June 30, 2010 has been retrospectively adjusted.

This change had no impact on the operating income or on net income.

The table below presents the summary of the impacts on the income statement and on the balance sheet:

(in thousands of euros)	06/30/2010 Published	Restatement of revenue	Restatement of intangible assets	06/30/2010 Restated
Revenue	**115,797**	**(16,781)**		**99,016**
Purchases and changes in inventories	(90,526)	16,781	-	(73,745)
Amortization and provisions	(9,024)		(218)	(9,242)
Current operating income	**(6,404)**		**(218)**	**(6,623)**
Other non-current income and expenses	(270)		-	(270)
Operating income before impairment	**(6,674)**		**(218)**	**(6,893)**
OPERATING INCOME (after impairment)	**(8,248)**		**(218)**	**(8,467)**
Tax expenses	3,948		(4,078)	(131)
NET INCOME of the consolidated Group	**(24,217)**		**(4,296)**	**(28,515)**
Attributable to the Group	(23,682)		(4,296)	(27,978)
Attributable to non-controlling interests	(535)		-	(535)

(in thousands of euros) **ASSETS**	06/30/2010 Published	Restatement of intangible assets	06/30/2010 Restated
Intangible assets	89,726	(8,579)	81,147
Deferred tax assets	9,507	(4,152)	5,355
Non-current assets	**458,494**	**(12,730)**	**445,764**
Current assets	**203,286**	**-**	**203,286**
TOTAL ASSETS	**677,608**	**(12,730)**	**664,878**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Other reserves	(192,762)	(5,532)	(198,294)
Net income – Group share	(23,682)	(4,296)	(27,979)
Shareholders' equity – Group share	**130,998**	**(9,828)**	**121,169**
Shareholders' equity	**128,875**	**(9,828)**	**119,046**
Deferred tax liabilities	19,767	(2,902)	16,865
Non-current liabilities	**201,955**	**(2,902)**	**199,053**
Current liabilities	**336,160**	**-**	**336,160**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**677,608**	**(12,729)**	**664,878**

Use of estimates

The preparation of the half-year financial statements in accordance with the conceptual framework of the IFRS implies the use of estimates and assumptions which could have an impact on the amounts of certain assets, liabilities, income and expenses shown in the statements.

The key assumptions are as follows:

- likelihood of success and commissioning of wind projects;
- discount rates applied in discounted cash flow valuation models;
- capacity to secure financing for wind projects.

The accounts and financial information subject to significant estimates notably relate to intangible assets, tangible assets, goodwill, other non-current assets, derivative financial instruments, provisions for risks and expenses and deferred tax assets.

Since these assumptions are uncertain in nature, actual performance may differ from these estimates. The Group regularly reviews its estimates and evaluations in order to take into account past experience and incorporate economic factors considered relevant.

The above items were developed in more detail in the 2010 annual financial report.

Note 3. Changes in the scope of consolidation

Scope of consolidation

For the first half of 2011, the scope of consolidation included, other than the parent company:

- 113 companies subject, directly or indirectly, to exclusive control;
- one company subject to joint control;
- 7 companies in which it exercises a significant influence.

Creations

Companies	% interest	% control	Consolidation method	Country	Activity
EIFEL WIND INFRA GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Development Construction Sale
SIRIBETTA SRL	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale
PERGOLA EOLICA SRL	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale

Other changes: deconsolidated entities

As of December 31, 2010, THEOLIA held 23.88% interests in THEOLIA Sitac Wind Power and THEOLIA Wind Power. As of June 30, 2011, following a share capital increase, the Group’s interests have been diluted and now only amount to 12.34%. As a result, these companies have been deconsolidated as of June 30, 2011. Nevertheless, the Group contests the validity of this capital increase.

Note 4. Operation segments

The Group has retained the following operating segments for the purpose of presenting segment information:

- **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 projects and farms;
- **Operation** mainly comprises the management of wind farms on behalf of third parties;
- **Non-wind activity** is not strategic and is currently being sold;
- **Corporate** essentially relates to the parent company THEOLIA SA.

Financial information for the half-year ended June 30, 2011 – Income statement (in thousands of euros)

Income statement	Wind activities			Non-wind activity	Corporate	Total
	Sale of electricity for own account	Development Construction Sale	Operation			
Revenue						
France	5,782	1,218	188			**7,188**
Germany	10,207	524	2,808	852		**14,391**
Italy	2,383					**2,383**
Rest of the world	3,432					**3,432**
Total	**21,803**	**1,742**	**2,996**	**852**		**27,394**
Current operating income	**9,618**	**(6,970)**	**(268)**	**379**	**(1,403)**	**1,356**
Impairment		(244)		2		(241)
Other non-current income and expenses	(39)		(317)			(357)
Operating income	**9,578**	**(7,213)**	**(586)**	**382**	**(1,403)**	**758**
Share in income from associates	(11)					(11)

Comparative financial information for the half-year ended June 30, 2010 – Income statement (in thousands of euros)

Income statement	Wind activities			Non-wind activity	Corporate	Total
	Sale of electricity for own account	Development Construction Sale	Operation			
Revenue						
France	6,171	1,252	57			**7,480**
Germany	8,869	75,855	2,498	757		**87,979**
Italy						
Rest of the world	3,558					**3,558**
Total	**18,598**	**77,107**	**2,555**	**757**		**99,016**
Current operating income	**8,820**	**(3,901)**	**(4,031)**	**481**	**(7,992)**	**(6,623)**
Impairment		(1,582)		5	3	(1,574)
Other non-current income and expenses	(102)	(19)	(14)	(11)	(124)	(270)
Operating income	**8,718**	**(5,502)**	**(4,045)**	**475**	**(8,113)**	**(8,467)**
Share in income from associates			101	(346)		(245)

Revenue and operating income are commented on in part 2 of the Group half-year activity report.

Note 5. Staff costs

(in thousands of euros)	06/30/2011	06/30/2010
Employee compensation	3,689	3,806
Social security and insurance expense	1,390	1,437
Other staff costs	(30)	12
Other employee benefits and share-based payments (IFRS 2)	178	4,142
Total staff costs	**5,227**	**9,397**

Staff costs fell by €4,170 thousand, mainly as a result of:

- the significant reduction in the cost related to the grant of free shares (none were granted during the first half of 2011); and
- the reduction of the workforce by 20 persons.

Workforce at close of the period	06/30/2011	06/30/2010
Managers, employees and contributors	235	266
Total	**235**	**266**

The Group's total workforce amounts to 235 employees, 158 of whom are employed in wind activities.

Note 6. Net financial result

Cost of gross financial debt *(in thousands of euros)*	06/30/2011	06/30/2010
Interest expense on financing operations	(7,308)	(12,422)
Total	**(7,308)**	**(12,422)**

Income from cash and cash equivalents *(in thousands of euros)*	06/30/2011	06/30/2010
Interest income generated by cash and cash equivalents	67	69
Changes in fair value of cash equivalents	440	29
Other income	-	1
Income from cash and cash equivalents	**507**	**99**

Cost of net financial debt	**(6,801)**	**(12,323)**

The cost of net financial debt, and its evolution, may be analyzed as follows:

Change in the cost of net financial debt *(in thousands of euros)*	**06/30/2011**	**06/30/2010**	**Change**
OCEANE bond	(1,681)	(7,551)	*(5,870)*
Wind farms in operation in Germany	(2,132)	(1,757)	*+375*
Wind farms in operation in France	(1,586)	(1,738)	*(152)*
Wind farms in operation in Italy	(766)	-	*+766*
Wind farms under development in Italy	(244)	(253)	*(9)*
Wind farms in operation in Morocco	+29	-	*(29)*
Solar park in operation in Germany	(248)	(270)	*(22)*
Financing of the business operated by THEOLIA Naturenergien GmbH	(181)	(592)	*(411)*
Other	+8	(162)	*(170)*
Total	**(6,801)**	**(12,323)**	***(5,522)***

The fall in interest expense is mainly attributable to:

- the conversion impact following the restructuring of the Group's convertible bond (cf. note 16);
- the repayment of the loans financing the business operated by THEOLIA Naturenergien GmbH.

The interest expense related to the convertible bond (OCEANE) is strongly decreasing. The bond conversions that occurred during the first half of 2011 generated an interest expense reversal of 4.1 million euros.

The increased interest expense in Italy is attributable to the Giunchetto wind farm which became operational during the second half of 2010, thereby triggering amortization of the loan.

Other financial income *(in thousands of euros)*	**06/30/2011**	**06/30/2010**
Change in the fair value of financial instruments	-	12
Reversals of provisions	213	345
Foreign exchange gains	81	464
Other financial income	228	541
Other financial income	**522**	**1,362**

Other financial expense *(in thousands of euros)*	**06/30/2011**	**06/30/2010**
Changes in the fair value of hedging derivatives/debts	48	(4,519)
Changes in the fair value of short-term securities and other speculative instruments	(81)	(166)
Foreign exchange losses	(187)	(327)
Financial charges for depreciation and provisions	-	(322)
Other financial expenses	(190)	(2,825)
Other financial expenses	**(409)**	**(8,158)**

TOTAL OTHER FINANCIAL INCOME AND EXPENSES	**113**	**(6,796)**

Since January 1, 2011, certain financial instruments have been designated as cash flow hedges.

Note 7. Tax expenses

(in thousands of euros)	06/30/2011	06/30/2010
Corporate tax owed	(661)	(1 523)
Deferred taxes	995	1 392
Total	**334**	**(131)**

Note 8. Goodwill

Change in the item *(in thousands of euros)*	Gross amount	Impairment	Net amount
Opening values as of 01/01/2011	**208,104**	**136,966**	**71,138**
Closing values as of 06/30/2011	**208,104**	**136,966**	**71,138**

Category *(in thousands of euros)*	Gross amount	Impairment	Net amount as of 06/30/2011
DCS* of wind farms in France	11,319	-	11,319
DCS of wind farms in Germany	75,957	55,628	20,328
DCS of wind farms in Italy	26,599	-	26,599
DCS of wind farms in Spain	1,650	1,645	5
DCS of wind farms in Other countries	1	-	1
Wind energy production activity	90,757	77,875	12,883
Non-wind activity	109	109	-
Corporate activity	1,711	1,709	2
Total	**208,103**	**136,966**	**71,138**

* *DCS: Development, construction, sale*

The Group reviewed its assets with regard to the IAS 36 standard and did not identify any impairment factor as of June 30, 2011.

Note 9. Intangible assets

(in thousands of euros)	Projects under development	Development costs [1]	Software and similar rights	Other intangible assets	TOTAL
Gross amounts as of 01/01/2011	**52,124**	**12,457**	**763**	**73,670**	**139,014**
Acquisitions and assets generated internally	2,893	305	51	91	**3,340**
Decrease	(870)	-	-	(187)	**(1,057)**
Currency translation adjustments	-	-	-	(960)	**(960)**
Other changes	8	38	-	-	**46**
Reclassification of discontinued activities	(36)	-	-	-	**(36)**
Gross amounts as of 06/30/2011	**54,119**	**12,800**	**814**	**72,614**	**140,348**
Total depreciation and amortization as of 01/01/2011	**(12,413)**	**(1,754)**	**(663)**	**(33,890)**	**(48,720)**
Amortization	(213)	(29)	(42)	(1,766)	**(2,050)**
Depreciation for impairment	(216)	-	-	-	**(216)**
Reversals on disposals	564	-	-	-	**564**
Currency translation adjustments	-	-	-	549	**549**
Other changes	(10)	-	-	-	**(10)**
Total depreciation and amortization as of 06/30/2011	**(12,288)**	**(1,783)**	**(705)**	**(35,107)**	**(49,883)**
Net amounts as of 01/01/2011	**39,711**	**10,703**	**100**	**39,780**	**90,294**
Net amounts as of 06/30/2011	**41,831**	**11,017**	**109**	**37,507**	**90,465**

[1] *Mainly including the development costs of wind projects.*

The gross value of wind projects under development rose by €1,995 thousand due to the progress on projects developed internally. The €2,893 thousand of acquisitions and internally-generated assets for the period related:

- in France, to progress on wind projects under development (impact of €533 thousand);
- in Italy, to progress on projects (impact of €1,980 thousand).

The €1,766 thousand amortization charge for other intangible assets mainly related to the Moroccan wind farm (impact of €1,343 thousand). The balance relates to wind farms installed in Germany.

Note 10. Tangible assets

(in thousands of euros)	Land	Fittings & fixtures	Projects under construction	Technical facilities (1)	Other tangible assets	TOTAL
Gross amounts as of 01/01/2011	**6,362**	**3,697**	**30,248**	**323,793**	**3,765**	**367,865**
Acquisitions	22	16	16,298	177	579	**17,092**
Disposals	-	(67)	(210)	(221)	(1)	**(499)**
Currency translation adjustments	-	(3)	-	(6)	(4)	**(13)**
Other changes	-	666	-	5,666	(19)	**6,313**
Gross amounts at 06/30/2011	**6,384**	**4,309**	**46,336**	**329,409**	**4,320**	**390,758**
Total depreciation and amortization at 01/01/2011	**(1,177)**	**(1,622)**	**(2,197)**	**(81,823)**	**(2,256)**	**(89,075)**
Amortization	-	(52)	-	(3,873)	(150)	**(4,075)**
Depreciation for impairment	-	-	(28)	-	4	**(24)**
Reversals on disposals	-	10	48	-	-	**58**
Currency translation adjustments	-	1	-	4	-	**5**
Other changes	-	-	-	10	(6)	**4**
Total depreciation and amortization as of 06/30/2011	**(1,177)**	**(1,663)**	**(2,177)**	**(85,682)**	**(2,408)**	**(93,107)**
Net amounts as of 01/01/2011	**5,185**	**2,075**	**28,051**	**241,970**	**1,509**	**278,790**
Net amounts as of 06/30/2011	**5,207**	**2,646**	**44,159**	**243,727**	**1,912**	**297,651**

(1) *Mainly relating to wind farms under operation.*

The primary changes in tangible assets apply to projects under construction and technical facilities (wind farms).

The gross value of projects under construction increased by €16,088 thousand, mainly as a result of the 18.4 MW Gargouilles project in France which is nearing completion and began pre-operating testing at the end of June 2011. The costs allocated to this project during the half-year amounted to €15,838 thousand.

The €6,313 thousand in "Other changes" is related to the 4.5 MW Rabenau wind farm which has been commissioned in Germany during the year.

The €3,873 thousand charge for amortization of technical facilities is mainly related to Germany.

Note 11. Inventories

(in thousands of euros)	06/30/2011
Wind projects	18,793
Turbine components and other parts	1,692
Depreciation	(5,283)
Net amount	**15,202**

(in thousands of euros)	Gross amount	Depreciation	06/30/2011 Net amount	12/31/2010 Net amount
Germany	12,788	(904)	11,884	15,765
France	2,958	(1,760)	1,197	1,847
Rest of the world	2,918	(1,062)	1,856	2,046
Italy	432	(166)	265	148
Corporate	1,390	(1,391)	(1)	-
	20,485	**(5,283)**	**15,202**	**19,805**

German inventory (amounting to €12,788 thousand) consists of wind projects held for trading (€11,973 thousand) and turbine components (€815 thousand). The overall fall in inventories essentially reflects the reclassification to non-current assets of a 4.5 MW project commissioned during the first half.

Net project inventory for the rest of the world mainly relates to Brazilian projects (€979 thousand).

Note 12. Cash and cash equivalents

(in thousands of euros)	06/30/2011	12/31/2010
Marketable securities (net)	51,443	64,977
Cash	37,270	45,455
Total cash and cash equivalents	**88,713**	**110,432**
Bank overdrafts	-	(71)
Net cash	**88,713**	**110,361**

(in thousands of euros)	06/30/2011	12/31/2010
Free cash	49,209	69,184
Reserved cash for SPVs	16,621	17,661
Pledged cash	22,883	23,587
Bank overdrafts	-	(71)
Total cash and cash equivalents	**88,713**	**110,361**

The Group's cash consists of an available part, a reserved part, and a blocked part. As of June 30, 2011, the Group’s total cash and cash equivalents amounts to €88,713 thousand.

Free cash +€49,209 thousand (i.e. 55.5% of total cash and cash equivalents)

Free cash is directly allocated for Group companies’ operating purposes; it may be broken down as follows:

- THEOLIA SA (holding company) +€38,251 thousand
- France excluding the holding company +€3,020 thousand
- Germany +€5,958 thousand
- Italy +€1,830 thousand
- other countries +€150 thousand

Reserved cash +€16,621 thousand (i.e. 18.7% of total cash and cash equivalents)

This part represents the cash which special purpose vehicles cannot use freely under their financing terms and conditions. The reserved cash finances their current operations.

It breaks down as follows:

• France excluding the holding company	+€6,083 thousand
• Germany	+€5,778 thousand
• Italy	+€472 thousand
• other countries	+€4,288 thousand

Pledged cash +€22,883 thousand (i.e. 25.8% of total cash and cash equivalents)

This cash may not be freely used for current operations. It primarily reflects pledges made to banks to the extent that it is used to repay subsidiary loans.

• THEOLIA SA (holding company)	+€120 thousand
• France excluding the holding company	+€3,722 thousand
• Germany	+€15,582 thousand
• Italy	+€1,305 thousand
• Rest of the World	+€2,154 thousand

As of June 30, 2011, 58% (€51,271 thousand) of total cash and cash equivalents were invested. All such investments take the form of very liquid term deposits or short-term fixed income securities. All such investments are immediately available.

Note 13. Activities discontinued, sold or assets held for sale

In the context of its reorganization, the Group decided to sell those of its activities considered to be non-strategic: primarily the assets of the non-wind activities. This decision was formalized in a resolution of THEOLIA's Board of Directors in November 2008 and reconfirmed by the Board of Directors on April 18 and August 31, 2011.

However, given in particular the economic climate, the Group has not yet finalized the disposal of all of its non-wind activities as of June 30, 2011. The Group is actively pursuing the disposal plan for those activities.

The applicable assets and liabilities mainly relate to the Group's environmental activities and are concentrated within SERES Environnement (and its subsidiaries) and Ecoval 30.

Since December 31, 2009, they have been accounted for in accordance with IFRS 5, "Non-current assets held for sale and discontinued operations." As of June 30, 2011, this accounting treatment was maintained.

Thus, all transactions for the period relating to the environmental division have been combined on the income statement line "Income net of corporate tax from discontinued activities or assets held for sale". The assets and liabilities were combined on a line on the asset and liability sides of the balance sheet "Assets/liabilities held for sale."

The asset values were depreciated on the basis of the probable selling prices. As a result, impairment of €3,474 thousand was recognized at the end of 2010. As of June 30, 2011, the provision has been adjusted to reflect the change in the applicable net assets: an increase of €552 thousand was recorded.

Information on the income statement as of June 30, 2011

(in thousands of euros)	THEOLIA Group pre-IFRS 5 06/30/2011	IFRS 5 restatements	THEOLIA Group restated for IFRS 5 06/30/2011
Revenue	**32,150**	**(4,756)**	**27,394**
Current operating income	**774**	**582**	**1,356**
Impairment	(241)	-	(241)
Operating income	**93**	**666**	**759**
Financial result	**6,559**	**129**	**6,688**
Net income from continued activities	**(6,309)**	**701**	**(5,608)**
Net income from activities held for sale	-	(1,253)	(1,253)
NET INCOME of the consolidated Group	**(6,309)**	**(552)**	**(6,861)**
Attributable to the Group	(6,095)	(552)	(6,647)
Attributable to non-controlling interests	(214)	-	(214)

Information on the income statement as of June 30, 2010

(in thousands of euros)	THEOLIA Group pre-IFRS 5 06/30/2010	IFRS 5 restatements	THEOLIA Group restated for IFRS 5 06/30/2010
Revenue	**103,034**	**(4,018)**	**99,016**
Current operating income	**(9,301)**	**2,677**	**(6,623)**
Impairment	(308)	(1,266)	(1,574)
Operating income	**(9,794)**	**1,326**	**(8,467)**
Financial result	**19,010**	**109**	**19,119**
Net income from continued activities	**(29,338)**	**1,376**	**(27,962)**
Net income from activities held for sale	-	(553)	(553)
NET INCOME of the consolidated Group	**(29,339)**	**824**	**(28,515)**
Attributable to the Group	(28,802)	824	(27,978)
Attributable to non-controlling interests	(535)	-	(535)

Note 14. Share capital

	Par value (€)	Number of shares as of 01/01/2011	Free shares	Creation of shares by conversion of OCEANE bonds	06/30/2011	
Number of shares	1	110,292,782	44,407	17,081,158	127,418,347	*
Number of securities	**1**	**110,292,782**	**44,407**	**17,081,158**	**127,418,347**	
Share capital		**110,292,782**	**44,407**	**17,081,158**	**127,418,347**	

* *including 119,456 treasury shares as of June 30, 2011*

As of June 30, 2011, the capital was composed of 127,418,347 shares with a par value of €1.

17,081,158 shares were created by conversion of OCEANE bonds compared with 9,521,016 shares as of December 31, 2010.

Note 15. Share-based payments

Share subscription warrants

Warrants exercisable as of December 31, 2010	**3,562,106**
Warrants canceled	(1,500,000)
Balance as of June 30, 2011	**2,062,106**

During the first half of 2011, 1,500,000 warrants expired before they had been exercised and have therefore been cancelled.

Free shares

No free shares were granted by the Group during the period.

	Shares allocated	New shares created	Free shares canceled	Free shares renounced	New shares still to be created
02/11/2009	44,407	44,407			-
06/11/2009	199,426			(199,426)	-
12/17/2009	1,413,278		(60,000)	(998,278)	355,000
In 2009	**1,657,111**		**(60,000)**	**(1,197,704)**	**355,000**
02/22/2010	210,000		(30,000)		180,000
In 2010	**210,000**		**(30,000)**		**180,000**
Total	**1,867,111**		**(90,000)**	**(1,197,704)**	**535,000**

The shares remaining to be created do not take account of the potential impact of presence and performance criteria.

The shares granted in December 2009 will be definitively acquired on expiry of a vesting period commencing on the date of the share grant (continued presence in the Group); 330,000 of these shares are also subject to performance criteria.

The shares granted in February 2010 are not subject to any presence or performance criteria for 2011 and have therefore already been acquired by their beneficiary.

The charge of (€129 thousand) recognized during the period relates to the shares granted in 2009.

The estimated expense based on the criteria of presence and performance remaining to be recognized is (€115 thousand).

Stock options

No stock options were granted during the period.

The expense recognized as of June 30, 2011 for the options granted on December 1, 2010 to the Chief Executive Officer of THEOLIA SA amounted to (€50 thousand).

Note 16. Financial debt

Change in borrowings and financial debt

(in thousands of euros)	Bank loans	Convertible bond	Bank overdrafts and equivalents	Other financial liabilities	TOTAL
Opening amounts as of 01/01/2011	**222,123**	**117,506**	**72**	**8,406**	**348,107**
Increase	18,860	6,056	-	453	**25,369**
Repayments	(25,949)	(25,982)	(72)	(1,113)	**(53,116)**
Currency translation adjustments	(32)	-	-	-	**(32)**
Other changes	(664)	-	-	-	**(664)**
Financial debt	**214,338**	**97,580**	**-**	**7,746**	**319,664**

As of June 30, 2011, financial debt amounted to €319,664 thousand, down €28,442 thousand compared to December 31, 2010.

The change reflects the following factors:

Bank loans **(€7,785 thousand)**

New borrowings amounted to €18,860 thousand:

- additional project finance in France (Gargouilles) +€11,521 thousand
- additional project finance in Germany +€6,863 thousand
- other elements (capitalization of interest) +€476 thousand

Repayments of existing borrowings amounted to (€25,949 thousand):

- repayment of a corporate financing facility in Germany (€11,626 thousand)
- repayment of project finance in Germany (€4,900 thousand)
- scheduled repayment of project finance (France, Germany, Italy, Morocco) (€9,423 thousand)

As of June 30, 2011, the Group had no additional available corporate financing facilities.

Convertible bond (€19,926 thousand)

The convertible bond fell by €19,926 thousand following:

- payment of €4,593 thousand of interest accrued as of December 31, 2010;
- the conversion of 1,976,986 OCEANE bonds (impact of €21,389 thousand) during the first half; and
- the recognition of €6,056 thousand of additional interest payable and additional interest (EIR) due to the hybrid nature of the loan.

Other financial debt (€660 thousand)

The change in other financial liabilities reflects:

- the change in fair value of interest rate hedging instruments (€771 thousand)
- the change in current account balances +€111 thousand

Group debt by maturity

The table below presents the financial debt based on the projections for repayment of the nominal amount in the short, medium and long term.

(in thousands of euros)	- 1 year	> 1 year < 5 years	> 5 years	TOTAL 06/30/2011	TOTAL 12/31/2010
Convertible bond	**2,173**	**95,406**	**-**	**97,580**	**117,506**
Revolving facility (corporate)	**-**	**-**	**-**	**-**	**11,626**
Project financing	**68,431**	**58,047**	**88,523**	**214,339**	**210,497**
. France	54,374	6,052	12,762	*73,188*	*63,997*
. Italy	11	5,133	29,478	*34,622*	*34,362*
. Germany	13,004	46,201	46,282	*105,487*	*110,046*
. Morocco	1,042	-	-	*1,042*	*2,092*
				311,919	**339,629**
Hedging derivatives	**5,184**	**-**	**-**	**5,184**	**5,956**
. France	4,574	-	-	4,574	5,206
. Italy	609	-	-	609	750
Bank overdrafts	**-**	**-**	**-**	**-**	**72**
Other financial debt	**200**	**2,362**	**-**	**2,562**	**2,449**
. Holding company	200	-	**-**	200	**156**
. Italy	**-**	2,362	**-**	2,362	2,293
TOTAL FINANCIAL DEBT	**75,988**	**155,154**	**88,523**	**319,664**	**348,107**

The current part of total financial debt as of June 30, 2011 amounted to €75,988 thousand, breaking down as follows:

- €49,383 thousand of project finance for several French wind farms reclassified as current financial debt given that certain financial covenants have not been respected and the lenders had not provided any waiver as of June 30, 2011. The reclassification is as required by IAS 1R.69. No lender has requested early repayment;
- €19,048 thousand representing the current part of long-term borrowings;
- €2,173 thousand of interest payable on OCEANE bonds in January 2012;
- €5,184 thousand in respect of the fair value of interest rate hedging instruments;
- €200 thousand of other financial debt (current account balances).

Highlights since December 31, 2010:

- the net reduction in the convertible bond by €19,926 thousand;
- the totality of the €11,626 thousand of corporate facilities financing the activities of THEOLIA Naturenergien was repaid;
- use of the Gargouilles (France) project facility was increased by €11,521 thousand as of June 30, 2011. The total facility amounts to €27.9 million including €4.7 million for VAT;
- interest rate hedging instruments were contracted for the Gargouilles project finance.

OCEANE bond

The convertible bond is based on the following characteristics:

The terms of the OCEANE bond were modified with effect from July 20, 2010 (the date of the share capital increase). The change in the ratio for conversion of the OCEANEs took effect on July 21, 2010.

As of June 30, 2011, the main characteristics of the issue are as follows:

• type of financial instrument	OCEANEs
• number of bonds	8,459,406
• initial par value	+€240,000 thousand
• new par value as of July 21, 2010	+€219,577 thousand
• maximum amount repayable in case of request for early repayment on January 1, 2015	+€129,344 thousand
• date of maturity	January 1, 2041
• annual interest rate until December 31, 2014	2.70%
• annual interest rate with effect from January 1, 2015	0.10%
• conversion ratio until the 7th working day prior to December 31, 2013	8.64 shares per OCEANE
• conversion ratio until the 7th working day prior to December 31, 2014	6.91 shares per OCEANE
• redemption price on January 1, 2015	€15.29 per OCEANE
• redemption price on January 1, 2041	€20.77 per OCEANE

The effective interest rate (EIR) amounts to 13.3%, on which basis the issue has a nil equity component. The totality of the issue has thus been classified within financial debt.

The final assumptions applied for the split accounting calculation are as follows:

- rate spread of 1,134 basis points
- bond market price of €10.43

The annual interest charge for the OCEANEs outstanding as of June 30, 2011 is detailed below (in thousands of euros, and not taking into account any potential impact of conversions):

Year	Interest at the rate of 2.70%	Interest at EIR	**Additional interest of**
2011	4,347	8,049	3,703
2012	4,358	13,175	8,817
2013	4,347	14,306	9,959
2014	4,347	15,626	11,279
	17,398	**51,156**	**33,758**

Analysis by type of rate

Analysis by type of rate before the impact of hedging:

(in thousands of euros)	**06/30/2011**	**12/31/2010**
Fixed rate	210,057	229,314
Variable rate	109,608	118,793
TOTAL	**319,665**	**348,107**

Fixed rate borrowings amounted to €210,057 thousand, or 65.8% of total borrowings as of June 30, 2011, and breaks down as follows:

- convertible bond +€97,580 thousand
- project financing
  - Germany +€98,690 thousand
  - Italy +€10,382 thousand
  - Morocco +€1,042 thousand
- other debt (Italy) +€2,362 thousand

Variable rate debt amounted to €109,608 thousand, or 34.2% of total borrowings as of June 30, 2011, and breaks down as follows:

- project financing
  - France +€77,762 thousand
  - Italy +€24,850 thousand
  - Germany +€6,796 thousand
- other financial debt (current account balances) +€200 thousand

Analysis by type of rate after the impact of hedging:

(in thousands of euros)	**06/30/2011**	**12/31/2010**
Fixed rate	291,120	304,017
Variable rate	28,544	44,090
TOTAL	**319,664**	**348,107**

As of June 30, 2011 and after the impact of hedging, fixed rate borrowings amounted to €291,120 thousand or 91.0% of total borrowings.

Note 17. Derivative financial instruments

The derivatives set up to manage the rate risk on variable rate loans are recognized at their fair value as of June 30, 2011.

The change in fair value of interest rate swaps (on a like-for-like basis) during the half-year amounted to +€1,066 thousand, thereby increasing the amount of the Group's shareholders' equity and comprehensive income.

During the half-year, Centrale Eolienne des Gargouilles contracted a new interest rate swap in relation to its financing requirements.

As of June 30, 2011, the change in fair value of this instrument had a negative impact on shareholders' equity of (€321 thousand).

(in thousands of euros)	**06/30/2011**
Fair value of new hedging instruments contracted during the period	(321)
Effective portion of the change in fair value of other instruments	1,066
Change in fair value of hedging instruments recognized within comprehensive income	**745**

Note 18. Covenants

The Group has two categories of borrowings:

- corporate borrowings: OCEANE
- project finance: this financing, linked to the construction of wind farms (France, Germany, Italy, Morocco) is subject to financial covenants concerning, in particular, compliance with SPV cash flow ratios (cash flow generated by operations/interest payable) and financial structure ratios (financial debt/shareholders' equity).

Between December 31, 2010 and June 30, 2011 the change in current borrowings was as follows:

Short-term bank borrowings as of 12/31/2010	**+€81,903 thousand**
Net impact for the 1st half of 2011 of new borrowings and repayments	(€22,705 thousand)
Reclassification of amounts from current financial debt to non current financial debt	
following the obtaining of waivers as of June 30, 2011	(€22,525 thousand)
Reclassification of amounts from non current financial debt to current financial debt	
following non-compliance with the applicable covenants as at June 30,2011	+€31,758 thousand
Short-term bank borrowings as of June 30, 2011	**+68,431 thousand**

As of June 30, 2011, a total of €49,383 thousand of project finance has been reclassified as current financial debt in respect of the loans for which waivers of the applicable covenants have not been obtained.

As of June 30, 2011, the debt cover ratio for the project finance of some operating wind farms was not met because of the weakness of wind conditions over the last twelve months. The maintenance costs and operating availability of these wind farms remain in line with forecast.

At the date of publication of this document, early repayment for default had not been requested by the lenders to any of the Group's special purpose vehicles.

Note 19. Related parties

Transactions between the Group and directors

The service agreement with Georgius Hersbach ended last year. No other transactions have been concluded between the Group and directors.

(in thousands of euros)	06/30/2011	06/30/2010
Operating income	-	-
Operating expenses	-	900
	-	**900**

Executive officers' compensation

The compensation paid to executive officers exercising technical functions within the Group was as follows:

(in thousands of euros)	06/30/2011	06/30/2010
Salaries and bonuses	150	456
Share-based payments	50	3,855
Directors' fees	102	199
Other compensation	2	46
	303	**4,556**

During the 1st half of 2010, executive remuneration (salaries and bonuses) rose as a result of the changes in Group executives. Since mid-2010, executive remuneration has fallen significantly.

The expense as of June 30, 2011 for share-based payments is related to the share subscription options granted to the Chief Executive Officer on December 1, 2010. As of June 30, 2010, the Group had recognized a €3,855 thousand expense (cancelled during the 2nd half of the year) in respect of free shares granted to previous executive directors of THEOLIA SA.

The amount of the directors' fees paid to the members of THEOLIA's Board of Directors amounted to €102 thousand over the six-month period (€199 thousand as of June 30, 2010). The fall against 2010 is attributable to the reduction in the number of directors (seven at the beginning of 2010, six at the end of 2010 and five at present).

Note 20. Commitments and contingent liabilities

In the context of its activities of development/construction of wind farms, the Group generally establishes a subsidiary in each country in which it is present. When the Group develops a wind project in a country, the corresponding subsidiary constitutes a SPV to hold the assets and liabilities specific to the project. This subsidiary is the main project finance debtor. These SPVs 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 income and expenses of these subsidiaries in its consolidated accounts if it notes an absence of control in terms of IFRS rules.

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

These off-balance sheet commitments include:

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

In addition, in some cases, non-consolidated entities may also supply the Group with credits, liquidities or other types of support in connection with the market risk; these also constitute off-balance sheet commitments.

The tables below provide the breakdown of the significant off-balance sheet commitments related to the Group's scope of consolidation, to financing and to the Company's operational activities and those of its subsidiaries as of June 30, 2011.

- **Off-balance sheet commitments related to the Group's scope of consolidation**

Commitments given	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	12/31/2010 Amount in millions of €	06/30/2011 Amount in millions of €
THEOLIA guarantee	Ecoval Technology	BFCC	Guarantee granted in 2005 for an overall maximum 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	**0.1**
TOTAL						**0.1**

- **Off-balance sheet commitments related to the financing of the Company and its subsidiaries**

Commitments given	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	12/31/2010 Amount in millions of €	06/30/2011 Amount in millions of €
Pledge of bank accounts	THEOLIA Naturenergien GmbH	Credit institutions	Pledges to different banks of a certain number of accounts opened in their books to guarantee the costs that could arise when dismantling certain wind farms in Germany	Variable according to term of loan granted	6.9	**6.7**
Pledge of bank accounts Pledge of cash balances	SPVs France	Credit institutions	Pledge with banks of accounts opened on their books	Variable according to term of loan granted	3.7	**3.7**
Pledge of SPV shares	SPVs	Credit institutions or their assignees	Certain Group companies – listed below – may be required to pledge their bonds as security for lenders.	Variable according to term of loan granted	63.8	**67.3**
TOTAL						**77.7**

Guarantees for wind farm financing

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 wind turbines. 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 June 30, 2011:

Entity	Pledge starting date	Pledge expiry date	Amount of pledged assets in thousands of €
France			
CEFF	09/13/2005	06/30/2021	61
CESAM	09/13/2005	06/30/2021	680
ROYAL WIND	09/13/2005	06/30/2021	2,492
LEPLA (1)	09/22/2006	04/30/2021	2,358
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
CEGAR	01/28/2011	01/28/2026	40
CORSEOL	06/30/2011	03/15/2018	1,908
Morocco			
La Compagnie Eolienne du Détroit	01/04/2008	12/15/2011	45,385
Italy			
Aero-Chetto Srl (2)	12/15/2009	06/30/2025	530
Vibinum Srl	12/24/2010	Variable	7,500
Garbino Eolica Srl (Pergola) (2)	07/10/2009	Variable (3)	1,164
Germany			
Dritte Busmann Wind GmbH & Co. Betriebs KG (Ladbergen I) *	06/26/2009	Variable	548
20. UPEG Windpark GmbH (Ladbergen II) (2)	06/26/2009	Variable	554
19. UPEG Windpark GmbH (Ladbergen III) (2)	06/26/2009	Variable	555
WP Saerbeck GmbH & Co. KG (2)	06/26/2009	Variable	2,559
Group Total as of June 30, 2011			**67,289**

(I) *Pledged amount following the increase in the carrying amount of the applicable securities as of June 28, 2010*

(2) *Pledges made for the assignee and not for a financial establishment*

(3) *Pledge extended for an indefinite period until final payment of the balance of the acquisition price or lapse thereof as a result of rejection of the claim for action ultra vires against the Autorisation Unique*

- **Off-balance sheet commitments related to the operational activities of the Company and its subsidiaries**

Commitments given	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	12/31/2010 Amount in millions of €	06/30/2011 Amount in millions of €
Lease agreement for registered office	THEOLIA SA	La Halte De Saint Pons SAS	Contractual commitment of January 28, 2008 to lease the registered office premises for a term of 9 years (from March 1, 2008) with no early termination option.	February 28, 2017	2.9	**2.5**
Customary liabilities guarantees	Certain companies in the Group	Purchasers	The Group's companies in France, Germany and Italy grant the customary assets and liabilities guarantees to purchasers for periods varying from between 18 and 36 months when selling wind farms.	Variable (from 18 to 36 months)	N/A	**N/A**
TOTAL						**2.5**

Commitments received	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	12/31/2010 Amount in millions of €	06/30/2011 Amount in millions of €
Non-compete undertaking	THEOLIA SA	THEOLIA SA	Three year non-compete commitment in Europe by Jean-Marie Santander if he leaves THEOLIA SA	September 29, 2011	N/A	**N/A**
Non-recruitment undertaking	THEOLIA France SAS	THEOLIA France SAS	Three year non-compete commitment granted by the Sellers when THEOLIA France SAS acquired Ventura SA	September 16, 2012	N/A	**N/A**
Non-recruitment undertaking	THEOLIA France SAS	THEOLIA France SAS	Five year non-recruitment commitment granted by the Sellers when THEOLIA France SAS acquired Ventura SA	September 16, 2014	N/A	**N/A**
Miscellaneous guarantees	Certain companies in the Group	Certain companies in the Group	As part of its construction and development operating activities, some of the Group's companies are sometimes given guarantees by certain turbine manufacturers covering the operation of wind farms, as well as construction (deposit) and completion guarantees by certain sub-contractors.	Variable	N/A	**N/A**
TOTAL					**N/A**	**N/A**

4.1.3 Statutory Auditors' review report on first half-year financial information for 2011

(for the period January 1, 2011 to June 30, 2011)

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of Article L.451-1-2 of the French monetary and financial code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed consolidated financial statements of THEOLIA for the half-year ended June 30, 2011;
- the verification of the information contained in the interim management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical procedures. A review is substantially less in scope than an audit conducted in accordance with professional practice standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to:

- the "Accounting policies" note to half-year consolidated financial statements, which sets out the changes in accounting methods arising from the application, as from January 1, 2011, of new standards and interpretations,
- the note 2 to half-year consolidated financial statements, which describes the restatement of comparative information for the period ended June 30, 2010 in accordance with IAS 8 – Accounting policies, changes in accounting estimates and errors.

II. Specific verification

We have also verified the information given in the interim management report commenting on the condensed half-year consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Paris and Marseille, August 31, 2011

The Statutory auditors

Cabinet Didier Kling & Associés		Deloitte & Associés
Didier KLING	Christophe BONTE	Christophe PERRAU

4.1.4 Declaration by the person responsible for the half year financial report

I declare that, to the best of my knowledge, the 2011 half year summary financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and profit or loss of the Company and all its affiliates included in the scope of consolidation, and that the enclosed half year activity report, found on page 3 of this Report, presents a fair review of the important events that occurred during the first six months of the year, their impact on the half year financial statements, and the main transactions between related parties, as well as a description of the main risks and uncertainties for the remaining six months of the year.

Aix-en-Provence, August 31, 2011,

Fady Khallouf

Chief Executive Officer

4.2 FISCAL YEAR ENDED DECEMBER 31, 2010

4.2.1 Financial statement

in thousands of euros

ASSETS		Notes	12/31/2010	12/31/2009	01/01/2009
	Goodwill	12	71,138	79,460	78,084
	Intangibles assets	13	90,294	91,523	92,260
	Property, plant and equipment	14	278,790	311,858	341,678
	Equity interests	16	10,466	10,915	21,729
	Other non-recurrent financial assets	17	11,016	9,867	10,458
	Deferred taxes assets	26.2	30,144	8,140	9,483
Non-current assets			**491,848**	**511,763**	**553,692**
	Inventory	18.2	19,805	51,814	169,923
	Trade receivables	18.3	30,833	32,492	24,885
	Other current assets	18.4	19,827	22,623	53,900
	Tax debt on income		5,687	5,222	3,475
	Current share of financial assets	17	106	236	296
	Cash and cash equivalents	19	110,432	94,187	90,823
Current assets			**186,690**	**206,574**	**343,302**
	Assets related to discontinued activities		13,201	17,072	19,817
TOTAL ASSETS			**691,739**	**735,409**	**916,811**
LIABILITIES AND SHAREHOLDERS' EQUITY					
	Share capital	21	110,293	39,895	39,747
	Issue premiums		304,947	307,546	307,695
	Other reserves		(198,829)	(177,658)	65,897
	Net income - Group share		5,857	(24,840)	(244,454)
	Shareholders' equity - Group share		**222,268**	**144,943**	**168,885**
	Minority interests		(2,261)	(1,823)	(1,489)
Shareholders' equity			**220,007**	**143,120**	**167,396**
	Non-current financial liabilities	23	255,424	366,179	442,582
	Provisions, non-current share	28	18,316	14,439	4,955
	Staff benefits	27.3	129	79	61
	Deferred tax liabilities	26.2	43,122	22,175	21,393
	Other non-current liabilities		8,060	561	561
Non-current liabilities			**325,051**	**403,433**	**469,552**
	Current financial liabilities	23	92,683	124,302	146,666
	Provisions, current share	28	597	-	16
	Suppliers and other current liabilities	18.5	35,299	41,285	103,228
	Tax and social debts		7,313	10,715	14,352
	Tax debt on the companies		1,062	1,516	2,480
Current liabilities			**136,954**	**177,818**	**266,742**
	Liabilities related to discontinued activities		9,727	11,038	13,121
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**691,739**	**735,409**	**916,811**

The 2009 comparison has been restated in accordance with the IAS 8 standard (see Note 2.1)

4.2.2 Income statement

in thousands of euros

	Notes	12/31/2010	12/31/2009
Revenue		**154,542**	**294,380**
Purchases and changes in inventory		(101,405)	(225,286)
External expenses		(25,360)	(33,613)
Taxes and duties		(1,090)	(1,215)
Personnel expenses	8.1	(11,690)	(11,714)
Amortization	8.2	(17,066)	(21,803)
Provisions	8.2	(16,534)	22,939
Other operating income and expenses	8.3	(1,075)	(319)
Current operating income		**(19,678)**	**23,369**
Other current income and expenses	8.4	(1,807)	(1,856)
Operating income before impairments		**(21,485)**	**21,513**
Impairments	8.5	(12,998)	4,509
Operating income (after impairments)		**(34,483)**	**26,022**
Cost of net debt	9.1	**(24,095)**	**(28,530)**
Other financial income	9.2	83,416	2,685
Other financial income	9.3	(13,695)	(4,964)
Financial income		**45,626**	**(30,809)**
Share in income of related companies	16	(180)	(13,470)
Tax expense	10	(4,490)	2,520
Net income of continued activities		**6,473**	**(15,737)**
Net after tax income of discontinued activities	20.2	(1,480)	(9,439)
NET INCOME of consolidated entity		**4,993**	**(25,176)**
Group share		5,857	(24,840)
From minority interests		(865)	(335)
Income per share of consolidated entity (in euros)	11	0.08	(0.62)
Diluted income per share of consolidated entity (in euros)	11	0.08	(0.59)

The 2009 comparison has been restated in accordance with the IAS 8 standard (see Note 2.1)

4.2.3 Total income

in thousands of euros

	12/31/2010	12/31/2009
Net income	**4,993**	**(25,176)**
Exchange differences	78	(125)
Total recorded income and expenses	**78**	**(125)**
OVERALL INCOME	**5,071**	**(25,302)**
Income per share of consolidated entity (in euros)	0.07	(0.63)
Diluted income per share of consolidated total (in euros)	0.03	(0.51)

The 2009 comparison has been restated in accordance with the IAS 8 standard (see Note 2.1)

4.2.4 Cash flow statement

in thousands of euros

	12/31/2010	12/31/2009
Total net income of consolidated companies	**4,993**	**(25,175)**
Income from discontinued activities	1,480	9,439
Elimination of amortization, depreciation and provisions	36,815	18,962
Elimination of change in deferred taxes	4,523	(2,508)
Elimination capital gains/losses from disposals	(510)	6,139
Elimination of income share from equity	180	13,470
Financial expenses	23,468	30,318
Other income & expenses with no effect on cash	(58,899)	2,733
Gross self-financing margin (A)	**12,051**	**53,377**
Effect of WCR change related to activity (B)	33,879	54,280
Corporate tax paid (C)	(2,575)	(1,370)
Flows related to discontinued activities (D)	(1,804)	(2,902)
CASH FROM OPERATIONAL ACTIVITIES (a) = (A+B+C+D)	**41,551**	**103,385**
Acquisitions of fixed assets	(41,846)	(27,877)
Acquisition of financial assets	-	(80)
Disposals of fixed assets	1,666	9,239
Change in loans	10,092	26,304
Effect of subsidiary acquisitions net of acquired cash	(12,164)	(19,879)
NET FLOW GENERATED BY INVESTMENT ACTIVITIES (b)	**(42,250)**	**(12,291)**
Treasury shares	-	(1)
Capital increase (decrease)	56,284	-
Loans and other debts	45,460	37,482
Reimbursement of loans and other debts	(70,630)	(110,325)
Interest paid	(14,448)	(14,904)
Financing operations with no effect on cash	69	24
NET FLOW GENERATED BY FINANCING ACTIVITIES (c)	**16,734**	**(87,724)**
Effect of changes in exchange rates	146	(8)
CHANGE IN CASH AND CASH EQUIVALENTS (d) = (a)+(b)+(c)	**16,180**	**3,361**
Net cash and cash equivalents- opening balance	94,180	90,819
Net cash and cash equivalents- closing balance*	110,360	94,180
CHANGE IN CASH AND CASH EQUIVALENTS	**16,180**	**3,361**

The 2009 comparison has been restated in accordance with the IAS 8 standard (see Note 2.1)

4.2.5 Changes in shareholders' equity

in thousands of euros

	Capital	Premiums	Conversion losses/gains	Consolidated Reserves and Income	Shareholders' equity - Group share	Minority interests	Total shareholders' equity
As of 1/1/2009	**39,747**	**307,695**	**338**	**(179,100)**	**168,680**	**(1,489)**	**167,191**
Expenses and income directly recorded under Equity			(117)		**(117)**		**(117)**
Net income				(24,840)	**(24,840)**	(336)	**(25,176)**
Overall income			**(117)**	**(24,840)**	**(24,958)**	**(336)**	**(25,294)**
Capital increase	148	(148)			**-**		**-**
Free shares				939	**939**		**939**
Cross-holding shares				(35)	**(35)**		**(35)**
Other reclassifications				319	**319**	2	**321**
As of 12/31/2009	**39,895**	**307,547**	**221**	**(202,718)**	**144,943**	**(1,823)**	**143,120**
Expenses and income directly recorded under Equity			78	(69)	**10**		**10**
Net income				**5,857**	**5,857**	**(864)**	**4,993**
Overall income			**78**	**5,788**	**5,867**	**(864)**	**5,003**
Capital increase	60,463				**60,463**		**60,463**
Capital increase fees		(4,179)			**(4,179)**		**(4,179)**
Conversion of bonds	9,521	1,973		3,159	**14,653**		**14,653**
Free shares	414	(414)		1,026	**1,026**		**1,026**
Cross-holding shares				(129)	**(129)**		**(129)**
Transactions between shareholders				(485)	**(485)**	485	**-**
Other reclassifications		21		86	**109**	(59)	**50**
As of 12/31/2010	**110,293**	**304,948**	**299**	**(193,272)**	**222,268**	**(2,261)**	**220,007**

4.2.6 Notes to the consolidated financial statements

1. General Information

The Company THEOLIA ("The Company") is a French Public Company (*société anonyme*) whose headquarters is located in Aix-en-Provence, France. The Company as well as its subsidiaries ("The Group") is an integrated industrial operator that plays a part in every stage of wind project development. The Group's expertise covers the entire value chain for wind energy production: prospecting, development, construction, and operation of wind farms.

The Group operates mainly in Europe.

The accounts presented in this document are for the fiscal year beginning on January 1, 2010 and ending on December 31, 2010.

The Group's financial statements have been approved by the Board of Directors at its meeting on April 18, 2011.

2. Accounting Principles

2.1. General Principles

Statement of compliance

In accordance with the Regulation (EC) No. 1606/2002 of July 19, 2002, the consolidated accounts from the period covering January 1, 2010 to December 31, 2010 are prepared in accordance with the IFRS (International Financial Reporting Standards) published by the IASB (International Accounting Standards Board) on December 31, 2010, for which the implementing regulations were published in the Official Journal of the European Union on the date as of which the Company's financial statements were prepared. The IFRS includes IFRS standards, IAS standards (International Accounting Standards), and their interpretations (IFRIC and SIC) which are available at the following address: http: //ec.europa.eu/internal_market/accounting/ias_en.htm.

The accounting methods applied on December 31, 2010 are consistent with those from the previous fiscal year.

New standards, amendments and interpretations applicable starting from January 1, 2010

The standards, amendments or interpretations presented below have been permanently applied to all of the periods presented in the financial statements except for specific transitional provisions.

Standard no.	Item
IAS 1 revised	Presentation of the financial statements
IAS 27 amended	Individual or consolidated financial statements
IFRS 3 revised	Business combinations
IAS 32 amendment	Classification of rights issuance
Amendments to IAS 39	Information eligible for hedging
Amendment to IFRS 2	Intra-group transactions
Amendment to IFRS 7	Improvement of information related to financial instruments
IFRIC 12	Service concession agreements
IFRIC 15	Building construction agreements
IFRIC 16	Net investment hedge in an activity abroad
IFRIC 17	Distributions of non-monetary assets to owners
IFRIC 18	Transfers of assets from clients

New standards, amendments and interpretations applicable starting from January 1, 2011 that are not provided for by the Group:

- IAS 24 amended "Related parties"
- IFRIC Amendment 14 "Early payments from minimal funding requirements"
- IFRIC 19 "Paying financial debts with Shareholders' equity instruments"

***Standards, amendments and interpretations not yet applicable because they are not yet adopted by the European* Union:**

- IFRS 9 "Financial Instruments"

The effects of the two texts are still being analyzed.

Basis for preparing the financial statements

Comparative information is presented as of December 31, 2009, unless otherwise indicated.
The financial statements are presented in thousands of Euros, unless otherwise indicated, rounded to the next highest thousand Euro.

In accordance with IFRS 3, the comparative N-1 accounts (opening and closing) presented are adjusted in the event of a final allocation of goodwill. The same is true for the application of the IFRS standard 5 - Non-current assets held for sale and discontinued operations.

General Principles of Assessment

The Group's consolidated accounts are established according to the principles of continuous operations and historical costs, with the exception of certain financial instruments and financial assets available for sale which are evaluated at fair value.

Accounting treatment of asset sales

On September 1, 2009, THEOLIA's management confirmed the modification of the Group's business strategy. Since that date, the Group's business focuses on developing, building, operating, and selling wind farms. All wind farms thus are intended to be sold.

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

In accordance with IAS 8.16, the implementation of this accounting method does not constitute a change of method. It applies to transactions which are substantially different from those which have previously taken place. The change applies prospectively starting from September 1, 2009 as part of the revised IAS 16 standard, applicable as of January 1, 2009.
Consequently, amortization plans have to reflect this change, since the assets must be amortized over a new lifespan, and a residual value must be retained for amortization purposes.

The accounting treatment applicable to wind farms in operation in accordance with their life cycle is described below:

- Filing for construction permits and creation of the Special Purpose Vehicles (SPVs) (development): development costs are reported in the accounts as fixed assets;
- Construction: construction costs are reported in the accounts as current tangible fixed assets;
- Commissioning of wind farm: remains reported as cash until the finalization of the sale;
- Operation:
  - Sales and purchases: reported in the income statement (income and expenses);
  - Amortizations: over the planned term of ownership of the wind farm;
- As soon as the sale of assets are covered under a sales contract, the amount of their book value is transferred to an inventory account on the same date (IAS16.68A);
- Sale: proceeds from sales broken down by:
  - Revenue (IAS 16BC35C);
  - Cost of sales (to be posted as inventory);

Correction of error - IAS 8

Intangible assets

Upon the acquisition of the company Ventura in the first half of 2005, the Group carried out an appraisal of the fair value of the acquired assets and liabilities. As of the takeover date, the company filed construction permits for a total of 272 MW, of which 32 had been approved and had become definitive. On the basis of statistics, the Group had taken into consideration the completion of 72 MW out of the 240 MW under development. The total number of MW evaluated was thus equal to 104 MW.

The recorded reevaluation amounted to €13,316 K with the recording a deferred tax liability of €4,505 K. During previous financial periods, some of these projects have been sold outside of the Group and others commissioned. Following these transactions, the related assets should have been derecognized and should have had an impact on the results from the disposal of these projects, or should have been amortized. This accounting error has been identified during the efforts to close the 2010 financial accounts and required the recording of a restatement for the 2009 accounts.

This restatement has been made in two stages:
- Projects sold prior to 2009: restatement of non-current assets with an offset in the shareholders' equity at the opening of the year;
- Projects sold in 2009: restatement of non-current assets with an offset in the income statement;
- Commissioned projects: recording of amortization and provisions.

Impact on the balance sheet as of 12/31/2009 (in thousands of euros)	
Assets	
Intangible assets	**(8,360)**
Liabilities	
Reserves at opening	(1,457)
Income	(4,075)
Deferred tax liabilities	(2,828)
Total	**(8,360)**

Impact on the income statement as of 12/31/2009 (in thousands of euros)	
Purchases and changes in inventory	(4,132)
Amortization	(310)
Other non-current income and expenses	(1,716)
Taxes	2,083
Total	**(4,075)**

Presentation of revenue

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

During 2010, an in-depth review of these cases and the contracts between the German subsidiary in question and its clients has been carried out by the Group, notably in reference to paragraph 21 of the Notes to the IAS 18 standard added by the IASB in 2009 during the annual improvement of the IFRS standards. On that basis, the Group has changed its accounting for revenue related to this production from wind farms managed third parties: sale of electricity for third parties is no longer recorded as revenue for the period, except in some cases where, on account of the contractual relationships, the transaction risks are mainly borne by the Group.

In accordance with the terms of the standard IAS 8, the revenue for 2009 has consequently been restated retroactively.

This change does not have a consequence on the operating income or the net income.

The table below presents the summary of the impacts on the income statement and balance sheet:

(in thousands of euros)	12/31/2009 Reported	Restated revenue	Correction of intangible assets	12/31/2009 Restated
Revenue	**328,593**	**(34,213)**		**294,380**
Purchases and changes in inventory	(255,367)	34,213	(4,132)	(225,286)
Amortization	(21,493)		(310)	(21,803)
Current operating income	**27,811**		**(4,442)**	**23,369**
Other income and non-current expenses	(140)		(1,716)	(1,856)
Operating income before impairments	**27,671**		**(6,158)**	**21,513**
OPERATING INCOME (after impairments)	**32,180**		**(6,158)**	**26,022**
Tax expenses	437		2,083	2,520
NET INCOME of consolidated entity	**(21,101)**		**(4,075)**	**(25,176)**
Group share	(20,765)		(4,075)	(24,840)
From minority interests	(334)			(335)
Income per share of entire entity (in euros)	(0.52)			(0.62)
Diluted income per share of consolidated entity (in euros)	(0.49)			(0.59)

ASSETS (in thousands of euros)	12/31/2009 Reported	Correction of intangible assets	12/31/2009 Restated
Intangible assets	99,883	(8,360)	91,523
Non-current assets	**520,123**	**(8,360)**	**511,763**
Current assets	**206,574**	**-**	**206,574**
TOTAL ASSETS	**743,769**	**(8,360)**	**735,409**
LIABILITIES AND SHAREHOLDERS' EQUITY (in thousands of euros)			
Other reserves	(176,201)	(1,457)	(177,658)
Net income, Group share	(20,765)	(4,075)	(24,840)
Shareholders' equity- Group share	**150,475**	**(5,532)**	**144,943**
Shareholders' equity	**148,652**	**(5,532)**	**143,120**
Deferred tax liabilities	25,003	(2,828)	22,175
Non-current liabilities	**406,261**	**(2,828)**	**403,433**
Current liabilities	**177,818**	**-**	**177,818**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**743,769**	**(8,360)**	**735,409**

2.2 Methods of consolidation

Entities controlled

Subsidiaries are consolidated if they are controlled by the Group, with the Group managing their financial and operational policies. Subsidiaries are consolidated by full consolidation starting from the date on which effective control is transferred to the Group. They are deconsolidated on the date that control ceases.

The profit/loss from subsidiaries purchased or acquired during the fiscal year is included in the consolidated income statement, respectively from the date control was taken or until the date that control was lost.

If necessary, adjustments are made to financial statements of subsidiaries to harmonize and blend the accounting principles used with those of other companies in the scope of consolidation.

All of the intra-group balances and operations are eliminated on the consolidation level.

Associated enterprises

Associated companies are the enterprises over which the Group exercises a notable influence in terms of operational and financial policies without holding control of the company. In general, this pertains to companies in which the Group holds at least 20% of the voting rights.

The Group's equity interests in associated enterprises are posted according to the equity method. Associated enterprises' financial statements are retained in the consolidated accounts starting from the date that notable influence begins until the date that notable influence ceases.

The value on the balance sheet for bonds under the equity method include the bonds' purchase price (including goodwill) increased or decreased from variations of the Group's share in the net asset of the associated company starting from the acquisition date. The income statement reflects the Group's share in the associated enterprise's profit/loss.

Business combinations

Business combinations prior to January 1, 2010

Business combinations that took place prior to July 1, 2004 are posted according to the acquisition method. The cost of business combinations is equal to the total fair value on the date of the exchange, the assets handed over, the incurred or assumed liabilities, the Shareholders' equity instruments issued by the Group, in exchange for control of the acquired company, and all of the costs directly attributable to the business combination. If the fair value of the assets and liabilities cannot be determined on the date that the accounts are approved, a provisional allocation is performed which leads to the provisional determination of Goodwill which is itself provisional. The definitive allocation is then performed no later than one year following the date that control is taken.

The positive differences between the purchase price and the share in the fair value of the assets, liabilities and potential liabilities identifiable on the date that control is taken are posted as goodwill assets. The possible negative differences are directly posted in profit/loss for the period.

When the business combination contract anticipates an adjustment of the purchase price depending on future events, the amount of this adjustment is included in the cost of the business combination on the acquisition date if the adjustment is likely and can be reliably measured.

Once a subsidiary or a jointly controlled entity is sold, the amount of goodwill attributable to the subsidiary is included in the calculation of the sale's profit/loss.

Goodwill is not amortized. In accordance with the IAS 36 standard "Impairment of Assets", they are subject to an impairment test at least once per year, and more frequently in the event that an indication of loss of value appears. The terms of the test aim to ensure that the recoverable amount of the cash generating unit to which the goodwill is attributed or attached is at least equal to its net book value. If a loss in value is posted, an impairment is accounted for on a specific line of the operating income called "Impairment". This impairment is irreversible.

When additional purchases are made after the date control is transferred, that transaction is considered as a simple operation on securities with the minority shareholders: the controlled company's identifiable assets and liabilities are not subject revalued; the positive or negative difference generated between the purchase price and the additional portion acquired in the company's net assets is posted to goodwill.

Business combinations after January 1, 2010

Business combinations that took place after January 1, 2010 are posted according to the acquisition method. The cost of business combinations corresponds to the fair value of the assets handed over, the Shareholders' equity instruments issued, and the liabilities incurred or assumed on the date of the exchange. The costs directly attributable to the association are posted in the period during which they are incurred.

Therefore, upon the first consolidation of an exclusively controlled company, the company's assets, liabilities, and potential liabilities acquired are evaluated at their fair value, excluding exceptions specifically mentioned in the revised IFRS3.

Goodwill posted in the consolidated balance sheet represents the difference between:

- the sum of the following components:
  - the purchase price for the take-over;
  - the amount of minority interests in the company acquired, measured either at fair value as of the acquisition date (complete goodwill method), or based on their share in the fair value of the net identifiable assets and liabilities acquired (partial goodwill method). This option is chosen on a transaction by transaction basis;
  - and for acquisitions in stages, the fair value as of the acquisition date of the share held by the Group prior to the takeover;

- and the amount of identifiable assets acquired and identifiable liabilities assumed, measured at their fair value as of the acquisition date.

If the cost of acquisition is less than the fair value of the Group's share in identifiable assets acquired and the identifiable liabilities assumed, the difference is recognized directly on the income statement.

Any goodwill recorded at fair value as of the acquisition date; it is then subject to impairment testing within 12 months following the acquisition date. Any future change in goodwill is recognized in the fiscal year income statement. It is noted that the standard allows a 12 month delay to complete the fair value testing.

The costs directly attributable to the business combination are recognized in current expenses through consolidated income.

After initial recording, goodwill is subject to annual impairment testing. Such testing is performed more frequently if there are indications of impairment between two annual tests.

The identification and appraisal of the acquired assets and liabilities are completed provisionally at the acquisition date.

The identification and appraisal are carried out definitively within a delay of twelve months; this change is recorded retroactively as if the definitive value had been directly recorded at the time of the acquisition. The impact of the recorded changes in value after the cut-off date for assessing the value of the acquired assets and liabilities taken on at the first consolidation is recorded prospectively, as a result of the year of the change and following years, without an adjustment of goodwill.

If the modifications to the initial recording of the combination are related to correction of an error, the values assigned to the assets acquired and the liabilities attributed to shares not conferring control or to components of the acquisition price are modified retrospectively, as if their corrected fair value had been recorded as of the acquisition date

The impact of appreciation or depreciation and funding or reversals of provisions recognized after the allocation period for values assigned to assets acquired and liabilities assumed upon first consolidation is recognized prospectively in income for the year of the change and in subsequent years, as appropriate, with no adjustment to goodwill for business combinations carried out as from January 1, 2010.

For acquisitions of additional interests in a subsidiary carried out after January 1, 2010 (revised IAS 27 being applicable prospectively), if such transaction does not modify the control of the entity, the difference between the share acquisition price and the additional interests in consolidated equity acquired is recognized in equity attributable to the Group's parent company owners, with the consolidated value of the identifiable assets and liabilities of the subsidiary, including goodwill, remaining unchanged. The portion of these acquisitions paid for in cash, net of the related acquisition expenses, is recognized in cash flows related to financing transactions on the consolidated cash flow statement.

For disposals of interests carried out after January 1, 2010 (IAS 27 being applicable prospectively), if such transaction does not modify the control of the entity, the difference between the fair value of the disposal of the shares and the share in consolidated equity that such shares represent as of the disposal date is recognized in equity attributable to the Group's parent company owners, with the consolidated value of the identifiable assets and liabilities of the subsidiary, including goodwill, remaining unchanged. The portion of these disposals whose proceeds are received in cash, net of the related disposal expenses, is recognized in cash flows related to financing transactions on the consolidated cash flow statement.

Disposals of interests carried out after January 1, 2010 (revised IAS 27 being applicable prospectively) entailing the loss of exclusive control generally give rise to the recognition of disposal income posted to income calculated on all of the stake as of the transaction date. Any remaining stake retained is also measured at its fair value through the income statement at the time of the loss of exclusive control. When the share disposal transaction is analyzed as a contribution of assets in a jointly controlled entity, the share in the assets and liabilities retained is left on the books at its historic value, without recognizing the disposal in income pursuant to interpretation SIC 13.

2.3 Foreign currencies

The consolidated financial statements are presented in euro, which is the parent company's working and presentation currency. The working currency of the foreign subsidiaries is generally the local currency.

Presentation of the financial statements

Balance sheet entries of entities located outside the euro zone are converted at the closing exchange rate prevailing for the working currency and income statement entries are converted at the average rate prevailing for the working currency.

Transactions denominated in foreign currency

Transactions denominated in foreign currency are converted at the exchange rate prevailing on the transaction date.

2.4 Recognition of revenue

Revenue is recognized when the Group transfers to the buyer the risks and rewards of ownership. If the Group does not participate in the management or actual control of the assets disposed of, it is likely that the economic benefits resulting from the sale with benefit the Group and the cost of the transaction can be reliably measured.

Generation of electricity

Sales recorded by the wind farms correspond with the sale of electricity generated and sold to the operator in accordance with various contracts, guaranteeing, in particular, the sales price based on volumes generated and sold.

Sales of electricity generated from wind farms owned by the Group are recognized based on the quantities generated and delivered during the period.

The same treatment holds for the sale of electricity for third parties in the case of contracts that include guaranteed margins for the clients.

Previously, the production of electricity from wind farms managed for third parties was recorded as revenue on the basis of the quantities generated and delivered over the period. The Group erroneously concluded that it was not acting as agent on these transactions, particularly because the contracts of the sale of electricity to the grid operator was established between the Group and the end client and did not include the owner of the asset being managed by the Group.

During 2010 an in-depth analysis of these situations and contracts between the German subsidiary in question and its clients was carried out by the Group, notably with regard to the paragraph 21 of the Notes to the standard IAS 18, added by the IASB in 2009 during the annual improvement of the IFRS standards. On this basis, the Group has changed its method for accounting sales related to this production from wind farms managed third parties: the sale of electricity for third parties is no longer recorded as revenue over the period, except in in some cases where, on account of the contractual relationship, the transaction risks are mainly borne by the Group.

Purchase of wind farm for resale

The margin is generated upon disposal of the farm in proportion to the number of MWs sold.

Wind farm development, construction and sales

Development and construction of wind farms that will be operated by the Group with the intention of selling them will not give rise to the recognition of income until the actual date of disposal of the wind farms formerly recognized in non-current assets. They are recognized in inventories when the customer is identified (signing of a sale contract) for disposal of the farm. The disposal date thus corresponds to the date on which the risks and rewards of ownership are transferred.

Financial income

Financial income is recognized *pro rata temporis* according to the effective interest rate method.

Dividends

Dividends are recognized in financial income when the right to receive the dividend vests.

2.5 Intangible assets

Intangible assets are recognized at their acquisition cost less accumulated amortization and any impairment losses.

Costs related to projects may be internally generated or be acquired through business combinations.

The main intangible assets recognized by the Group pertain to development costs for the various wind power station projects. Projects are measured at their production or acquisition cost. An identifiable intangible asset generated internally resulting from an internal project is recognized on the balance sheet if and only if the following conditions are satisfied:

- the project is technically feasible;
- the intention exists to complete the intangible asset and place it into service or sell it;
- the ability exists to place the intangible asset into service or sell it;
- there exists a probability of generating future economic benefit;
- there is availability of the necessary technical and financial resources to complete the project;
- the ability exists to reliably measure the expenses attributable to the intangible asset over the course of its development.

When the conditions for recognizing an internally generated intangible asset are not satisfied, the development expenses are recognized in expenses for the year in which they are incurred.

When the Group acquires wind projects developed by companies that have been subject to a takeover, these projects are measured at their fair value. The value of the intangible asset so measured takes into account the fair value of all the contracts acquired.

The costs associated with these projects are no longer capitalized as from the date of date on which they are put into operation. They are amortized according to the following provisions: the amortization basis is the difference between the cost price and the estimated resale value; the amortization period is fixed at 4 years (operating life planned by the Group prior to sale to a third party).

The cost of loans to finance assets over a long installation or manufacturing period is included in the initial cost of the assets.

Amortization, calculated from the date the asset is commissioned, is recognized in expenses, offsetting the carrying value of the assets over their estimated useful life according to the straight-line method, taking into account the residual value of the assets.

For contracts and licenses, the amortization period is 2 to 4 years.

Since September 1, 2009, wind farm development costs have been amortized over a 2- to 4-year period based on the operating life planned prior to disposal, taking into account a resale residual value at the end of the period. They were previously amortized over the life of the electricity sales contracts (15 to 20 years).

The amortization expense for these assets is recognized on the "Depreciation and Amortization" line on the income statement.

Intangible assets mainly comprise wind projects under development. They are recognized under "Assets in progress" and therefore are not amortized but they are subject to an annual impairment test.

2.6 Property, plant & equipment

Measurement of tangible assets

Tangible assets are recognized at their acquisition cost less amortization and any depreciation.

Assets acquired in a business combination are measured at their fair value as of the acquisition date. At each account closing, the acquisition cost is decreased by the accumulated depreciation and any impairment.

Depreciation, calculated from the date the asset is commissioned, is recognized in expenses, offsetting the carrying value of the assets over their estimated useful life according to the straight-line method, taking into account the following bases:

- under construction 20 years
- wind farms 2- 4 years
- materials and tools 4-10 years
- fixtures and facilities 3-5 years
- office furnishings 5-10 years

Since September 1, 2009, wind farms have been depreciated over a 2- to 4-year period based on the operating life planned prior to disposal, taking into account a resale residual value at the end of the period. They were previously depreciated over the life of the electricity sales contracts (15 to 20 years).

The depreciation expense for these assets is recognized on the "Depreciation and Amortization" line on the income statement.

2.7 Leases

Property, plant and equipment acquired under finance leases which transfer substantially all the risks and rewards of ownership of the leased asset to the Group are recognized on the balance sheet at the lower of the fair value of the leased asset or the present value of the minimum lease payments. An obligation of the same amount is recorded as a financial liability.

Lease payments are recognized at the difference between the financial expense and the amortization of the debt so as to obtain a constant periodic rate for the balance of the loan reflected in liabilities.

Leased assets are depreciated over their useful life in conformity with the Group's rules. If there are indications of impairment losses, the assets are subject to impairment testing in conformity with IAS 36 "Impairment of assets".

Leases under which the lessors retain substantially all the risks and rewards of ownership of the asset are operating leases. Payments made under operating leases are recognized by the straight-line method over the life of the lease, corresponding to the useful life of the asset.

Assets used under a finance lease are not material.

2.8 Impairment

An impairment test is performed:

- at least once each year for assets with an indefinite life - primarily goodwill, unamortized intangible assets and assets under development;
- whenever there are indications of impairment losses.

Unless there are indications of impairment, the annual impairment test is performed at the time of the annual budget and medium term planning process**.**

For purposes of impairment testing, goodwill is allocated to each of the cash-generating units (CGUs) likely to benefit from the synergies of the business combination. CGUs are homogeneous groups of assets whose continuous use generates separately identifiable cash flows.

The Group's activities are broken down into the following categories:

- Sale of electricity for own account activity corresponds with the sale of the electricity produced by the wind farms owned by the Group;
- Development, construction, sale activity includes the development, construction and sale of wind projects and wind farms;
- Operation activity includes the management of wind farms for third parties as well as the sale of the electricity produced by the wind farms managed but not owned by the Group;
- Non-wind activity is not strategic and the environmental activities are in the process of being sold;
- Corporate activity comprises mainly the THEOLIA SA holding company.

Development, construction, sale activity is subdivided by CGU and countries, primarily France, Germany and Italy.

Sale of electricity for own account activity and **Operation** activity are also subdivided by CGU and farms in operation.

Non-wind activity is subdivided by CGU and legal entity.

Depreciation is recognized for the surplus of carrying value over the recoverable value of the asset.

The recoverable value is the higher of the fair value of the asset (or group of assets) net of disposal costs and their value in use.

The value in use is measured solely based on the projected discounted future cash flows for the asset (or group of assets).

The projected future cash flows used are consistent with the projected business plans established by the Group's Management.

The assets tested as of December 31, 2010 are primarily goodwill and certain intangible assets and depreciable tangible assets.

These assets pertain either to the Development, construction, sale activity CGU or to the Sale of electricity for own account activity CGU.

The rate used to discount the associated cash flows is a function of the activities allocated to the individual goodwill taking into account the risks and activities as well as their geographical location**.** Depending on the assets in question, the rate is determined based on the weighted average cost of capital (WACC) for the Sale of electricity for own account activity and based on the cost of capital for the Development, construction, sale activity.

The discount rates used are 5.4 to 9% (versus 5.73 to 9% in 2009).

For the Development, construction, sale CGU, the recoverable values correspond to the business plans of the entities in question by country:

- Germany: the business plan for the trading activity of the wind farms;
- France and Italy: the business plans reflect the capacity of these entities to develop and build wind farms to be operated for 2 to 4 years and then sold to third parties.

For the Sale of electricity for own account CGU, the principal assumptions are:

- probability rate for hours of actual wind: P75, which pertains to the level of annual production for which there is a 75% chance of exceeding that production level over the long term;
- duration of projections: Operating life planned, i.e., 20 years from the commissioning date for the farm;
- terminal value: generally equal to 20% of the original investment.

This measurement method for farms intended for sale corresponds to the market value. The recoverable value of a farm intended for sale corresponds to the discounted sum of the discounted future cash flows including a terminal value equivalent to 20% of the original investment. Any impairment loss is first charged to goodwill then, as appropriate, to the CGU's other assets in proportion to their carrying value. Impairment losses recognized on goodwill cannot be reversed. They are recognized directly in expenses in operating income on the line "impairment loss".

Information on the sensitivity to assumptions for the calculation of depreciation is provided in Note 15 "Impairment loss".

2.9 Inventories and assets in progress

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories of raw materials, merchandise and other supplies comprises the purchase price excluding tax for raw materials, direct labor, other direct costs and general production expenses after discounts, freight and rebates obtained, plus expenses ancillary to purchases (transport, discharge expenses, customs expenses, purchase commissions, etc.). Inventories are measured by the "first in/first out" (FIFO) method.

Inventories carried by the Group represent:

- wind projects purchased for resale (trading activity in Germany);
- projects intended for sale after 2 to 4 years of operation according to the Group's strategy.

The net realizable value of inventories is determined based on their [degree of progress] and the latest transactions executed in the sector of activity. The Group analyzes this net realizable value at least once each year and more frequently if there are indications of impairment losses (see Note 2.8 "Impairment loss"). Any depreciation is recognized on projects whose development is not certain and whose probability of operation either by the Group or by a third party is insufficient.

Development costs for wind farms are considered intangible assets.

Wind farms (previously recognized in intangible and tangible assets) intended for sale are subject to reclassification as inventory when they are sold and the customer is identified (signed sale contract).

2.10 Financial assets and liabilities

The financial assets include the fixed assets (unconsolidated investments and investment securities), loans and receivables, as well as derivative assets.

The financial liabilities include loans and financial debts, bank overdrafts and derivative liabilities.

The financial assets and liabilities are shown on the balance sheet in current/non-current assets and liabilities according to whether or not their maturity is greater than one year, with the exception of derivatives that are classed as current items.

This heading also includes, where necessary, non-current financial debts:

- repayable in advance on the lender's initiative;
- rendered due as a result of non-compliance with commitments.

The fair value is determined using the following hierarchy:

- Prices (unadjusted) quoted on the "cash" markets for identical assets or liabilities (Level 1);
- Data other than the quoted prices set out under Level 1, that is not directly or indirectly observable (Level 2); and
- Data relating to assets or liabilities that is not based on observable market data (non-observable data) (Level 3).

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities valued at fair value through profit and loss are designated as such when the transaction is initiated.

These assets are booked at their fair value, and are valued on each balance sheet date. The change in fair value is booked in earnings in "Other financial products" or in "Other financial expenses".

In practice, the main assets and liabilities concerned are hedging derivatives related to bank loans and short-term financial investments.

Financial assets held until final maturity

This heading records the assets acquired at fixed maturity and the fixed or determinable interest payments when the Group intends or is able to hold them until final maturity. These assets are carried at amortized cost, and the interest booked at effective interest rate is recorded in earnings in "Other financial expenses".

Loans and receivables

Loans and receivables are valued at reduced amortized cost, where necessary, of an impairment. The interest valued at effective interest rate is booked in earnings under the heading "Other financial products".

Available-for-sale financial assets

The available-for-sale financial assets include unconsolidated investments, as well as debt bonds not classified in the other categories. They are valued at fair value on each balance sheet date. The unrealized gains and losses are recorded in equity capital, except in the case of impairment.

Financial debts and trade payables

Financial debts and trade payables are valued at amortized cost. The interest calculated according to the effective interest rate method is booked under the heading "Gross finance costs" on the income statement.

Derivatives

Type

The Group may have recourse to derivatives (swaps/caps) to cover itself against interest rate risk ensuing from its variable-rate financing policy.

Measurement and recognition

Derivatives are initially booked at fair value. They are subsequently valued at their fair value. The change in fair value of derivatives is booked in earnings, except when these instruments are designated as cash flow hedges or net investments in a foreign operation. In this case, the changes in fair value are booked directly in equity capital for the amount considered the effective portion of the hedge. The non-effective amount is kept in financial income.

Hedging derivatives

On December 31, 2010, the derivatives implemented by the Group are not subject to hedge accounting.

2.11 Trade and other receivables

Trade receivables are the result of sales of goods, wind farms and services fulfilled by the Group within the scope of its wind farm management operations for third parties. Other receivables include mainly fiscal (VAT) and social debts.

Trade receivables are booked at amortized cost.

An impairment loss is booked when objective indicators show that the amounts due cannot be recovered, either totally or partially. In particular, for the assessment of the recoverable amount of the trade receivables, the outstanding amounts due on the balance sheet date undergo an individual review and the necessary provisions are recorded if there appears to be a risk of non-recovery.

2.12 Cash and cash equivalents

The heading "Cash and cash equivalents" includes the cash assets as well as the immediately available cash investments subject to a negligible value change risk that are used to meet cash flow requirements.

The cash investments are valued at their market value on the balance sheet date. The changes in value are recorded in income from cash and cash equivalents.

2.13 Share capital

The shares of common stock are classified as equity instruments.

The costs directly attributable to the issuing of shares or new options are booked in equity capital after deducting the proceeds from the share issue, net of tax.

THEOLIA shares held by the Group are deducted from equity capital, until cancellation or transfer of the shares. In the event that the shares are sold, the revenue, net of costs directly attributable to the transaction and the fiscal impact, is included in the equity capital attributable to the Group.

THEOLIA is not obliged to satisfy capital adequacy ratios except for the obligation to maintain equity capital at above half of its share capital.

2.14 Programs for share purchase warrants, stock options and free shares

Share purchase warrants and stock options

Prior to 2010, the Group awarded share purchase warrants to members of the Board of Directors. At the time of the Board of Directors' meeting on December 1, 2010, the Group implemented a program to award share options to the management team (a maximum of 1,500,000 shares) and employees (a maximum of 2,000,000 shares).

These transactions, whose payment is based on shares and which are settled as equity instruments, are valued at their fair value (excluding the effects of acquisition conditions other than those of the market) on the allocation date. The fair value determined on allocation date is booked in expenses in accordance with the straight-line basis over the vesting period, on the basis of the number of shares the Group expects to issue, adjusted by the effects of acquisition conditions other than those of the market (presence, performance).

The fair value is evaluated using the most appropriate template (Black-Scholes-Merton or binomial). The expected lifetime used in the template is adjusted based on management estimates, non-transferability effects, fiscal year restrictions and information on fiscal year performance by employees.

Free shares

The Group awards free shares to certain employees. The value of these shares is determined on the day on which they are awarded.

Recognition

The benefit in respect of the rights allocated in the form of share purchase warrants, stock options or free shares is booked according to the beneficiaries:

- in personnel expenses ;
- or in other operating income and expenses for non-employees.

2.15 Employee benefits

Types of schemes

In accordance with legal and usage obligations, the Group participates in additional pension plans and other long-term benefits for employees. The Group offers these benefits through defined contribution plans.

Within the scope of defined contribution plans, the Group has no obligation other than to pay the contributions. The contributions paid to the schemes are booked in expenses for the period.

Types of commitments

Termination benefits

The termination benefits correspond to the collective bargaining agreement applicable in the Group and involve retirement or end-of-career severance paid in the event of voluntary employee departure or retirement. The termination benefits correspond to the defined benefits plan.

Additional pension plans

The Group has not entered into any additional plan over and above the minimum legal pension for its employees or managers.

Value of Commitments

The contributions relating to defined contribution plans are registered in expenses as they become due for service rendered by employees.

The commitments resulting from defined benefit plans, as well as their cost, are determined in accordance with the projected unit credit method. The valuations are performed annually. The actuarial calculations are provided by external consultants.

These plans are not financed and their undertaking is covered by a liability on the balance sheet. The main scheme is that of end-of-career indemnities (retirement bonuses). The actuarial differences stem mainly from changes in assumptions and the difference between the income according to actuarial assumptions and the actual income of the defined benefit plans. These actuarial differences are booked directly in earnings for the period. The expense booked on the income statement, in operating income, for defined benefit plans includes the service costs during the fiscal year, past service costs, actuarial differences and the effects of any scheme reduction or liquidation, where necessary.

The defined benefit plans within the Group have not been subjected, since the Group was founded, to modifications generating any past service costs.

2.16 Other provisions

A provision is booked when, at the close of a period, the Group has a current obligation (legal or constructive) ensuing from past events and it is likely that an outflow of resources for future economic benefits will be necessary to extinguish this obligation.

A provision is made for disputes when a Group obligation to a third party exists as of the balance sheet date. The provision is evaluated according to the best estimate for forecasted expenditure.

Potential dismantling costs are not subject to a provision, insofar as the Group estimates that the recoverable amount of the turbine steel asset is equivalent to the turbine dismantling liability.

Contingent liabilities correspond to potential obligations resulting from past events whose existence will only be confirmed by the occurrence of uncertain future events that are not within the control of the entity, or to current obligations for which an outflow of resources is unlikely. Apart from those resulting from a business combination, the contingent liabilities are not booked but provided as notes to the financial statements.

2.17 Borrowings

Borrowings are booked at original fair value, less associated transaction costs. These costs (fees and issue premiums for loans) are taken into account in the amortized cost calculation in accordance with the effective interest rate method.

On each balance sheet date, the financial liabilities are then evaluated at their amortized cost in accordance with the effective interest rate method.

Borrowings are broken down into:

- current liabilities for the portion to be repaid within 12 months of closure,
- and non-current liabilities for the payments due after 12 months.

Convertible loans are analyzed as hybrid instruments, with a debt component and an equity capital component, while taking issuing costs into account:

- the debt component is determined from contractual payment flow reviewed at the interest rate of a comparable instrument other than a conversion option (stripped debt), based on market conditions on issue date;
- the equity capital component is valued as the difference between the issue value and the value of the debt component, net of the effect of deferred taxes.

2.18 Deferred taxes

The “Tax expense” category includes tax due for the period and deferred tax included in the income for the period.

Deferred taxes are recorded, using the variable carry-forward method, for temporary differences at year end between the tax base of the assets and liabilities and their book value, as well as tax deficits. No deferred liability tax is determined for the initial accounting of goodwill.

A deferred tax asset is posted for tax deficits and unused tax credits to the extent that it is likely that the Group will have future taxable earnings to which these unused tax losses and tax credits might be allocated.

Deferred tax assets and liabilities are valued at the tax rates for which the application is expected over the period during which the asset will be realized or the liability settled, based on the tax rates (and tax regulations) adopted or quasi-adopted at the closing date.

Deferred taxes are calculated by each fiscal entity. They are offset when taxes are withheld by the same tax authority and they correspond to the same tax entity (tax consolidation group) and have due dates that are close to each other.

Deferred tax payable is posted as income or an expense to the income statement unless it corresponds to a transaction or event posted directly to shareholders' equity.

Deferred taxes are presented in specific categories of the balance sheet under non-current assets and liabilities.

2.19 Calculation of current operating income

The income statement is presented by type of expenditure.

Current operating income corresponds to operating income restated for other non-current income and expenses resulting from a few, well identified events, non-recurring and important, for example:

- impairment of goodwill and fixed assets determined within the context of impairment tests;
- restructuring expenses or those related to employee adjustment measures constituting significant amounts, relating to major events or decisions;
- expenses and income that would result from litigation of a significant amount, deployment activities or major capital transactions (expenses from incorporating a new activity, etc.).
-

2.20 Earnings per share

The diluted earnings per share account for dilutive instruments and the resulting effects of the potential dilution. EPS is calculated taking into account the maximum number of share that may be in circulation considering the probability of the implementation of dilutive instruments issued or to be issued.

2.21 Sector information

The Group defines its business segments as follows:

- the Sale of electricity for own account activity corresponds to the sale of the electricity produced by the wind farms owned by the Group;
- the Development, construction, sale activity includes the development, construction and sale of wind projects and farms;
- the Operation activity includes the management of wind farms for third parties as well as the sale of the electricity produced by the wind farms managed but not owned by the Group;
- the non-wind activity is a non-strategic area and is currently in the process of being sold;
- the Corporate activity comprises mainly the THEOLIA SA holding company.

The note on Sector information sets out, by business segment, information on product and income as well as some information concerning assets, liabilities and investments.

Sector assets are operational assets used by a segment within the context of its operating activities. They include attributable goodwill, intangible and tangible fixed assets, as well as current assets used in the operating activities of the segment. They do not include deferred tax assets, other holdings, or receivables and other non-current financial assets.

Sector liabilities correspond to liabilities that result from the activities of a segment and which can be directly or indirectly attributable to this segment. They include current and non-current liabilities, with the exception of financial debt and deferred liability taxes.

3. Judgements and estimates

The production of the financial statements according to the IFRS standard has led the Group Management to make estimates and formulate hypotheses which affect the book value of certain asset and liability items, income and expenditure, as well as information given in certain notes of the appendix.

The key assumptions are as follows:

- likelihood of success and commissioning of the different wind projects;
- adjustment assumptions applied in the various selected valuation models;
- capacity to secure the financing of different wind projects.

Accounts and information subject to significant estimates specifically concern intangible fixed assets, tangible fixed assets, goodwill, other non-current assets, derivative financial instruments, provisions for risks and expenses, and deferred tax assets.

Since these assumptions are uncertain in nature, actual performance may differ from these estimates. The Group regularly reviews its estimates and evaluations in order to take into account past experience and incorporate economic factors considered relevant.

Certain principles applied require the judgment of Group Management in the choice of assumptions adopted in calculating financial estimates, which by their nature contain a certain level of uncertainty. These estimates are based on comparable historical data and various assumptions which, depending upon the circumstances, are considered the most reasonable and likely.

Below, Management presents the accounting principles used by the Group in preparing the consolidated financial statements, which imply the exercise of its judgment and recourse to estimates, and which have a significant impact on the consolidated financial statements.

Without calling the above into question, estimates were prepared in the context of a rapidly changing environment and markets. In this context, knowledge of new information or the occurrence of new events, which cause us to significantly question certain assumptions currently deemed reasonable, cannot be excluded.

3.1 Tangible and intangible fixed assets and goodwill

The Group has access to estimations and must use certain assumptions in order to (i) assess the duration of the expected use of the assets in order to determine their amortization period and (ii) report, if applicable, an impairment of the value of any asset on the balance sheet.

The estimates used to determine the expected duration of use of the assets are applied by all Group entities (see Notes 2.5 and 2.6).

With a view to ensuring the correct valuation of its assets on the balance sheet, the Group regularly reviews certain indicators which would lead, if necessary, to an impairment test being carried out.

Group Management believes that the performance of annual impairment tests is subject to estimates and judgment as determining these recoverable values entails the use of assumptions with regard to the following:

- determining the necessary discount rates to obtain the present value of the future cash flows generated by the assets or by the cash generating units; the results of a change in the discount rate are presented in Note 15;
- determining the future operating cash flows as well as their terminal value;
- estimating the increase in revenues generated by the assets tested; and
- estimating the operating margin linked to those assets for the future periods concerned.

The assumptions used by the Group to calculate the recoverable value of its assets is based on past experience and external data.

To determine future growth, operational margin and operational cash flow rates generated by a specific asset, the Group uses each entity's budget for the assets belonging to the Development, construction, sale CGU. For assets belonging to the Sale of electricity for own account CGU, the usage value for THEOLIA is representative of the future cash flows from each farm over the two to four years of operation taking into account a residual value at the end of this period. These flows are determined using the electricity sale contracts.

These estimates concern goodwill and all tangible and intangible assets.

3.2 Deferred tax assets

The recoverable amount of deferred tax assets is reviewed at the end of each fiscal year. This amount is reduced to the extent it is no longer likely that a sufficient taxable profit will be available to permit utilization of the benefit associated with all or a part of these deferred tax assets.

Group Management must consequently identify the deferred tax assets and liabilities and determine the amount of the deferred tax assets posted. When a subsidiary has recently posted tax losses, the existence of a future taxable profit is considered to be unlikely, unless the recognition of a deferred tax asset is justified by:

- losses associated with the occurrence of exceptional circumstances which will not recur in the near future and/or
- the prospect of extraordinary gains, and
- expected future income from long term contracts.

4. Key highlights during the fiscal year

Financial restructuring of the Company

On December 29, 2009, THEOLIA announced its plan to restructure its convertible bond and its intention to launch a capital increase intended to support its development program for the coming years.

The implementation of this plan was subject to the following three conditions:
- approval of the change of terms of the bond by the General Meeting of Bondholders;
- approval of the change of terms of the bond by the extraordinary shareholders' meeting; and
- completion of a capital increase.

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

Submission of the fairness opinion by the independent financial expert

The Ricol Lasteyrie company is the independent financial expert appointed by the Board of Directors to review the financial conditions of the proposed plan to restructure the convertible bonds (OCEANEs) and determine its fairness from the viewpoint of the shareholders and bondholders.

In January 2010, Ricol Lasteyrie completed its final report, which attested to the fair nature of the proposed financial restructuring and confirmed that the plan was in the interests of all parties involved, including THEOLIA, its shareholders and the bondholders.

General meetings of bondholders and shareholders

On February 18, 2010, the General Meeting of Bondholders approved the proposed restructuring in a unanimous vote by those present and represented.

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

Capital increase

On June 24, 2010 the Company launched a capital increase of 60,463,059 euros maintaining the preemptive subscription right. The subscription period ran from June 25 to July 7, 2010. The capital increase was completely subscribed. THEOLIA issued 60,463,059 new ordinary shares at the price of one euro per share, resulting in gross proceeds of 60,463,059 euros.

The success of the capital increase completed the financial restructuring of the Company.

This financial restructuring allowed THEOLIA to significantly improve its financial situation by reinforcing its capital, increasing cash and reducing debt, as well as re-energizing its development.

Modification of the terms of the convertible bond (OCEANE)

The analysis of this operation and its consequences appears in Note 23.2.

Conversion of bonds into shares

The financial restructuring modified the terms of the convertible bonds and notably put in place a new ratio for conversion to shares by which each bondholder may demand the conversion of a bond into 8.64 shares until the 7th business day preceding December 31, 2013, and at the rate of 6.92 shares per bond from January 1, 2014 until the 7th business day preceding December 31, 2014.

During the period from July 20, 2010 (the date on which the new terms of the OCEANEs became effective) and December 31, 2010, a total of 1,102,070 OCEANEs were converted, resulting in the creation of 9,521,016 new shares.

The conversion of these OCEANEs reduced, by 16.9 million euros, the maximum amount to be reimbursed in the event that bondholders exercise their buyback rights on January 1, 2015.

Operational advances by the Group

During the second half of 2010, THEOLIA recorded several operational advances, primarily in France and in Italy.

Construction of the Gargouilles wind farm in the Eure and Loir department of France started in September 2010. This farm includes 8 wind turbines with a nominal power of 2.3 MW, for a total capacity of 18.4 MW. It is anticipated that the wind farm will be operational by the end of 2011.

The process for buying turbines started for a project of 6 wind turbines in the Somme department in France. The anticipated nominal power of each wind turbine generator is 2.5 MW, for a total wind farm capacity of 15 MW. Construction will begin in 2011.
In September 2010, a construction permit without recourse was obtained for a project of 6 wind turbines located in the center of the Haute-Marne department in France. Completion of this project is expected during the year 2012.

The validity of the construction permit for the Giuggianello wind turbine project with a capacity of 24 MW, located in the Puglia region of Italy was confirmed. The project includes 12 wind turbines with a nominal power of 2 MW.

The largest operational advance made by the Group in 2010 was the commissioning of its first wind farm in Italy.

In October 2010, the Group commissioned the Giunchetto wind farm with a total installed capacity of 30 MW. The farm is located in the Enna province in Italy and has 35 wind turbines. THEOLIA put into place financing for the project in January 2010, for which construction started during the second half of 2009.

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

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

Sale of wind farms

In May 2010, the German subsidiary of THEOLIA, THEOLIA Naturenergien GmbH, sold to Dortmunder Energie-und Wasserversorgung GmbH ("DEW21", Dortmund, Germany) a 55.5 wind farm MW situated in the Saxony-Anhalt region of Germany. THEOLIA Naturenergien GmbH will provide all technical and commercial management for the life of the wind farm, which has been operating since early 2006.

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

The disposals in 2010 were primarily completed during the first half of the year, before the financial restructuring of the Company. The new financial situation of the Group allowed it to slow down the pace of its disposals during the second half of the year and thus favor the proportion of recurrent revenue from the sale of electricity.

5. Changes in the scope of consolidation

Scope of consolidation

As of December 31, 2010, the scope of consolidation included, other than the parent company:

- 124 companies in which it directly or indirectly holds exclusive control
(compared with 163 as of December 31, 2009);
- 1 company of which it holds joint control (compared with none as of December 31, 2009); and
- 7 companies in which it exercises significant influence (compared with 7 as of December 31, 2009).

An exhaustive list of these companies can be found in Note 33 "List of Group companies".

Acquisitions/establishments

In Italy, the Vibinum support company held by Maestrale Green Energy was formed in order to absorb the Avalon company (a company formed under the laws of England and Wales) and owner of the Bovino and Troia projects in development.
In addition, Maestrale Green Energy acquired, through one of its subsidiaries, 25% of the company Wind Services which holds the Giuggianello project. Despite its position as a minority shareholder, the Group has an agreement that allows it with near certainty to hold 100% of the shares by the end of the agreement's term. Consequently, this agreement regarding the remaining 75% is characterized as a deferred payment and included within the context of "Other non-current assets".

The wind farms of Wotan (6 MW) and Dietlas (6 MW) were acquired at the end of the year.

Disposals

In Germany, the operating wind farms Alsleben I and Windkraft Netzbetrieb were sold in May 2010. In December, as a result of the exchange clauses of the sales agreement signed in 2009 with RheinEnergie AG, the Hoxberg wind farm (sold of in 2009) was exchanged for the Werbig wind farm.

Other changes

In April, the Group transferred 39% of its voting rights to the Aerochetto company (Giunchetto wind farm) located in Italy. This transfer of a minority holding modified the governance rules of the company which is actually jointly controlled with the associated partner. As a result, this company is consolidated in accordance with the proportional integration method.

This company's contribution to the main items of the balance sheet and income statement is the following:

Balance sheet items	**(in thousands of euros)**
Non-current assets	33,695
Non-current financial liabilities	26,516
Current financial liabilities	958
TOTAL FINANCIAL LIABILITIES	27,474

Income statement	**(in thousands of euros)**
Italy revenue	1,104
Operating income	(396)

6. Business combinations

Assets and liabilities acquired during the fiscal year

(In thousands of euros)	**Wotan**	**Dietlas**	**Hoxberg**
Date of acquisition		***12/07/2010***	***12/28/2010***
Intangible assets		1 798	
Property, plant & equipment		7 427	730
Equity interests (net)			
Inventories			2 450
Trade receivables	38	102	
Other current assets	13	185	
Cash and cash equivalents		289	70
Non-current financial liabilities		5 976	
Current financial liabilities	50	2 692	
Provisions (current)			
Suppliers and other creditors	1	538	2 546
Tax and social liabilities		594	
Total net assets acquired		**2**	**704**
Acquisition price of securities	1	2	730
Total acquisition cost	**1**	**2**	**730**
Goodwill	**1**		**26**

The Dietlas wind farm, with a capacity of 6 MW, was acquired at the end of the fiscal year. The goodwill resulting from this business combination, which represents the value of the authorizations and electricity sales contracts, was entirely allocated to intangible property.

The Hoxberg wind farm was acquired within the framework of an exchange for the Werbig wind farm. The goodwill recognized, in the amount of 26,000 euro, represents the losses incurred during the period preceding the exchange. This goodwill was completely depreciated.

The reassessments performed of intangible assets are provisional. Pursuant to the revised terms of IFRS 3, the Group has up to a year to complete the definitive allocations.

The Group did not carry out any business combinations in 2009.

7. Sector information

As of December 31, 2010

(in thousands of euros) **Income Statement**	Wind activities			Non-wind activity	Corporate	Total
	Sale of electricity for own account	Development, construction, sale	Operation			
Revenue						
France	11,648	3,644	169			15,461
Germany	17,583	106,996	4,793	1,403		130,775
Italy	1,104					1,104
Rest of the world	7,201					7,201
Total	37,537	110,640	4,962	1,403		154,542
Current operating income	10,335	(8,605)	(17,608)	(1,867)	(1,932)	(19,678)
Impairment	(721)	(12,216)			(61)	(12,998)
Other non-current income and expenses	(207)	(41)	(14)	-	(1,546)	(1,807)
Operating income	**9,408**	**(20,862)**	**(17,622)**	**(1,867)**	**(3,539)**	**(34,483)**
Share in income of affiliated companies		277	(23)	(434)		(180)

As of December 31, 2010

(in thousands of €)	Wind activities					
Balance sheet	**Sale of electricity for own account**	**Development, construction, sale**	**Operation**	**Non-wind Activity**	**Corporate**	**Total**
Goodwill	12,885	58,251			2	71,138
Intangible assets	48,006	42,258	5	-	26	90,294
Tangible assets	234,397	29,416	2,156	11,594	1,226	278,790
Other non-current assets	10,118	4,664	10	10,498	26,334	51,625
Total non-current assets	**305,406**	**134,589**	**2,171**	**22,092**	**27,588**	**491,847**
Inventories	867	18,940			(1)	19,805
Trade receivables	7,077	13,007	10,405	191	154	30,833
Other current assets	10,623	3,935	147	5,153	5,760	25,619
Cash and cash equivalents	32,042	18,764	2,182	1,329	56,115	110,432
Total current assets	**50,609**	**54,645**	**12,734**	**6,673**	**62,028**	**186,690**
Assets held for sale	-	-	-	(701)	13,902	13,201
TOTAL ASSETS	**356,015**	**189,234**	**14,906**	**28,064**	**103,518**	**691,737**
Non-current financial liabilities	121,947	11,738		8,826	112,913	255,424
Current financial liabilities	72,772	14,635	(27)	718	4,584	92,683
Suppliers	8,124	19,397	3,557	728	3,492	35,299
Liabilities held for sale				9,727		9,727
Other liabilities	27,723	20,572		6,012	24,291	78,599
TOTAL LIABILITIES present	**230,567**	**66,343**	**3,530**	**26,010**	**145,281**	**471,731**
Other information						
Tangible and intangible investments	30 734	7 598	-	-	82	46 096

As of December 31, 2009

(in thousands of €)

Income Statement	Wind activities: Sale of electricity for own account	Wind activities: Development Construction Sale	Wind activities: Operation	Non wind activities	Corporate	Total
Revenue						
France	13,193	38,475	61	17	-	**51,747**
Germany	32,425	197,990	4,225	1,610	-	**236,251**
Italy	-	-	-	-	-	**-**
Rest of the world	6,300	-	-	83	-	**6,382**
Total	**51,918**	**236,465**	**4,286**	**1,710**	**-**	**294,380**
Current operating income	**14,910**	**(6,728)**	**(1,040)**	**(798)**	**17,025**	**23,369**
Impairment	7,008	(808)	-	18	(1,709)	4,509
Other non-current operating income and expenses	303	(2,034)	(2)	599	(722)	(1,856)
Operating income	**22,221**	**(9,570)**	**(1,042)**	**(180)**	**14,594**	**26,022**
Share in income of affiliated companies enterprises	(16)	(123)	-	(13,330)	-	(13,470)

As of December 31, 2009

(in thousands of €)

Balance sheet	Sale of electricity for own account	Development, construction, sale	Restatements of non-wind activity	Corporate restatements	Corporate	Total
Goodwill	8,012	71,446	-	-	2	79,461
Intangible assets	47,360	44,154	-	-	9	91,523
Tangible assets	262,252	35,829	84	12,160	1,533	311,858
Other non-current assets	5,978	8,414	(2)	10,533	4,000	28,923
Total non-current assets	**323,602**	**159,844**	**82**	**22,693**	**5,544**	**511,764**
Inventories	1,186	49,238	-	-	1,390	51,814
Trade receivables	9,884	21,923	237	321	127	32,492
Cash and cash equivalents	26,380	33,510	546	2,348	31,403	94,187
Other current assets	5,714	10,985	783	526	10,074	28,081
Total current assets	**43,164**	**115,656**	**1,566**	**3,194**	**42,994**	**206,574**
Assets held for sale				713	16,359	17,052
TOTAL ASSETS	**366,766**	**275,500**	**1,648**	**26,600**	**64,896**	**735,409**
Non-current financial liabilities	118,769	29,009	-	4,471	213,929	366,179
Current financial liabilities	91,632	22,077	-	5,791	4,803	124,303
Suppliers	4,764	27,674	36	870	7,941	41,285
Liabilities held for sale				11,037	-	11,038
Other liabilities	27,636	11,835	782	5,004	7,053	52,311
TOTAL LIABILTIES	**242,801**	**90,595**	**818**	**27,173**	**233,727**	**595,117**
Other information						
Tangible and intangible investments	15,025	26,547	1	2,253	1,205	75,036

Information pertaining to profit/loss

8. Operating income

The subparagraphs below explain some principal posts in more detail (personnel expenses, amortization and provisions, other operating income and expenses, impairments)

8.1 Personnel expenses

(in thousands of €)	12/31/2010	12/31/2009
Personnel compensation	8,448	7,953
Social security and contingency expenses	2,459	2,859
Other personnel expenses	183	18
Participation and profit sharing	126	-
Other personnel benefits and share-based payments (IFRS 2)	474	884
Total personnel expenses	**11,690**	**11,714**

The number of employees (at the end of the period) are as follows:

Workforce at the end of the period	12/31/2010	12/31/2009
Executives, employees and contributors	255	270
Total	**255**	**270**

8.2 Amortization and provisions

Depreciation

(in thousands of €)	12/31/2010	12/31/2009
Germany	12,884	12,967
France	565	5,567
Rest of the World	3,364	3,003
Italy	43	39
Holding company	210	228
Total	**17,066**	**21,803**

Provisions

(in thousands of €)	12/31/2010	12/31/2009
Germany	16,064	965
France	1,002	1,853
Rest of the World	(713)	137
Italy	31	71
Holding company	151	(25,966)
Total	**16,534**	**(22,939)**

The sum of provisions, depreciations and amortizations in the 2010 financial year amounts to 16,543 K euros, 16,065 K euros of which were in Germany.

In Germany, the risk of non collection for a certain number of older receivables required posting 8,976 K euros in depreciation.

Furthermore, the review of certain German contracts including a guarantee of revenue (**Operation** activity) made it necessary to post a provision for 4,700 K euros to cover the Group's future losses.

8.3 Other operating income and expenses

(in thousands of €)	12/31/2010	12/31/2009
Share-based payments (allocation of stock warrants)	(553)	(55)
Other income	5,705	3,027
Other expenses	(6,228)	(3,291)
Total	**(1,075)**	**(319)**

The other income breaks down as follows:

- Indemnities to receive in the context of contracts guaranteeing the availablity of turbines €1,308 K
- Impact from sale of 39% stake in the Italian wind farm Guinchetto €1,166 K
- Recovery of dedectible VAT as well as the payroll tax €960 K
- Other income related to the Group's activity €2,271 K

The other expenses break down as follows:

- Impact on the goodwill from sale of 39% stake in the Italian wind farm Giunchetto €4,207 K
- Disposal of asset (substation) €763 K
- Other expenses related to the Group's activity €1,258 K

8.4 Other non-current operating income and expenses

(in thousands of €)	12/31/2010	12/31/2009
Other non-current income and expenses	(1,807)	(1,856)
Total	**(1,807)**	**(1,856)**

This item in 2010 includes a provisional sum of 1,373 K euros, as part of a dispute between the Group and its former managers. In fact, following their removal, which occurred on February 9, 2010, Marc van't Noordende and Olivier Dubois took legal action against the company THEOLIA SA regarding compensation for damages suffered. In March 2011, a transactional agreement was signed which put an end to the parties' dispute. The amount posted corresponds to the amount of the transaction.

8.5 Impairment

Item breakdown

The impairments recognized at the end of the financial year are presented in the table below:

(in thousands of €)	12/31/2010	12/31/2009
Impairment of intangible assets	(438)	2,103
Impairment of tangible assets	(919)	5,271
Impairment of goodwill	(11,641)	(2,865)
Total	**(12,998)**	**4,509**

Note that the net impairments on capital assets as of December 31, 2009 correspond to depreciation reversals.

Breakdown by geographic area and activity

(in thousands of €)	12/31/2010	Asset depreciation	Goodwill	12/31/2009
Development and construction of wind farms	(1,834)	(1,834)		(624)
Production of wind energy	179	179		(302)
Non-wind activity	-			18
Corporate	-			(1,709)
Impairment – France	**(1,655)**	**(1,655)**	**-**	**(2,617)**
Development and construction of wind farms	(10,991)		(10,991)	
Production of wind energy	(698)	(672)	(26)	9,841
Non-wind activity	-			
Impairment – Germany	**(11,689)**	**(672)**	**(11,017)**	**9,841**
Development and construction of wind farms	198	198		336
Impairment – Spain	**198**	**198**	**-**	**336**
Development and construction of wind farms	435	435		(519)
Production of wind energy	(625)		(625)	
Non-wind activity	-			
Impairment – Italy	**(190)**	**435**	**(625)**	**(519)**
Development and construction of wind farms	(61)	(61)		
Production of wind energy	-			(2,532)
Non-wind activity	-			
Impairment – Morocco	**(61)**	**(61)**	**-**	**(2,532)**
Development and construction of wind farms	-			
Production of wind energy	398	398		
Non-wind activity	-			
Impairment - rest of the world	**398**	**398**	**-**	**-**
Total	**(12,998)**	**(1,357)**	**(11,641)**	**4,509**

Asset impairments reflect existing risks at closing for projects under development in France.

Every year, the Group performs impairment tests in order to ensure, in particular, that the non-depreciable assets are correctly valued. At year-end 2010, the income statement included a significant depreciation of goodwill for the wind farm development and construction business in Germany. In fact, during the second half of the year, the Group's new management revised downward the goals tied to volumes in farm sales as part of the "trading" business. The valuation performed using present value of future cash flows led to an impairment on the goodwill initially ascertained.

Analyses of the sensitivity of the principal assumptions as well as of depreciations by CGU are presented in Note 15.

9. Financial income

9.1. Item analysis

Income from cash and cash equivalents *(in thousands of €)*	**12/31/2010**	**12/31/2009**
Interest income from cash and cash equivalents	173	308
Change in cash and cash equivalents	151	572
Other income	1	80
Income from cash and cash equivalents	**325**	**960**

Cost of gross financial debt *(in thousands of €)*	**12/31/2010**	**12/31/2009**
Interest expenses on financing operations	(24,419)	(29,490)
Total	**(24,419)**	**(29,490)**
Cost of net financial debt	**(24,095)**	**(28,530)**

The cost of financial debt breaks down as follows:

- convertible bond (OCEANE) €13,866 K
- wind farms in Germany €4,039 K
- wind farms under development in Italy €515 K
- operating wind farm in Italy €475 K
- operating solar farm in Germany €525 K
- wind farms in France €3,438 K
- financing of the THEOLIA Naturenergien activity €1,010 K
- operating wind farm in Morocco €220 K
- other €7 K

9.2 Breakdown of other financial income

Other financial income *(in thousands of €)*	**12/31/2010**	**12/31/2009**
Change in the fair value of financial instruments	107	108
Reversals of provisions	716	94
Foreign exchange gains	741	1,163
Early partial repayment of OCEANE bonds	80,689	
Other financial income	1,164	1,321
Other financial income	**83,416**	**2,685**

Depreciation reversals mainly concern reversals tied to reimbursing certain loans granted to customers of the main German subsidiary as part of its "trading" business.

In applying the International Accounting Standard 39, the renegotiation of a financial liability leading to the substantial change in the contract is analyzed as an extinction of debt. The value of the debt for the convertible bond remaining on the balance sheet after partially paying the nominal value early is derecognized based on the market value of the convertible bond on the transaction date. Therefore, restructuring the convertible bond led to the posting of 80,689 K euro in income (see Note 23.2).

Other financial income in 2010 includes, in particular, the interest revenue received by the parent company of the Giunchetto wind farm, consolidated in accordance with the proportional consolidation method.

9.3 Breakdown of other financial expenses

Other financial expenses *(in thousands of €)*	**12/31/2010**	**12/31/2009**
Negative fair value changes/hedge derivatives/liabilities	(2,466)	(891)
Negative fair value difference on VMP and other speculative instruments	(1)	(174)
Foreign exchange losses	(550)	(1,569)
Net expenses on VMP disposals	-	-
Other financial expenses	(10,678)	(2,330)
Other financial expenses	**(13,695)**	**(4,964)**
OTHER FINANCIAL INCOME AND EXPENSES	**69,721**	**(2,279)**

Foreign exchange losses, (550) K euro, stem from transactions effected in Morocco and Brazil.

The other financial expenses include restructuring fees for the OCEANE convertible bond which amounted to (5,742) K euro (see Note 23.2).

The sale of the Alsleben wind farm (55 MW) carried out in May, 2010, had a negative impact on the net financial income for (2,600) K euro (derecognition attributed to the bank loan).

10. Income tax

(in thousands of €)	**12/31/2010**	**12/31/2009**
Corporate tax owed	(1,183)	(976)
Deferred tax	(3,307)	3,496
Total	**(4,490)**	**2,520**

The valuation of deferred tax assets and liabilities is based on the manner in which the THEOLIA Group expects to recover or settle the book value of the assets and liabilities, using the tax rates expected to be applied to the year in which the asset is realized or the liability paid.

A deferred tax asset is recognized only if it is probable that the THEOLIA Group will have future taxable income to which this asset can be charged.

The analysis of tax expenses can be found in Note 26.

11. Earnings per share

(in thousands of €)		**12/31/2010**	**12/31/2009**
Weighted average number of shares outstanding (in thousands)	**(1)**	**70,579**	**39,853**
Number of shares outstanding as of the closing date		110,293	39,895
Convertible OCEANEs		90,170	
Adjustments related to allocated free shares		1,777	2,071
Number of shares on a diluted basis	**(2)**	**202,240**	**41,966**

(in thousands of €)		12/31/2010	12/31/2009
Net income, Group share, allocated to shareholders	**(3)**	**5,857**	**(24,840)**
of which:			
- net income from continuing activities, Group share	(4)	7,319	(15,401)
- net income from discontinued activities or those in the process of being sold, Group share		(1,462)	(9,439)
Net income, Group share, allocated to shareholders in case of dilution	**(5)**	**15,211**	**(24,840)**
of which:			
- net income from continuing activities, Group share	(6)	16,673	(15,401)
- net income from discontinued activities or those in the process of being sold, Group share		(1,462)	(9,439)

(in €)		12/31/2010	12/31/2009
Base income per share, Group share			
- of the consolidated accounts	(3)/(1)	0.08	(0.62)
- of continuing activities	(4)/(1)	0.10	(0.39)
Diluted earnings per share, Group share			
- of the consolidated accounts	(5)/(2)	0.08	(0.59)
- of continuing activities	(6)/(2)	0.08	(0.37)

Information relating to the balance sheet

12. Goodwill

12.1 Change in the item

(in thousands of €)	Gross value	Impairment	Net value
Values at opening on 1/1/2010	**208,383**	**128,923**	**79,460**
Impairment	-	11,643	(11,643)
Business combinations	26	-	26
Disposals	(7,804)	(3,600)	(4,204)
Other changes	7,500	-	7,500
Values at closing on 12/31/2010	**208,105**	**136,966**	**71,138**

The value of goodwill went from €79,460 K on January 1, 2010 to €71,138 K on December 31, 2010 for an annual overall variation of €(8,322) K.

Almost all of the goodwill impairments, which represent €(15,847) K, break down primarily as follows:

- In Germany, an impairment of goodwill €(10,991) K in Development, construction, sale activity of wind farms;
- In Italy, goodwill associated with the Giunchetto wind farm, which was commissioned during the summer of 2010, was depreciated by €(625) K following the value test (IAS 36).

The sales affect the goodwill attached to the 55.5 MW German wind farm, which was sold during the first half of the year and fully depreciated at the beginning of the year.

The other variations concern the allocation of the goodwill generated by the earn-out paid for the acquisition of a project in Italy.

12.2 Allocation of goodwill by the Cash Generating Unit

Categories *(in thousands of €)*	Gross value	Impairment	Net value as of 12/31/2010	Net value as of 12/31/2009
DCS * of wind farms France	11,319	-	11,319	11,319
DCS * of wind farms Germany	75,957	55,628	20,328	31,321
DCS * of wind farms Italy	26,599	-	26,599	28,801
DCS * of wind farms Spain	1,650	1,645	5	5
DCS * of wind farms Other countries	1	-	1	1
Production of wind energy	90,757	77,875	12,883	8,012
Non-wind activity	109	109	-	-
Corporate activity	1,711	1,709	2	2
Total	**208,103**	**136,966**	**71,138**	**79,460**

** Development, construction, sale*

The Development, construction, sale activity comprises as many CGUs as there are countries involved.

The Sale of electricity for own account comprises as many CGUs as there are wind farms in operation.

13. Intangible assets

(in thousands of €)	Project currently under development	Costs of development (1)	Software and similar rights	Other intangible assets	TOTAL
Gross values at opening on 1/1/2010	**44,526**	**10,425**	**671**	**80,593**	**136,215**
Acquisitions and non-current assets generated internally	4,964	-	94	1,930	**6,987**
Industrial commissioning	(2,032)	2,032	-	-	**-**
Business combinations	5,108	-	-	-	**5,108**
Decrease	(1,246)	-	(2)	-	**(1,248)**
Disposals	-	-	-	(9,800)	**(9,800)**
Impact of change in method of consolidation	(1,426)	-	-	-	**(1,426)**
Conversion losses/gains	(24)	-	-	857	**833**
Other changes	2,322	-	-	90	**2,412**
Reclassification of discontinued activity	(68)	-	-	-	**(68)**
Values at closing on 31/12/2010/	**52,124**	**12,457**	**763**	**73,670**	**139,014**
Accumulated depreciation and amortization at opening on 01/01/2010	**(11,041)**	**(1,317)**	**(573)**	**(31,762)**	**(44,693)**
Depreciation	-	(436)	(75)	(3,281)	**(3,792)**
Depreciation for impairment	(1,460)	-	-	398	**(1,062)**
Business combinations	-	-	-	-	**-**
Reversals on disposals	146	-	(1)	1,232	**1,377**
Impact of change in method of consolidation	-	-	-	-	**-**
Conversion losses/gains	-	-	-	(442)	**(442)**
Other changes	(58)	-	(14)	(35)	**(107)**
Reclassification of discontinued activity	-	(1)	-	-	**(1)**
Accumulated depreciation and amortization at closing on 12/31/2010/	**(12,413)**	**(1,754)**	**(663)**	**(33,890)**	**(48,720)**
Net values at opening on 1/1/2010	**33,485**	**9,108**	**98**	**48,831**	**91,522**
Net values at closing on 12/31/2010	**39,711**	**10,703**	**100**	**39,780**	**90,294**

(1) Most of the item combines wind project development costs.

The item "Depreciation for impairment" is analyzed by CGU as follows:

(in thousands of €)	**IAS 36 impairment**	**Non IAS 36 impairment**	**Total**
Wind development, construction and sale France		(1,895)	(1,895)
Wind development, construction and sale Germany			-
Wind development, construction and sale Italy		435	435
Wind development, construction and sale Spain			-
Wind development, construction and sale other countries			-
Sale of electricity for own account	398		398
Non-wind activity			-
Corporate activity			-
TOTAL	**398**	**(1,460)**	**(1,062)**

The gross value of wind projects in development showed an increase of €7,598 K due to the progress of projects being developed by the Group.

The acquisitions and non-current assets generated internally during the year for €4,964 K primarily reflect the wind projects in development in France for €608 K and Italy for €4,264 K (mainly the projects Giunchetto, Bovino and Pergola).

The industrial commissioning concern the Giunchetto wind farm (15 MW net) located in Italy.

At the end of the year, the Group finalized the acquisition of the Giuggianello project in Italy (24 MW), for which the construction permit was approved. The project is in the final phase of development. The authorizations are valued at €5,108K.

The occurrence of the change of the method of consolidation of €(1,426) K concerns the Giunchetto wind farm, where construction is in progress. It is currently recorded in the Group financial statements using the proportional method of consolidation of 51%.

The risks regarding certain projects in development caused the Group to acknowledge impairments of €(1,462) K. In particular, wind projects in France were depreciated by €(1,895) K.

The acquisitions that concern other intangible assets, amounting to €1,930 K concern two wind farms located in Germany that were acquired at the end of the year.

The item “Other intangible assets” decreased following the sale of the Alsleben wind farm (55.5 MW) (impact of a gross value of €(9,800) K.

Reversals of sales of €1,232 K are related to the wind farms sold in Germany.

14. Property, plant & equipment

(in thousands of €)	Sites	Fixtures and fittings	Projects currently under construction	Technical facilities (1)	Other property, plant & equipment	TOTAL
Gross values at opening on 1/1/2010	**6,262**	**2,991**	**35,340**	**353,695**	**3,449**	**401,737**
Acquisitions	63	733	16,355	13,814	461	**31,426**
Industrial commissioning	-	-	(27,470)	27,470	-	**-**
Business combinations	54	-	-	8,672	730	**9,456**
Disposals	-	-	(589)	(80,629)	(248)	**(81,466)**
Impact of change in method of consolidation	(17)	(39)	(12,419)	(8)	-	**(12,483)**
Conversion losses/gains	-	3	-	5	19	**27**
Other changes	-	9	19,031	774	(646)	**19,168**
Reclassification of discontinued activity	-	-	-	-	-	**-**
Values at closing on 12/31/2010	**6,362**	**3,697**	**30,248**	**323,793**	**3,765**	**367,865**
Accumulated depreciation and amortization at opening on 01/01/2010	**(1,177)**	**(1,461)**	**(2,831)**	**(81,940)**	**(2,474)**	**(89,881)**
Depreciation	-	(193)	-	(12,865)	(216)	**(13,274)**
Depreciation for impairment	-	(17)	260	(537)	1	**(293)**
Business combinations	-	-	-	(1,243)	-	**(1,243)**
Reversals on disposals	-	-	374	14,802	74	**15,250**
Impact of change in method of consolidation				5		**5**
Conversion losses/gains	-	-	-	(2)	(6)	**(8)**
Other changes	-	44	-	(45)	370	**369**
Reclassification of discontinued activity	-	-	-	-	-	**-**
Accumulated depreciation and amortization at closing on 12/31/2010	**(1,177)**	**(1,622)**	**(2,197)**	**(81,823)**	**(2,256)**	**(89,075)**
Net values at opening on 1/1/2010	**5,085**	**1,530**	**32,509**	**271,755**	**975**	**311,858**
Net values at closing on 12/31/2010	**5,185**	**2,075**	**28,051**	**241,970**	**1,509**	**278,790**

(1) Most of the item combines the operating wind farms.

The item "Depreciation for impairment" is specified by CGU as follows:

(in thousands of €)	IAS 36 impairment	Non IAS 36 impairment	**Total**
Wind development, construction and sale France		62	62
Wind development, construction and sale Germany			-
Wind development, construction and sale Italy			-
Wind development, construction and sale Spain		198	198
Wind development, construction and sale other countries		1	1
Sale of electricity for own account	(493)		(493)
Non-wind activity			
Corporate activity		(61)	(61)
TOTAL	(493)	200	(293)

The principal variations related to Property, Plant and Equipment concern construction projects in progress and technical installations (wind farms).

The gross value of construction projects in progress decreased by €(5,092) K. The principal variations are as follows:

Acquisitions:

- wind projects in Italy increased by €15,671 K due to the acquisition of Vestas turbines for the Giunchetto wind farm.

Industrial commissioning:

- during the second half of the year, the Group finalized the construction of the Giunchetto wind farm and was subsequently able to commission that farm. The total for the asset (Group share of 51%) was €27,470 K.

Occurrence of change in the method of consolidation:

- the company responsible for the Giunchetto wind project is now proportionally consolidated at 51%. This change in method resulted in a decrease in consolidated assets of €(12,484) K (see Note 4 – Changes in scope of consolidation).

The other variations, amounting to €19,031 K, mostly include the allocation to Italy of the Suzlon turbines, which were originally recorded as inventory in the THEOLIA SA financial statements.

The acquisitions related to technical installations (wind farms) amounting to €13,814 K primarily concern four farms located in Germany, which represent a value of €13,676 K.

At the end of the year, the Wotan wind farm (6 MW of power) was acquired by the primary German subsidiary for an asset value of €8,669 K.

The sales of the technical installations for €(80,629) K are related to the sale (exclusion from scope) of four wind farms in Germany (59 MW).

The impairments identified during the impairment tests account for €(672) K for a wind farm in Germany.

Reversals of sales of €14,802 K concern the sale of wind farms in Germany.

15. Impairment of goodwill, intangible and tangible assets

The methodology and assumptions used for the impairment tests are described in Note 2.8 "Impairment."

The summary of the provisions for impairment by CGU breaks down as follows:

(in thousands of €)	Country	Provisions for depreciation	On goodwill	On intangible assets	On property, plant and equipment	Provisions for depreciation
Wind development, construction and sale	France	-		-	-	-
	Germany	(10,991)		(10,991)	-	-
	Italy	-		-	-	-
	Morocco	(1)		(1)		
	Spain	-			-	-
Sale of electricity for own account	France	-		-	-	-
	Germany	(672)		-	-	(672)
	Italy	(625)		(625)	-	-
Operations	Germany	-		-	-	-
Other	Rest of the world	-		-	-	-
Total		**(12,289)**		**(11,617)**	**-**	**(672)**

in thousands of €	Country	Reversals on provisions	On intangible assets	On property, plant and equipment
Wind development, construction and sale	France	-	-	-
	Germany	-	-	-
	Italy	-	-	-
	Spain	-	-	-
Sale of electricity for own account	France	179	-	179
	Germany	-	-	-
	Morocco	397	397	-
Non-wind activity		-	-	-
Corporate activity		-	-	-
Total		**576**	**397**	**179**

Sensitivity analysis

The sensitivity analysis was conducted by using two axes:

- One axis for the Group's activity: the variation of ±10% in wind hours assumed for each farm in operation;
- One axis outside the Group: the variation of ±1 point in the discount rates used

The amount in the table below represents the depreciation recognized as of December 31, 2010 for impairment tests.

The other amounts indicate the net reversals or (depreciations) which the Group would have recognized if the assumptions for discount rates and/or wind hours had changed.

Impairment noted (in €k):

Change in wind hours	**10%**	**0%**	**-10%**
Change in discount rate			
1%	(13,372)	(22,943)	(38,612)
0%	(10,991)	(11,713)	(26,230)
-1%	(9,634)	(9,634)	(14,537)

For the CGU from Sale of electricity for own account, the threshold from an impairment to a reversal would take place:

- by decreasing the discount rate by 76 basis points (or a discount rate of 4.64%);
- or by increasing the number of hours by 5.33%.

This information has not been provided for the Development, construction, sale activity for the following reasons:

- the change of wind hours does not impact the CGU level
- the discount rate that would be used to reach the threshold is not pertinent (negative rate).

16. Associated enterprises

As of December 31, 2010, the income for entities consolidated using the equity method corresponds to the following companies:

(in thousands of €)	% held	Share in net position of associated enterprises	Share in income of associated enterprises
ERNEUERBARE ENERGIE ERNTE VIER GmbH & Co. KG	48.00%	(149)	(23)
SERES ENVIRONNEMENT TECHNOLOGY (Beijing) Co Ltd	51.00%	(37)	(37)
NATURSTROMNETZ FRAUENPRIESSNITZ GMBH & CO KG	43.80%	-	-
ECOLUTIONS GMBH & CO KGaA	35.21%	9,789	(397)
THEOLIA WIND POWER PVT (INDIA)	23.88%	880	294
THEOLIA SITAC WIND POWER PVT LIMITED (INDIA)	23.88%	(17)	(17)
ASSET ELECTRICA	50.00%	-	-
Total at closing on 12/31/2010		10,466	(180)

The Asset Electrica, THEOLIA Sitac Wind Power, and Seres Environnement Technology (Beijing) Co. Ltd companies are not consolidated in the global accounts because they are not exclusively controlled by the Group. The Group does not hold a majority of the votes on the Boards of Directors of these companies. In addition, the governance rules are not subject to joint control.

In 2010, the item changed as follows:

(in thousands of €)	ECOLUTIONS GMBH & CO KGaA	SERES ENVIRONNEMENT TECHNOLOGY (Beijing) Co Ltd	ERNEUERBARE ENERGIE ERNTE VIER GmbH & Co. KG	Theolia Wind Power (including participations)	Total
Value of securities at the beginning of the year	10,497	-	(126)	544	10,916
Increase in percentage of control (relution/dilution)	(209)			222	13
Group share in the income for the financial year	(397)	(37)	(23)	54	(403)
Other changes	(102)			42	(60)
Value of securities at the end of the year	9,789	(37)	(149)	863	10,466

17. Financial assets

Maturity of financial assets as of 12/31/2010

12/31/2010 *(in thousands of €)*	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**TOTAL**
Unconsolidated shares	-	407	293	700
Other financial assets				-
Related receivables	-	-	6,012	6,012
Loans	-	1,635	-	1,635
Other non-current receivables	-	-	2,252	2,252
Deposits and guarantees	106	342	75	523
Various long-term investments	-	-	-	-
Financial assets	**106**	**2,384**	**8,632**	**11,122**

Maturity of financial assets as of 12/31/2009

12/31/2009 *(in thousands of €)*	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**TOTAL**
Unconsolidated shares	-	634	293	927
Other financial assets	-	-	-	-
Related receivables	-	-	2,000	2,000
Loans	-	4,572	-	4,572
Other non-current receivables	-	-	1,957	1,957
Deposits and guarantees	129	403	8	540
Various long-term investments	107	-	-	107
Financial assets	**236**	**5,609**	**4,258**	**10,103**

Analysis

Non-current financial assets include the loans made to the customers of THEOLIA Naturenergien as part of the activity to sell wind farms. At the end of the year, the net amount of these loans totaled €1,635 K compared with €4,572 K at the end of the previous year. This decrease is mostly attributable to the repayment of the loan granted in 2007 to the purchaser of a 6 MW wind farm.

The debts attached to the equity interests mostly concern the advances made to the following companies:

- THEOLIA Wind Power India €2,000 K
- Aerochetto (51% proportionally consolidated) €4,007 K

Securities available for sale totaled €700K and primarily represent equity interests in companies in the renewable energy sector.

The other capitalized accounts receivable include shares in investment funds that were subscribed to by a subsidiary in Germany as part of its financing. These shares were subject to a valuation at their closing value based on their income (financial).

18. **Working capital requirement**

18.1 Change in WCR

(in thousands of €)	Balance sheet as of 12/31/2009	Balance sheet as of 12/31/2010	Change in the working capital requirements (Balance sheet)	Presentation reclassification operations	Change in consolidation scope	Conversion losses/gains	Other reclassifications	Change in the working capital requirements (cash flow statement)
Inventories and work in progress (net)	51,814	19,805	32,009	(23,102)	2,396	154	-	11,457
Trade receivables (net)	32,492	30,833	1,658	310	(3,782)	32	4	(1,778)
Suppliers and other operating debts	(25,481)	(23,344)	(2,137)	1,523	1,065	(14)	(6)	431
Other receivables	19,774	16,448	3,326	23,536	(1,474)	11	19	25,422
Other liabilities	(12,022)	(10,989)	(1,033)	369	(296)	(16)	(3)	(979)
Adjustment accounts-assets	2,836	3,378	(542)	(65)	(158)	(1)	106	(659)
Adjustment accounts-liabilities	(72)	(57)	(15)	-	-	-	-	(15)
TOTAL	**69,340**	**36,076**	**33,265**	**2,572**	**(2,249)**	**165**	**121**	**33,879**

The working capital requirement decreased by €33.88 million in 2010 compared to €54.28 million in 2009.

These changes may be explained primarily by the following items:

- in 2009, the major program to sell wind farms and projects took place in particular by drawing on inventories constituted in 2008, thus leading to a sharp reduction in inventories in 2009. In 2010, the Group continued to sell wind farms and projects while withdrawing from inventories in the amount of €24.3 million. At the end of the year, inventory for wind projects and farms related to trading activity in Germany was almost entirely renewed. Overall, the Group stored €12.8 million in wind projects and farms over the year. As a result, inventories decreased €11.5 million in 2010;

- wind farm and project sales in 2009 generated only a limited increase of €5.1 million in customer debt for the year because most of the sales had been made and cleared before December 31, 2009. Fiscal year 2010 is marked by an increase of works in progress related to Operation activities. This effect is mitigated by the recording, due to the risk of recovery, of €9 million in depreciations in receivables from this same sector of activity. Moreover, a large sale of €5.7 million at the end of the year was made but did not clear by the close of the year;

- the change in supplier debt from 2009 to 2010 was insignificant. Debt related to the acquisition of farms and projects inventoried over 2010 was paid during the year. It is further noted that the change in supplier debt associated with the wind farms being constructed for own account impacts investment cash flows, not supplier debt. In 2009, supplier debt had decreased by €39.1 million, following the payment in 2009 for the purchases made in 2008;

- in 2010, the change in other receivables and debts generated positive cash flows due in particular to the repayments of the receivables that were held on the wind farm and assigned during the year in the amount of €16.9 million. It should be noted that deductible VAT related to turbines acquired by THEOLIA SA totaling €4 million was reimbursed over the year.

18.2 *Inventories*

(in thousands of €)	**12/31/2010**	**12/31/2009**
Wind projects	19,083	42,324
Materials	4,799	15,205
Impairment	(4,077)	(5,715)
Net value	**19,805**	**51,814**

Inventories by geographic region break down as follows:

(in thousands of €)			**31/12/2010**	**31/12/2009**
	Gross value	**Impairment**	**Net value**	**Net value**
Germany	16,600	(835)	15,765	29,611
France	2,841	(994)	1,847	1,112
Rest of the World	2,809	(764)	2,046	1,938
Italy	241	(93)	148	772
Corporate	1,390	(1,390)	-	18,381
	23,881	**(4,076)**	**19,805**	**51,814**

Inventory in Germany (€15,765 K) is related to the "trading" activity and consists of:

- €12,566 K in wind farms and projects;
- €3,199 K in turbine components.

Almost all of the projects previously stored were sold during the year or reclassified as non-current assets. The inventory as of year's end (€12,566 K) is composed primarily of new wind projects stored during the year. It represents 77.3 MW at various stages of progress.

Moreover, the Company still has an inventory of turbine components of a net amount of €3,199 K. This inventory of components is valuated at the end of every year and was depreciated by €732 K.

Net inventories of projects developed by the "Rest of World" companies include:

- the projects developed in Brazil €1,179 K
- the spare parts for maintenance of the wind farm located in Morocco €876 K

Inventory at the start of the year of €18,381 K for Corporate activity mostly represented the Suzlon turbines acquired in 2008. As of December 31, 2010, the Group allocated these turbines to a project located in Italy with a nominal capacity of 21 MW.

18.3 *Trade receivables*

Change

(in thousands of €)	Gross value 12/31/2010	Provisions 12/31/2010	Net value 12/31/2010	Net value 12/31/2009
Trade receivables	43,882	(13,048)	30,834	32,492
Total	**43,882**	**(13,048)**	**30,834**	**32,492**

Trade receivables (gross) in the amount of €43,882 K, break down mostly as follows:

- Germany: €36,706 K
  (of which €16,354 K in the activity for third parties and €17,127 K for "trading" activity)
- France: €3,366 K
- Italy: €1,105 K
- Other countries: €2,041 K

The depreciations recorded mostly concern receivables related to the management of wind farms for third parties in Germany. The depreciation to be recognized is calculated receivable by receivable, based on the date and the level of risk estimated by Group management.

Schedule as of 12/31/2010

(in thousands of €)	Outstanding not accrued	Outstanding accrued			TOTAL
		From 0 to 6 months	From 6 to12 months	> 12 months	
Trade and other receivables	12,573	11,350	9,675	9,630	**43,228**
Doubtful receivables	-	-	-	654	**654**
Trade provision and related receivables	(1,011)	(339)	(6,629)	(5,068)	**(13,048)**
Total trade and related receivables	**11,562**	**11,011**	**3,046**	**5,216**	**30,834**

The analysis of Group receivables by maturity breaks down as follows:

- The majority of receivables considered to be not matured include the amounts not yet invoiced at the end of the year. They break down as follows:
  - Sale of electricity for own account €3,384 K
  - construction development (France) €1,334 K
  - trading activity and management for third parties in Germany €7,468 K
  - other €387 K

All receivables were analyzed for their recovery risk. A depreciation of the receivables was acknowledged for the receivables for which there was a risk of non-recovery.

18.4 Other current assets

(in thousands of €)	Gross value 12/31/2010	Impairment 12/31/2010	Net value 12/31/2010	Net value 12/31/2009
Supplier advances and installments	5,675	-	5,675	5,130
Receivables on asset disposals	-	-	-	3
Tax receivables (excluding corp. tax)	8,390		8,390	12,580
Soc. security receivables	69		69	95
Current accounts	57	-	57	157
Various receivables	3,135	(878)	2,257	1,823
Prepaid expenses	3,379		3,379	2,777
Conversion losses/gains - assets	-		-	59
Total	**20,705**	**(878)**	**19,827**	**22,623**

Advances and installments primarily represent payments made in the amount of €4,030 K for the reservation of turbines by THEOLIA SA for a project in Italy and for €1,248 K by THEOLIA Naturenergien.

The tax receivables primarily consist of the deductible VAT not yet paid on the acquisitions of projects or wind equipment, including:

- progress on wind projects in Italy (mainly a commissioned wind farm) €3,820 K
- progress on wind projects in France €1,435 K
- wind projects acquired in Germany (THEOLIA Naturenergien): €2,007 K
- other €1,127 K

The majority of prepaid expenses are related to the Sale of electricity sales for own account activity (maintenance, rent, etc.).

18.5 Suppliers and other creditors

(in thousands of €)	12/31/2009	12/31/2009
Advances and installments received	1,335	56
Suppliers	23,344	25,482
Suppliers of capital assets	2,852	
Other	7,768	15,747
Total	**35,299**	**41,285**

Group suppliers may be broken down as follows:

- France €2,400 K
- Germany €17,904 K (of which €12,443 K for THEOLIA Naturenergien)
- Italy €882 K
- Corporate €1,373 K
- other countries €785 K

Fixed asset suppliers are included under the activity “Development, construction, sale”, mostly in Italy and also in France.

(in thousands of €)	12/31/2010	12/31/2009
Social security liabilities	2,718	1,932
Tax liabilities	4,595	8,783
Total	**7,313**	**10,715**

Tax liabilities refer mainly to the VAT collected and not yet repaid.

(in thousands of €)	Invoices not received	From 0 to 3 months	From 3 to 6 months	From 6 to 9 months	From 9 to 12 months	**TOTAL**
Suppliers and related payables	6,019	9,946	1,297	212	5,870	23,344
Social security and employee-related debts	21	2,697	-	-	-	2,718
Tax debts excluding corp. tax	186	4,325	84	-	-	4,595
Income tax and tax consolidation	-	847	-	-	-	847
Total suppliers and other debts	6,226	17,815	1,381	212	5,870	31,504

Suppliers that have a maturity of between 0 and 3 months are directly related to Group operational activity and do not warrant any specific comments.

Former suppliers (9-12 months) are located for the most part in Germany. These debts will be settled once the Group has deemed that these suppliers have met all of their obligations.

19. Cash and cash equivalents

Position

(in thousands of €)	**12/31/2010**	**12/31/2009**
Marketable securities (net)	64,977	25,503
Cash and cash equivalents	45,455	68,684
Total cash and cash equivalents	**110,432**	**94,187**
Bank loans	(71)	(7)
Net cash	**110,361**	**94,180**

Details of cash available / not available

(in thousands of €)	**12/31/2010**	**12/31/2009**
Available cash	69,184	52,770
SPV reserved cash	17,661	16,503
Blocked cash	23,587	24,914
Bank loans	(71)	(7)
Total cash and cash equivalents	**110,361**	**94,180**

Total Group cash is divided into three categories: Cash available, reserved cash and blocked cash.

Cash available

As of December 31, 2010, cash available amounted to €69,184 K (63% of total cash), of which €55,096 K was for THEOLIA SA and €14,086 K was in the subsidiaries. This cash was allocated directly to holding company operations and the operation of subsidiaries, with for Germany, a limited possibility of return to the holding company.

The €14,086 K breaks down as follows:

- France (not incl. THEOLIA SA) : €930 K
- Germany: €12,003 K
- Italy: €738 K
- Other countries: €415 K

Reserved cash (SPVs)

Reserved cash (SPVs) totals €17,661 K (16% of total cash). It corresponds to the cash that the project support companies cannot transfer freely and completely pursuant to the financing conditions but remains completely available for their current operations.

Reserved cash breaks down in the following manner:

• France:	€7,266 K
• Germany:	€6,988 K
• Morocco:	€3,407 K

Blocked cash

Blocked cash amounts to €23,587 K (21% of total cash). This cash may not be used freely for current operations. It corresponds for the most part to account pledge agreements that constitute securities to lenders (reserve accounts for the servicing of debt, maintenance or deposit reserve accounts for the issue of bank guarantees for decommissioning).

It breaks down in the following manner:

• France:	€4,038 K
• Germany:	€14,090 K
• Italy:	€3,196 K
• Rest of the World	€2,232 K
• Other	€31 K

Marketable securities

Marketable securities totaled €64,977 K, including €54,629 K for THEOLIA SA. They correspond to secured investments and are comprised primarily of money market and term deposit funds (around 90% of investments).

This item is comprised of the following instruments:

- Fully secured investments (100% monetary) of €51,614 K;
- Time-deposit accounts of €3,000 K;
- Interest accrued on time-deposit accounts of €15 K.

The policy for managing financial risks is presented in Note 23 to the financial statements.

20. Assets and liabilities held for sale

As part of its reorganization, the Group decided to conduct a sale of the activities that it considers to be non-strategic: mostly assets from non-wind activities. This decision was made by the THEOLIA Board of Directors in November 2008 that was reaffirmed by the Board of Directors on September 2, 2010.

The financial statements as of December 31, 2010 maintain the treatment as assets and liabilities available for sale for non-wind activities that had already been classified as such at the end of 2009 and had not yet been sold. In 2010, the Group did not finalize the sale of all of its non-wind activities, given in particular the economic environment and the changes that took place in the General Management of the Group in the first half of 2010. The Group actively continued its plan to sell these activities.

The assets and liabilities in question, which represent the Environment Division, are posted in the following Companies:

- Seres Environnement (and its subsidiaries);
- Ecoval 30;
- Therbio.

The sale of such assets has been accounted for in the annual financial statements ended December 31, 2008 in accordance with IFRS 5 as "Non-current assets held for sale and discontinued operations". As of December 31, 2010, this accounting treatment was still in effect.

As a result, all transactions for the year relating to the Environment Division were combined in the income statement item titled “Income net of corporate tax from discontinued activities or those in the process of being sold”. The assets and liabilities were combined in a line on the asset and liabilities sides of the balance sheet entitled "Assets/liabilities intended for sale."

The asset values were depreciated on the basis of the probable selling prices. A depreciation of €6,034 K was recorded for this reason at the end of 2009. On December 31, 2010 this provision was readjusted to take into account sales that took place and changes in net assets: a reversal of €2,560 K was recorded.

20.1 *Information on the financial statement*

As of December 31, 2010

(in thousands of €)	THEOLIA Group before IFRS 5, 12/31/2010	IFRS 5 restatements	THEOLIA Group IFRS 5 restated 12/31/2010
Goodwill	71,138		71,138
Intangible assets	89,563	731	90,294
Property, plant & equipment	285,639	(6,849)	278,790
Equity-accounted investments	10,489	(23)	10,466
Non-current financial assets	10,971	46	11,016
Deferred tax assets	30,772	(627)	30,144
NON-CURRENT ASSSETS	**498,571**	**(6,722)**	**491,848**
Inventories	21,974	(2,169)	19,805
Trade receivables	33,099	(2,265)	30,833
Other current assets	21,291	(1,465)	19,827
Current tax	5,687		5,687
Current financial assets	106	(1)	106
Cash and cash equivalents	111,021	(588)	110,432
CURRENT ASSSETS	**193,168**	**(6,478)**	**186,690**
Assets held for sale		13,201	13,201
TOTAL ASSETS	**691,738**	**-**	**691,738**
Capital	110,293		110,293
Premiums	304,947		304,947
Reserves	(198,829)		(198,829)
Profit/loss	5,857		5,857
Shareholders' equity, Group share	**222,268**		**222,268**
Minority interests	(2,261)		(2,261)
Shareholders’ equity	**220,007**		**220 ,007**
Non-current financial liabilities	259,722	(4,298)	255,424
Deferred tax liabilities	43,122		43,122
Provision for retirement	491	(362)	129
Provisions (non-current)	18,743	(427)	18,316
Other non-current liabilities	8,215	(155)	8,060
Liabilities (non-current)	**330,293**	**(5,241)**	**325,051**
Current financial liabilities	93,520	(837)	92,683
Provisions (current)	597		597
Suppliers and other creditors	37,762	(2,463)	35,299
Tax and social liabilities	8,498	(1,184)	7,313
Current tax	1,061		1,061
Current Liabilities	**141,438**	**(4,485)**	**136,953**
Liabilities related to assets held for sale		9,727	9,727
TOTAL DEBTS AND SHAREHOLDER'S EQUITY	**691,738**	**-**	**691,738**

As of December 31, 2009

(in thousands of €)	THEOLIA Group before IFRS 5, 12/31/2009	IFRS 5 restatements	THEOLIA Group IFRS 5 Restated 12/31/2009
Goodwill	80,058	(598)	79,460
Intangible assets	91,147	376	91,523
Property, plant & equipment	318,620	(6,762)	311,858
Equity-accounted investments	10,935	(20)	10,915
Non-current financial assets	9,953	(86)	9,867
Deferred tax assets	8,795	(655)	8,140
NON-CURRENT ASSSETS	**519,509**	**(7,746)**	**511,763**
Inventories	54,015	(2,201)	51,814
Trade receivables	35,615	(3,123)	32,492
Other current assets	25,330	(2,707)	22,623
Current tax	5,227	(5)	5,222
Current financial assets	365	(129)	236
Cash and cash equivalents	95,348	(1,161)	94,187
CURRENT ASSSETS	**215,900**	**(9,326)**	**206,574**
	-	**17,072**	**17,072**
TOTAL ASSETS	**735,409**	**-**	**735,409**
Capital	39,895		39,895
Premiums	307,546		307,546
Reserves	(177,658)		(177,658)
Profit/loss	(24,840)		(24,840)
Shareholders' equity, Group share	**144,943**		**144,943**
Minority interests	(1,823)		(1,823)
Shareholders' equity	**143,120**	**-**	**143,120**
Non-current financial liabilities	371,252	(5,073)	366,179
Deferred tax liabilities	22,175		22,175
Provision for retirement	539	(460)	79
Provisions (non-current)	14,547	(108)	14,439
Other non-current liabilities	691	(130)	561
Liabilities (non-current)	**409,203**	**(5,770)**	**403,433**
Current financial liabilities	125,189	(887)	124,302
Provisions (current)			
Suppliers and other creditors	44,121	(2,836)	41,285
Tax and social liabilities	12,260	(1,545)	10,715
Current tax	1,516		1,516
Current Liabilities	**183,086**	**(5,268)**	**177,818**
		11,038	11,038
TOTAL DEBTS AND SHAREHOLDER'S EQUITY	**735,409**	**-**	**735,409**

The figures presented for 2009 have been restated in accordance with the standard IAS 8 (see Note 2.1)

20.2 *Information on the income statement*

As of December 31, 2010

(in thousands of €)	THEOLIA Group before IFRS 5 12/31/2010	IFRS 5 restatements	THEOLIA Group IFRS 5 restated 12/31/2010
Revenue	**164,685**	**(10,143)**	**154,542**
Purchases and changes in inventory	(104,217)	2,811	(101,405)
Non-current production	256	(256)	-
External expenses	(30,406)	5,046	(25,360)
Personnel expenses	(15,887)	4,198	(11,690)
Income and similar taxes	(1,400)	310	(1,090)
Net depreciation and provision allowances	(34,731)	1,130	(33,600)
Other income from ordinary activities	(3,215)	2,140	(1,074)
Current operating income	**(24,914)**	**5,236**	**(19,678)**
Impairment	(12,331)	(667)	(12,998)
Other non-current operating income and expenses	(1,751)	(56)	(1,807)
Operating income	**(38,996)**	**4,513**	**(34,483)**
Net cost of debt	(23,856)	(238)	(24,095)
Other financial income and expenses	69,578	143	69,721
Net financial income (expense)	**(45,721)**	**95**	**(45,626)**
Net income from equity-accounted companies	(180)	-	(180)
Tax	(4,328)	(162)	(4,490)
Net income from continuing activities	**2,027**	**4,446**	**6,473**
Net income from the activities held for sale	**-**	(1,480)	(1,480)
NET INCOME	**2,028**	**2,966**	**4,993**
Of which, Group share	2,892	2,966	5,857
Of which, minority interests	(865)	-	(865)

As of December 31, 2009

(in thousands of €)	**THEOLIA Group before IFRS 5 12/31/2009**	**IFRS 5 restatements**	**THEOLIA Group IFRS 5 restated 12/31/2009**
Revenue	**304,154**	**(9,775)**	**294,380**
Purchases and changes in inventory	(227,497)	2,211	(225,286)
Non-current production	(394)	394	-
External expenses	(38,766)	5,153	(33,613)
Personnel expenses	(16,214)	4,500	(11,714)
Income and similar taxes	(1,664)	450	(1,215)
Net depreciation and provision allowances	(1,565)	2,702	1,136
Other income from ordinary activities	1,624	(1,943)	(319)
Current operating income	**19,677**	**3,692**	**23,369**
Impairment	4,509	-	4,509
Other non-current operating income and expenses	(1,528)	(328)	(1,856)
Operating income	**22,659**	**3,364**	**26,022**
Net cost of debt	(28,876)	346	(28,530)
Other financial income and expenses	(8,295)	6,016	(2,279)
Net financial income (expense)	**37,171**	**(6,362)**	**30,809**
Net income from equity-accounted companies	(13,470)	-	(13,470)
Tax	2,807	(287)	2,520
Net income from continuing activities	**(25,176)**	**9,439**	**(15,737)**
Net income from the activities held for sale	-	(9,439)	(9,439)
NET INCOME	**(25,176)**	**-**	**(25,176)**
Of which, Group share	(24,840)	-	(24,840)
Of which, minority interests	(335)	-	(335)

The figures presented for 2009 have been restated in accordance with the standard IAS 8 (see Note 2.1)

21. Shareholders' equity

21.1 Number of shares outstanding

	Par value (€)	Number of shares at 1/1/2010	Free shares	Creation of shares by conversion of OCEANEs	Shares issued (cash)	12/31/2010	
Number of shares	1	39,895,207	413,500	9,521,016	60,463,059	110,292,782	*
Number of shares	**1**	**39,895,207**	**413,500**	**9,521,016**	**60,463,059**	**110,292,782**	
Share capital		**39,895,207**	**413,500**	**9,521,016**	**60,463,059**	**110,292,782**	

* Of which 190,396 treasury shares as of December 31, 2010.

As of December 31, 2010, the capital was composed of 110,292,782 shares with a par value of €1.

Double voting rights are given to all fully paid-up shares which have been registered for at least two years in the name of the same shareholder, either a French national or a national of a member State of the European Economic Community.

No dividend was paid either before or after the closing date.

21.2 Minority interests

Most of the minority interests correspond to the rights of a partner bank which has assisted the Italian Group Maestrale Green Energy in the development of a wind farm in Italy since its formation, primarily by granting a loan. This partner is committed in the program support company in the amount of the sums paid.

At year end, this shareholder's share on the balance sheet for €(2,296) K was less than the loan made.

22. Share-based compensation

22.1 Summary of changes in stock warrants (BSA)

	12/31/2010
Stock warrants exercisable as of December 31, 2009	**3,922,650**
Canceled	360,544
Balance as of December 31, 2010	**3,562,106**

During 2010, the Group did not attribute stock warrants.

	BSA CS4	BSA CS5	BSA Bis	BSA DA 06	BSA EP 06
Subscription price	0.000485	0.000485		0.0001	0.0001
Exercice price	4.85	4.85		15.28	15.28
Deadline	11/02/2010 then to 12/31/2013	11/02/2010 then to 12/31/2014		05/17/2012	05/24/2012
Parity	1.344	1.344		1.132	1.132
Balance at December 31, 2009	50,000	50,000	300,000	7,000	29,093
Attributed during the year	-	-		-	-
Exercised during the year	-	-		-	-
Expired or non-exercisable during the year	-	-	300,000	-	-
Total stock warrants	50,000	50,000		7,000	29,093
Total shares	67,200	67,200		7,924	32,933

	BSA JMS PC06	BSA LF06	BSA SG06	BSA SO06	BSA EP07
Subscription price	0.0001	0.0001	0.0001	0.0001	0.0001
Exercice price	15.28	15.28	15.28	15.28	15.28
Deadline	06/11/2012	05/19/2012	05/16/2012	05/19/2012	01/01/2013
Parity	1.132	1.132	1.132	1.132	1.132
Balance at December 31, 2009	64,000	29,093	31,451	7,000	29,093
Attributed during the year	-	-	-	-	-
Exercised during the year	-	-	-	-	-
Expired or non-exercisable during the year	-	-	-	-	-
Total stock warrants	64,000	29,093	31,451	7,000	29,093
Total shares	72,448	32,933	35,603	7,924	32,933

	BSA LF07	BSA SO07	BSA SG07	BSA JMS PC 800M	BSA PC 880 M 2008
Subscription price	0.0001	0.0001	0.0001	0.0001	0.0001
Exercice price	15.28	15.28	15.28	12.17	15.64
Deadline	01/01/2013	01/01/2013	01/01/2013	12/31/2012	12/31/2012
Parity	1.132	1.132	1.132	1.132	1.132
Balance at December 31, 2009	29,093	29,093	31,451	80,460	37,093
Attributed during the year	-	-	-	-	-
Exercised during the year	-	-	-	-	-
Expired or non-exercisable during the year	-	-	-	-	-
Total stock warrants	29,093	29,093	31,451	80,460	37,093
Total shares	32,933	32,933	35,603	91,081	41,989

	BSA GE1	BSA GE2	BSA EP 08	BSA LF 08	BSA SG 08
Subscription price	0.0010	0.0010	0.0001	0.0001	0.0001
Exercice price	16.50	17.50	12.95	12.95	12.95
Deadline	01/03/2011	01/02/2012	07/02/2013	07/02/2013	07/02/2013
Parity	1.132	1.132	1.132	1.132	1.132
Balance at December 31, 2009	1,500,000	1,500,000	29,093	29,093	31,451
Attributed during the year	-	-	-	-	-
Exercised during the year	-	-	-	-	-
Expired or non-exercisable during the year	-	-	-	-	31 451
Total stock warrants	1,500,000	1,500,000	29,093	29,093	
Total shares	1,698,000	1,698,000	32,933	32,933	

	BSA SO 08
Subscription price	0.0001
Exercice price	12.95
Deadline	07/02/2013
Parity	1.132
Balance at December 31, 2009	29,093
Attributed during the year	-
Exercised during the year	-
Expired or non-exercisable during the year	29 093
Total stock warrants	
Total shares	

List of stock warrant beneficiaries:

- company controlled by George Hersbach, director of the Company
- company shareholder of Thenergo controlled by Deny Ringoot, who also works for Thenergo
- former Chairman and CEO of the Company
- former director of the Company
- former shareholder of the Company

No stock warrants were exercised during 2010.

Following the capital increase and the resulting dilution, the parity of the outstanding stock warrants was modified. It was 1.132 as of 12/31/2010.

22.2 Free shares

Free shares were awarded on the following dates:

	Allocation of shares	Shares created (new shares)	Cancellation	Renunciation	Shares remaining to be created on closing
In 2005	**16,000**	**16,000**	**-**	**-**	**-**
10/13/2006	407,500	407,500			
In 2006	**407,500**	**407,500**	**-**	**-**	**-**
2/6/2007	175,215	175,215			
In 2007	**175,215**	**175,215**	**-**	**-**	**-**
1/8/2008	100,000	100,000			-
1/30/2008	313,500	313,500			
In 2008	**413,500**	**413,500**	**-**	**-**	**-**
2/11/2009	44,407				44,407
6/11/2009	199,426			(199,426)	-
12/17/2009	1,413,278		(60,000)	(998,278)	355,000
In 2009	**1,657,111**		**(60,000)**	**(1,197,704)**	**399,407**
2/22/2010	210,000		(30,000)		180,000
In 2010	**210,000**		**(30,000)**		**180,000**
Total	**2,879,326**	**1,012,215**	**(90,000)**	**(1,197,704)**	**579,407**

The allocations of free shares are valued taking into consideration the price on their allocation date (€3.07 for 2010 allocations).

The shares allotted in February and December 2009 will be fully vested at the end of a vesting period of two years from the date of the allotment (assuming employment in the company). Moreover, the shares granted in December 2009 are also subject to attendance and performance criteria (internal indicators).

The shares granted under condition of attendance (two years) to two employees who left the Group during 2010 have been cancelled. There was no reason to acknowledge the expense related to these 90,000 shares under the provisions of IFRS 2.

Following negotiations between the Group and former executives (dismissed on February 9, 2010), the latter have waived their rights to any final allocation of the 1,197,704 free shares granted during 2009.

As a result, at the end of the year, there remain 579,407 shares to create, which correspond to the 2009 and 2010 allocations.

The expense of € (1,026) K recognized for the year represents:

- shares granted in 2009: € (473) K
- shares granted in 2010: € (553) K

The estimated charge based on the criteria of presence and performance of € (409) K has yet to be recognized.

22.3 Stock options

After receiving input from the Nominations and Remuneration Committee, on December 1, 2010, the Board of Directors decided to allocate 1,500,000 stock options to Fady Khallouf in his capacity as Chief Executive Officer, subject to conditions of performance. These options may be exercised at the lower of the two following levels: €1.40 or the mathematically average weighted share price calculated over the 20 trading days preceding the Board of Directors meeting granting these options.

Performance conditions are based on changes in the trading price of the THEOLIA share, i.e.:

- 100,000 (approximately 6.67%) will become exercisable if the arithmetic mean of the weighted average prices calculated for 20 consecutive trading days is equal to or greater than €1.80;
- 300,000 (20%) will become exercisable if the arithmetic mean of the weighted average prices calculated for 20 consecutive trading days is equal to or greater than €2.50;

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

In the event that the Chief Executive Officer of the Company should cease to hold his or her office, for whatever reason, the following principles will apply:

- if termination occurs before the end of the tax unavailability period (for each option, a lockup period of four years from the grant date pursuant to Article 163 bis C of the French General Tax Code), the stock options shall:
  - automatically become exercisable from the date of termination, subject to and for the amount of the achievement of conditions of performance on the exercise date, and
  - remain exercisable until the end of a period of three months from the date of publication of the first annual or semi-annual consolidated financial statements following the date of termination, which is when stock options will become automatically null and void, and
- if termination occurs after the end of the tax unavailability period, the stock options shall remain exercisable:
  - after the date of termination, subject to and for the amount of the achievement of conditions of performance on the exercise date;
  - until the end of a period of three months from the date of publication of the first annual or semi-annual consolidated financial statements following the date of termination, which is when stock options will become automatically null and void;

Finally, 50% of the shares from the exercise of stock options will be retained by the Chief Executive Officer and recorded as registered shares for the remainder of his or her term.

With respect to all the terms outlined above, the valuation has been made by a trinomial method (mathematical probability model based on an outline relying on restrictive assumptions). The working assumptions are presented below:

• grant date	December 1, 2010
• acquisition period	5 years
• definitive acquisition date	December 1, 2015
• conservation period (shares unable to be sold)	2 years
• share price at attribution	€1.16
• expected dividend rate	0%
• exercise price	€1.24
• risk free rate	1.60%
• illiquidity cost and assumed approach	€57 K
• fair value of plan (not incl. illiquidity cost)	€416.2 K

The value of the stock options by "tranche", before illiquidity discount of the shares issued upon exercise, is presented below:

• value of tranche >€5	€108.5 K;
• value of tranche >€3.5	€86.8 K;
• value of tranche >€3	€70.5 K;
• value of tranche >€2.5	€105.7 K;
• value of tranche >€1.8	€44.7 K.

Overall the total is €416.2 K and €351.1 K after discount. This expense is spread out on a pro rata basis over the life of the plan. No charge has been recorded in the accounts closed as of December 31, 2010 due to its insignificant nature.

23.1 Change in financial debt

(in thousands of €)	Borrowings from credit institutions	Convertible bond	Bank overdrafts and equivalent	Other financial liabilities	**TOTAL**
Values at opening on 1/1/2010	**267,211**	**218,729**	**7**	**4,534**	**490,481**
Increase	42,840	134,805	-	6,201	**183,846**
Repayment	(51,027)	(236,028)	71	(69)	**(287,053)**
Change in scope - Business combinations	6,465	-	-	2,403	**8,868**
Change in scope - Deconsolidation	(43,671)	-	(4)	(831)	**(44,506)**
Conversion losses/gains	65	-	-	-	**65**
Other changes	240	-	(2)	(3,832)	**(3,594)**
Financial debt	**222,123**	**117,506**	**72**	**8,406**	**348,107**

As of December 31, 2010, financial debt represents €348,107 K, a decrease of €142,374 K compared to December 31, 2009.

This variation is related to the following events:

Bank loans

- increase related to the establishment of new financing for a wind farm project in Italy and Germany: +€39,840 K (net of refinancing transactions) ;
- repayments of debt corresponding to:
  - repayment of principal on wind farms in operation (France, Germany, Italy, Morocco) for €(17,281) K,
  - repayment of corporate credit lines in Germany for €(16,896) K,
  - repayment of financing as part of asset trading activities in Germany for €(6,324) K,
  - repayment of pre-financing of turbines for €(7,526) K;
- others: €305 K
- change in the scope of consolidation € (37,206) K

It is noted that as of December 31, 2010, the Group does not have available corporate credit lines that have not been drawn down.

Convertible bond

(in thousands of €)

Change in bond debt	Increase	Decrease
OCEANE before restructuring		
Accrued interest	2,198	(4,800)
Interest in addition to EIR	5,804	
Partial repayment		(18,698)
Derecognition		(201,035)
OCEANE after restructuring		
Re-recognition	120,346	
Accrued interest	2,395	
Interest in addition to EIR	4,062	
Conversions		(11,495)
TOTAL	**134,805**	**(236,028)**

- Other financial liabilities

The change in other financial liabilities is due to:

- the negative change in interest rate hedging instruments established for French and Italian wind farms for €(1,637) K;
- the impact of the change in consolidation method (proportional integration) on the share of the current account transferred to the minority investor borne by Aerochetto for €2,293 K.

23.2 Restructuring of the OCEANE

The financial restructuring ("restructuring") of the bond issue begun in 2009 was completed during the year. It resulted in:

- the modification of the terms of the OCEANE issue agreement;
- the carrying out of a capital increase reserved for existing shareholders for €60,463,059 by issuing 60,463,059 new shares worth €1 each; and
- the partial repayment of the nominal value of the loan amounting to €20,423 K.

The accounting approach used for the restructuring concerns the debt remaining after the partial repayment due at the end of the capital increase.

Regarding the impact of the restructuring on Group accounting aggregates, the international accounting standards that provide the framework for the consolidated financial statements of the Group do not provide the specific case that may apply to THEOLIA, namely a case of renegotiation on a compound instrument. The Company therefore refers to the principles of derecognition of financial liabilities as defined in the provisions on trade in non-convertible debt (IAS 39).

In accordance with IAS 39.40, the renegotiation of debt causing a substantial change in the agreement is similar to an extinguishment of debt. The Company believes that this rule applies to the restructuring, in view of the materiality of the changes made to the OCEANE issue agreement in the context of the restructuring. In particular, changing the maturity of the instrument, changing the date and the exercise value of the ability to repay, early redemption at the option of the holders, and changing the share allocation ratio significantly change the terms of the OCEANEs. In addition, the Company conducted the 10% test relative to the change in cash flow before and after renegotiation as provided by IAS 39. AG62 "pursuant to paragraph 40", and this test confirms that there is substantial change whatever the amount of gross proceeds of the capital increase may be. The Company has therefore proceeded with the derecognition of the convertible debt, both to treat early partial repayment and to modify of the terms of the OCEANE issue agreement.

Consequently, the impact of the restructuring on net income, the level of debt and Group equity may be broken down from an accounting standpoint into three steps that take place concurrently on the settlement date of the capital increase:

- early and partial repayment of the nominal amount of the OCEANEs;
- derecognition of the debt for the OCEANEs with existing terms; and
- recognition of debt for the OCEANEs with modified terms.

The restructuring costs are recorded as an expense because:

- no fees may be directly allocated to the capital increase transaction,
- the transaction led to the derecognition of existing convertible debt in its entirety (as a result of the partial early payment and because of the restructuring of the remaining part), fees and commissions paid relating to the restructuring of the OCEANEs will be recognized as an expense for the year by analogy with IAS 39-AG62.

Partial early repayment of the nominal amount of the OCEANEs

The early repayment of part of the nominal amount of the OCEANEs leads to the derecognition of the corresponding debt and the recognition of derecognition income to the extent that there is a difference between the amount repaid and the book value of the debt repaid at the completion date of the capital increase.

Moreover, partial and early repayment implies a reduction in cash equal to the amount paid and a reduction in balance sheet debt in the amount of the share of the amount repaid.

Derecognition of debt under the OCEANEs with their current terms

The amount of debt under the OCEANEs remaining in the balance sheet after the partial early repayment of the nominal amount is derecognized as a result of the change in the OCEANE agreement as described in paragraph 9.1.4 of the 2009 Reference Document.

This derecognition is made on the basis of the market value of OCEANE as of the completion date of the capital increase. There shall be an allocation of the market value of the OCEANE after partial repayment (reasoning by analogy with a buyback on the market) between debt and equity components based on market parameters existing at the date of derecognition (THEOLIA credit margin and prevailing market rates).

The impact on income and equity is then deducted by comparing the value of the debt component as recorded in the financial statements with the redemption value of the debt component (earnings impact) and the value of the equity component as recorded in the financial statements with the redemption value of the equity component (equity impact).

Recognition of debt relief for OCEANEs with modified terms

In accordance with IAS39.40, a new convertible instrument is recorded, giving rise to a new effective interest rate. The OCEANEs, with their new conditions, are recorded on the database market prevailing at the date of derecognition (debt ratio for THEOLIA same maturity as the new instrument and a non-convertible).

The division between the debt and equity components of the OCEANEs with their new conditions is made on the basis of the market value of the derecognized OCEANEs (see previous step) in the absence of a compensation balance paid/received between the counterparties. The debt component equals the current value of new cash flows from future contracts (after restructuring) discounted at the THEOLIA debt rate current at the derecognition date. The “equity” component is determined by deduction (difference between the fair value of the new instrument and the value assigned to the debt component).

The conversions that have occurred since the Restructuring amount to €20,972 K, thus lowering the bond issue at year’s end to €198,605 K. Interest accrued in 2010, which was recorded in an amount of €4,593 K, was paid in early January 2011.

With this financial restructuring, the risk of a request for early repayment by the bondholders no longer exists as of January 1, 2012. The deadline for bondholders to request repayment has been postponed to January 1, 2015.

The table below summarizes the impact of the Restructuring on the financial statements:

(in thousands of €)	Debt	Deferred tax liability	Impact on income	Cash and cash equivalents	Shareholders' equity
OCEANE debt as of July 21, 2010 (excluding accrued interest)	**219,733**	**6,755**	**-**	**-**	**-**
Capital increase	-	-		60,463	60,463
Partial repayment	(18,698)	-	(1,725)	(20,423)	(1,725)
Total derecognition	(201,035)	-	80,689	-	80,689
Costs related to restructuring (excluding capital increases)	-	-	(5,742)	(6,867)	(5,742)
Reversal of deferred tax liability (initial split accounting)	-	(6,755)	-	-	-
OCEANE re-recognition (new conditions)	120,346	33,074	-	-	-
Balance after derecognition	**120,346**	**33,074**	**73,222**	**33,173**	**133,685**

This recognition is demonstrated by a positive effect on earnings of €73,222 K.

The Effective Interest Rate (EIR) for this debt is 13.3%. On this basis, the equity component of the debt is zero. As a result, the whole of the convertible debt is allocated as financial debt.

The final assumptions used to calculate the split accounting are as follows:

- interest rate spread 1,134 bps
- bond price €10.43

The interest timetable based on the debt listed in the balance sheet is detailed below (assumption does not take into account any possible conversions):

year	Interest at rate of 2.70%	Interest at EIR	**additional interest of**
2 010*	2 395	6 457	4 062
2 011	5 362	15 001	9 639
2 012	5 377	16 327	10 950
2 013	5 362	17 737	12 375
2 014	5 362	19 058	13 696
	23 859	**74 580**	**50 721**

** starting July 20, 2010*

23.3 Covenants

Group financing falls into three categories:

- Group corporate debt: OCEANEs (convertible bonds);
- Germany corporate debt: this financing is backed by financial covenants relating in particular to compliance with the borrower's financial structure ratios (financial debt/equity or financial debt/EBITDA);
- project debt: this financing, which is related to the construction of wind farms (France, Germany, Italy, Morocco) is backed by financial covenants relating to compliance with cash flow ratios of Project Support Companies (cash generated from activities/debt servicing) and financial structure (debt/equity).

As of December 31, 2010, the Group had not complied with certain financial covenants required as part of the financing of wind power plant projects located in France:

- for farms operated in France by Centrale Éolienne de Seglien Ar Tri Milin (CESAM) and Centrale Éolienne de Fonds de Fresnes (CEFF), which represent a total bank debt of approximately €17 million, the minimum ratio of debt servicing coverage was not met due to exceptionally weak wind conditions in 2010. This event of default under the terms of the financing documentation was given a waiver granted on March 25, 2011;

- for parks operated in France by the Centrale Éolienne des Sablons (CESA), which represents bank debt of approximately €9.9 million euros, the minimum debt servicing coverage ratio was not met due to exceptionally weak wind conditions in 2010. This event of default under the terms of the financing documentation was given a waiver granted on March 25, 2011;

- for all wind farms in France except Corseol, insurance policies (broken machinery, business interruption and liability) have been optimized and amended without the prior consent of the lenders. The amount of bank debt associated with these projects is approximately €64.7 million. This event of default under the terms of the financing documentation was given a waiver for funding representing approximately €17 million (obtained October 31, 2010). For the balance, the obtaining of waivers is being processed on the basis of expert reports commissioned for banks indicating that the new policies are consistent with the documentation of credit. None of these debts has to date been published in a notice of default;

- for the wind farms operated in France by the Centrale Éolienne de Moulin de Froidure (CEMDF) and Centrale Éolienne de Sallen (CESAL), which represent total bank debt of approximately €23.0 million, the minimum debt servicing coverage ratio was not met due to exceptionally poor wind conditions in 2010. Lenders (Société Générale and GE Corporate Finance Bank at 50% each) were summoned in early January 2011 to waive this Event of Default and amend the documentation to restore the default ratio level in line with the market (1.25x in documentation for market levels of approximately 1.10x). Société Générale stated its agreement to the request for a waiver in terms of a "waiver fee" of 50 bps and satisfactory documentation regarding changes to be made by rider. The Group approved these conditions. On March 25, 2011, GE Corporate Finance Bank announced an additional request for a margin increase of 200 bps versus 100 bps in the current documentation. The Group considers these to be unreasonable terms and informed the lenders. This event of default is therefore not subject to a waiver. In any case, the early repayment of these loans may only be decided by a majority of two thirds of lenders.

The reason for the failures of financial covenants set forth above (except those pertaining to insurance) is based solely on the weak wind conditions during the previous year. These farms operate (maintenance cost, availability) according to projections.

On the date the accounts were produced, none of the project companies of the Group were the subject of an early repayment request due to a default declared by the lenders concerned.

For all cases where a waiver was not obtained before December 31, 2010, there was an accounting declassification to the current portion of liabilities involved in an amount of €41.15 million.

23.4 *Analysis of borrowings by maturity*

(in thousands of €)	< 3 months	> 3 months < 6 months	> 6 months < 9 months	> 9 months < 1 year	- 1 year	> 1 year < 5 years	> 5 years	Total 12/31/2010
Convertible bond	**4,593**	**-**	**-**	**-**	**4,593**	**112,913**	**-**	**117,506**
Revolving credit lines (corporate)	**1,626**	**10,000**	**-**	**-**	**11,626**	**-**	**-**	**11,626**
Project financing:	**58,454**	**2,122**	**7,528**	**2,173**	**70,277**	**66,259**	**73,961**	**210,497**
• France	43,575	384	386	390	44,735	6,868	12,394	*63,997*
• Italy	129	-	66	13	208	18,235	15,920	*34,362*
• Germany	14,749	708	7,076	708	23,242	41,156	45,647	*110,046*
• Morocco	-	1,029	-	1,063	2,092	-	-	*2,092*
Derivative financial instruments (hedging)	**5,956**	**-**	**-**	**-**	**5,956**	**-**	**-**	**5,956**
Overdrafts	**72**	**-**	**-**	**-**	**72**	**-**	**-**	**72**
Other financial debt	**156**	**-**	**-**	**-**	**156**	**2,293**	**-**	**2,449**
Total financial debt	**70,858**	**12,122**	**7,528**	**2,173**	**92,681**	**181,465**	**73,961**	**348,107**

- France 186,709 K€ (54% of overall debt)
- Germany 121,744 K€ (35% of overall debt)
- Italy 37,555 K€ (11% of overall debt)
- Morocco 2,092 K€ (<1% of overall debt)

The current portion of debt amounts to €92,681 K and breaks down primarily as follows:

- €40,151 K of debt related to financing several French wind farm projects that do not comply with certain financial covenants as of December 31, 2010. This accounting reclassification is made pursuant to IAS 1R.69. No lender has so far given notice of an early repayment of debt. The lenders have even renounced this right by waiver;
- €9,600 K of debt related to the financing of two wind farm projects in Germany, one being refinanced and the other in the process of being sold on December 31 and sold since then;
- €20,526 K corresponding to the current portion of long-term project debt;
- €11,626 K of corporate financing of THEOLIA Naturenergien activity;
- €4,593 K of Interest on OCEANEs payable in January 2011;
- €5,956 K for the fair value of interest rate hedging instruments.

23.5 *Analysis of loan disbursements by maturity (principal + interest)*

The table below shows financial debt according to the projected disbursement schedule (principal and interest) in the short term and medium/long term. The convertible bond issue is presented here based on projected disbursements according to the new OCEANE terms, assuming that no conversion takes place.

The yield curve at December 31, 2010 was used to calculate future interest. The debt presented below takes into account the obtaining of the waivers from the closing date to the financial statement preparation date.

(in thousands of €)	- 1 year	> 1 year < 5 years	> 5 years	Total 12/31/2010
Convertible bond	**4,593**	**181,036**	**-**	**185,629**
Revolving credit lines (corporate)	**11,824**	**-**	**-**	**11,824**
Project financing:	**77,881**	**88,108**	**115,253**	**281,241**
. France	46,180	14,371	19,275	*79,826*
. Italy	2,150	19,729	38,990	*60,868*
. Germany	27,357	54,007	56,988	*138,353*
. Morocco	2,194	-	-	*2,194*
Derivative financial instruments (hedging)	**2,195**	**3,508**	**115**	**5,818**
Overdrafts	**72**	**-**	**-**	**72**
Other financial debt	**156**	**2,293**	**-**	**2,449**
Total financial debt	**96,721**	**274,945**	**115,368**	**487,034**

The debt by current maturity is €96,721 K, of which €4,593 K is interest on the OCEANE payable in January 2011 and €11,824 K of Corporate Debt in Germany.

23.6 Analysis by type of rate

(in thousands of €)	12/31/2010	12/31/2009
. Fixed rate	**229,314**	**360,439**
. Variable rate	**118,793**	**130,042**
Total debt	**348,107**	**490,481**

Fixed rate borrowings concern for €117,506 K of the convertible bond issue recognized in the financial statements of the Group's parent company. The balance is for loans related to projects.

The variable rate borrowings concern for €10,000 K the corporate financing in Germany and project financing for the balance. These are backed by hedging instruments at 80% to 100%.

23.7 Derivatives

The Group's derivative financial instruments concern solely interest rate risk hedging tools (swaps, caps) and have as underlying assets variable rate borrowings (corporate or project). These derivatives are recognized at fair value as of December 31, 2010. Changes in fair value are recognized in the income statement.

The valuation of liability derivative financial instruments as of December 31, 2010 amounted to €5,956 K, an increase of €1,637 K compared to December 31, 2009.

23. Information on the fair value of financial instruments

The table below shows the book value on the balance sheet of assets and liabilities by accounting category defined in accordance with IAS 39, as well as their fair value.

12/31/2010	Accounting categories					Fair value		
(in thousands of €)	Assets (Liabilities) valued at fair value through profit and loss	Assets available for sale	Loans and borrowings	Liabilities at amortized cost	**Total of the net book value on the balance sheet**	Listed price	Internal model with measurable parameters	Internal model with non-measurable parameters
Unconsolidated equity interests		700			**700**			
Other non-current financial assets			9,899		**9,899**			
Deposits and guarantees			417		**417**			
Non-current financial assets	**-**	**700**	**10,316**	**-**	**11,016**	**-**	**-**	**-**
Trade receivables			30,834		**30,834**			
Financial current accounts - assets					**-**			
Cash equivalents	64,977				**64,977**	64,977		
Cash and cash equivalents			45,455		**45,455**			
Current share of financial assets			106		**106**			
Current financial assets	**64,977**	**-**	**76,395**	**-**	**141,372**	**64,977**	**-**	**-**
Total assets	**64,977**	**700**	**86,711**	**-**	**152,388**	**64,977**	**-**	**-**
Bond				112,913	**112,913**			
Other bank borrowings and financial debts				142,511	**142,511**			
Borrowings related to restatements of financial leases								
Non-current financial debts	**-**	**-**	**-**	**255,424**	**255,424**	**-**	**-**	**-**
Derivative instruments - liabilities	5,956				**5,956**		5,956	
Bond				4,593	**4,593**			
Other bank borrowings and financial debts				81,904	**81,904**			
Supplier liabilities				23,344	**23,344**			
Other current financial liabilities				11,955	**11,955**			
Financial current accounts - liabilities				158	**158**			
Bank overdrafts				72	**72**			
Current financial liabilities	**5,956**	**-**	**-**	**122,026**	**127,982**	**-**	**5,956**	**-**
Total liabilities	**5,956**	**-**	**-**	**377,450**	**383,406**	**-**	**5,956**	**-**

12/31/2009	Accounting categories					Fair value			
(in thousands of €)	Assets (Liabilities) valued at fair value through profit and loss	Assets available for sale	Loans and borrowings	Liabilities at amortized cost	**Total of the net book value on the balance sheet**	Listed price	Internal model with measurable parameters	Internal model with non-measurable parameters	
Unconsolidated equity interests		927			**927**				**927**
Other non-current financial assets			8,529		**8,529**				**8,529**
Deposits and guarantees			411		**411**				**411**
Non-current financial assets	**-**	**927**	**8,940**	**-**	**9,867**	**-**	**-**	**-**	**9,867**
Derivative instruments - assets									**-**
Trade receivables			32,492		**32,492**				**32,492**
Financial current accounts - assets									
Cash equivalents	25,503				**25,503**	25,503			**25,503**
Cash and cash equivalents			68,684		**68,684**				**68,684**
Current share of financial assets			236		**236**				**236**
Current financial assets	**25,503**		**110,412**	**-**	**126,915**	**25,503**		**-**	**126,915**
Total assets	**25,503**	**927**	**110,352**	**-**	**136,782**	**25,503**			**136,782**
									-
Bond				213,929	**213,929**				**213,929**
Other bank borrowings and financial debts				152,250	**152,250**				**152,250**
Borrowings related to restatements of financial leases				-	**-**		-		**-**
Non-current financial debts	**-**	**-**	**-**	**366,179**	**366,179**	**-**	**-**	**-**	**366,179**
Derivative instruments - liabilities	4,318				**4,318**		4,318		**4,318**
Bond				4,800	**4,800**				**4,800**
Other bank borrowings and financial debts				114,961	**114,961**				**114,961**
Supplier liabilities				25,482	**25,482**				**25,482**
Other current financial liabilities				15,803	**15,803**				**15,803**
Financial current accounts - liabilities				151	**151**				**151**
Bank overdrafts				7	**7**				**7**
Current financial liabilities	**4,318**	**-**	**-**	**161,204**	**165,522**	**-**	**4,318**	**-**	**165,522**
Total liabilities	**4,318**	**-**	**-**	**527,383**	**531,701**	**25,503**	**4,318**	**-**	**531,701**

24. Management of risk related to financial instruments

25.1 Credit risk

Credit risk corresponds to the risk of default of a financial asset.

As part of its activities of electricity production using wind power, the Group sells the electricity it produces to distributors (such as EDF in France), usually via long term contracts (of 15 years or more). Although the Group considers that the risk of loss or insolvency of one of those retail customers is limited because most historic distributors are solidly established, the occurrence of such an event could have a material adverse effect on the business, financial position or results of the Group, or its ability to achieve its objectives.

As part of its sales activity for wind farms in operation, the Group has an expanded customer base composed of private or public, individual, industrial or financial purchasers. The Group is careful not to create or maintain dependence with regard to any one of them. This allows it to identify and better manage the exposure inherent in this activity. The sale of a farm may also be subject to a condition precedent of obtaining financing by the purchaser or keeping the funding in place.

The Group's main customers are purchasers of electricity generated by the Group in France, Germany, Italy and Morocco as well as purchasers of wind farms.

25.2 Liquidity risk

Liquidity risk corresponds to the Group's commitments to repay corporate debt (OCEANE and line of credit in Germany) and finance future needs (projects arising from development activity and general Group needs).

Liquidity risk is the risk that the Group might not be able to meet its obligations in time or under normal conditions. The Group's Finance Department is responsible for liquidity, financing and management of due dates. The Group manages the liquidity risk on a consolidated basis depending on operating needs.

The details of its debts are presented in Note 23. Some loan agreements contain clauses for early repayment in case of non-compliance with financial covenants (see Note 23)

Group financing falls into 3 categories:

- Group corporate debt: this corresponds to the OCEANE convertible bond issue, which includes maintaining control and listing the security (on the Euronext Eurolist market) of THEOLIA SA;
- Germany corporate debt: this type of financing is backed by financial covenants relating to compliance with the borrower's financial structuring ratios (financial debt/equity or financial debt/EBITDA);
- Project debt: financing related to the construction of wind farms (France, Germany, Italy, Morocco) is backed by financial covenants related to compliance with particular cash flow ratios (cash generated from operations/debt service) and financial structure (debt/equity).

Information on adherence to banking commitments as of December 31, 2010 appears in Note 23.

25.3 Foreign exchange risk

The Group has very little exposure to date to currency risk since the majority of its operations are conducted in the Euro zone (France, Germany and Italy in particular). Nevertheless, the Group is developing and making investments in some countries which entail it being exposed to a foreign exchange risk (Morocco, India and Brazil).

As of December 31, 2010, this risk is very low. It is partly controlled by managing expenditures and revenues in the currency of the relevant entity.

To date the Group's sensitivity to foreign exchange risk is insignificant and does not require the establishment of hedges for this risk.

As of December 31, 2010:

- 5.18%of assets were denominated in currencies other than the Euro;
- less than 1% of financial debt was denominated in currencies other than the Euro;
- 3.83% of revenue was denominated in currencies other than the Euro.

25.4 Interest rate risk and margin

The financing for wind projects implemented by the Group entails significant debt (of around 70 % to 90%) at both fixed and variable rates. A significant rise in interest rates and/or bank margins could have an impact on the profitability of the Group's future projects and/or the development of its wind portfolio.

To reduce the interest rate risk for the loan agreements in progress, the Group is implementing a policy of hedging interest rate risks with interest rate swaps. From an economic point of view, the implementation of these rate swaps allows variable rate loans to be converted into fixed rate loans and offer protection against a fluctuation in the amount of interest to be paid. In general, banks require hedging for 80 to 100% of the amount of financing over their lifetime.

In case of a positive variation of 1% in the interest rates, the financial expense related to the loans not covered would increase €513 K and be distributed as follows:

- loans France +€55 K
- loans Germany +€349 K
- loans Italy +€109 K

In order to limit the risk associated with bank margins, the Group pursues an active policy of managing its existing debt and organizes, for the establishment of new financing, competitions between various banks.

25. Deferred taxes

26.1 *Proof of taxes*

Name (in thousands of €)	**12/31/2010**	**12/31/2009**
Net consolidated income	**4,993**	**(25,176)**
Tax expense recognized	4,490	(2,520)
Equity-accounted companies share in net income	180	13,470
Taxes related to discontinued activities	(115)	(259)
Net consolidated income before tax	**9,548**	**(14,485)**
Applicable assumed tax rate	33,33%	33,33%
Assumed tax expense	(3,182)	4,828
Tax expense recognized (including discontinued activities)	(4,375)	2,779
Tax difference	**(1,192)**	**(2,049)**
Items of comparison:		
Permanent differences	213	(2,480)
Free shares (IFRS 2)	(342)	(313)
Dilution profit/Deconsolidation income	-	4,654
Tax credits	165	73
Withholding tax	(331)	-
Rate difference France /Foreign	(3,463)	30
Impairment	(3,669)	(811)
IDA impairment & and non-activated tax losses	6,750	(3,340)
Other	(516)	138
Total	**(1,192)**	**(2,049)**

26.2 Type of deferred assets

Assets

(in thousands of €)	12/31/2010	12/31/2009
Intangible assets	261	261
Property, plant & equipment	2,107	591
Eliminations of internal margins	1,250	1,331
Eliminations of internal disposals	3,129	3,129
Derogatory depreciation	(167)	-
Provisions for retirement commitments	30	21
Financial instruments	1,943	1,682
Deferred tax on losses	41,070	26,765
Other assets	4,391	1,034
Deferred tax asset/liability compensation	(23,867)	(26,671)
Total	**30,144**	**8,140**

Liabilities

(in thousands of €)	12/31/2010	12/31/2009
Intangible assets	13,552	11,654
Property, plant & equipment	7,121	11,327
Eliminations of internal margins	19	-
-Derogatory depreciation	15,998	17,338
Adjustment for amortization duration	2,803	645
Financial instruments	28,821	8,958
Other liabilities	(1,325)	(1,076)
Deferred tax asset/liability compensation	(23,867)	(26,671)
Total	**43,122**	**22,175**

26.3 Change in deferred taxes

(in thousands of €)	Deferred tax assets	Deferred tax liabilities	Net deferred tax
Opening	**8,140**	**22,175**	**(14,035)**
Expenses/Income	19,274	22,614	(3,340)
Change in scope	(334)	(1,912)	1,578
Impact on reserves	3,052	245	2,807
Conversion losses/gains	13	-	13
Closing	**30,145**	**43,122**	**(12,977)**

26.4 Use of losses

(in thousands of €)	12/31/2009	New losses created	Other (of which impairment)	12/31/2010
Deferred tax actionable on losses	26,765	9,274	5,362	41,070
Unrecognized deferred tax	**26,765**	**9,274**	**5,362**	**41,070**

26.5 Tax assets not recognized

(in thousands of €)	31/12/2010	31/12/2009
No limit		(25,438)
Total	**-**	**(25,438)**

26. Provisions for employee benefits

27.1 Principal actuarial hypotheses

	12/31/2010	12/31/2009
Discount rate	4.68%	5.09%
Changes in Executive salaries	1.00%	1.00%
Changes in Non-executive salaries	1.00%	1.00%
Mortality table	INSEE 2009	INSEE 2008
Age of departure	65	65

It should be noted that actuarial differences are immaterial.

27.2 Components of the expense for the period

(in thousands of €)	12/31/2010	12/31/2009
Retirement expenses	53	22

27.3 Change in the provision

(in thousands of €)	12/31/2010	12/31/2009
Provision at opening	79	61
Annual expense	53	22
Reclassification of discontinued activity	-	(1)
Provision at closing	**129**	**79**

27. Other provisions

(in thousands of €)	Provision for litigation	Provisions for subsidiaries' risks	Other provisions	TOTAL
Values at opening on 1/1/2010	**2,198**	**9,629**	**2,611**	**14,438**
Increases	2,074	597	5,694	8,365
Reversals	(430)	(2,560)	(949)	(3,939)
Business combinations	-	-	(5)	(5)
Conversion losses/gains	1	-	11	12
Other changes	-	-	42	42
Values at closing at 12/31/2010	**3,843**	**7,666**	**7,404**	**18,913**
of which current part		597		597
of which non-current part	3,843	7,069	7,404	18,316

The Group is dealing with a number of disputes provisioned in the amount of €2,198 K as of the end of the year. During 2010, the allocations to provisions for disputes rose by €1,645 K and are mainly for:

- disputes related to non-wind activity (France) €832 K
- disputes over contracts at THEOLIA Naturenergien €987 K

THEOLIA recorded a provision during the year for an amount of €249 K corresponding to the contentious relationship with the Brazilian provider SOWITEC. The amount shown on the closing balance sheet corresponds to 50% of claims.

In the case of the dispute between THEOLIA the previous manager of the company Windream One, no significant event can be reported. For this reason, the Company continued the litigation provision of 354 K €.

Other litigation provisions of €208 K already on the opening balance sheet of THEOLIA were maintained. They correspond to various litigations regarding corporate law initiated against the Company. Two cases following layoffs are currently underway.

Provisions for risks on subsidiaries are listed below:

- that portion accounted for by the equity method of the Spanish company Asset Electrica, for €3,595 K;
- the risks on the current assets related to discontinued operations, for €3,474 K. This provision, which was created in 2009, has been reduced at the end of 2010 to €2,560 K to maintain the net assets of companies classified according to IFRS 5 in line with the expected resale value.

It is further stated that due to negative equity, the share of the company Asset Electrica accounted for by the equity method is also negative. In order not to note a negative value in investments in associates an equivalent provision was recorded since the group is committed to bridging the difference in value.

Other provisions, amounting to €7,402 K, rose sharply during the year. They break down as follows:

- in Germany, a provision of €4,700 K for future losses on some wind farm management agreements for third parties was created. Indeed, the analysis conducted by the Group showed that the level of production of the farms in question will most probably not be in line with the level of guaranteed income on these agreements. This provision will be repeated each year until the end of the term of the agreements in question to offset the negative margin;
- in France, the provision for non-recovery of tax the credit for investment, amounting to €1,411K, remains unchanged.

Other information

28. Related parties

29.1 Transactions with associated companies

Transactions with associated companies concern transactions with companies in which the Group exercises significant influence and which are accounted.
Transactions with associated companies are conducted based on the market price.

29.2 Transactions between the Group and directors

(in thousands of €)	**12/31/2010**	**12/31/2009**
Operating income		45,951
Operating expenses	900	(55)
	900	**45,896**

(in thousands of €)	**12/31/2010**	**12/31/2009**
Trade receivables		2,601
Operating losses		(1,164)
	-	**1,437**

Georgius Hersbach, Director of THEOLIA, signed a consulting services agreement under the terms of which the company Heartstream Corporate Finance BV offers consulting services in connection with Group's sale of a wind farm in Germany (expense of €900K in 2010). The remuneration terms were as follows: satisfactory performance bonus of 1.25% of the value of the wind farm sold. This contract expired on July 1, 2010.

Transactions for the year 2009 include transactions completed during the year with FC Holding of which Willi Balz was an executive. Willi Balz was a director of THEOLIA until October 20, 2009 (when his resignation was accepted).

Operating profit generated with FC Holding, in the amount of €42,177 K, was made in the ordinary course of the sale of wind farms in Germany and prior to the appointment of Willi Balz as a director of THEOLIA SA by the General Assembly meeting on June 11, 2009.

Prior to his appointment as director, Marc van't Noordende had a services agreement whereby Longview Management Services provided managerial transition services in the amount of €195 K for 2008 and €275 K for 2009. The contract expired on April 30, 2009.

29.3 Transactions between the Group and subsidiary directors

The Group granted to François Bouffard, Arnaud Guyot, and Cedric Saulnier de Saint Jouan, who held positions as Executive Vice Presidents within the Ventura Group subsidiary, a security (signed by THEOLIA France and THEOLIA SA) on September 16, 2009 until January 31, 2012 as guarantee for the amounts due to VOL-V for a total of €966 K.

29.4 Executive compensation

The compensation of executives with a technical function within the Company is broken down below.

(in thousands of €)	**12/31/2010**	**12/31/2009**
Salaries and wages	917	581
Share-based payments	553	676
Directors' fees	391	400
Other compensation	818	280
	2,679	**1,937**

The amount of directors' fees paid to members of the THEOLIA Board of Directors amounted to €391 K, as compared with €400 K in 2009.

The Group recorded an expense in 2010 related to share-based payments of €553 K of bonus shares to the corporate officers of THEOLIA SA.

Other compensation in 2010 included non-recurring expenses incurred in the first half and in 2009 the remuneration paid to the CEO as part of interim management.

29. Commitments

Potential commitments and liabilities

As part of its development/construction of wind farms, the Group generally establishes a subsidiary in each country where it is present. Where the Group is developing a wind project in a country, the relevant subsidiary is a Special purpose vehicle (SPV), which holds the assets and liabilities specific to the project. This subsidiary is the main project finance debtor. These hosting entities may be direct subsidiaries of the Company in certain jurisdictions, or indirect subsidiaries owned through intermediary holdings.

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

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

These off-balance sheet commitments include:

- letters of credit to guarantee working capital for subsidiaries;
- guarantees for suppliers of wind turbines;
- guarantees related to financing of subsidiaries developing wind projects;
- guarantees for repayment obligations of the purchase price to the customers;
- letters of comfort given to subsidiaries; and
- other commitments (direct agreements, etc.).

In addition, in some cases, non-consolidated entities may also supply credit, liquidity or other forms of support to the Group given the market risks which also constitute off-balance sheet commitments

The tables below offer a description of off-balance sheet commitments related to the scope of the consolidated Group, finance and operational activities of the Company and its subsidiaries as of December 31, 2010.

Off balance sheet commitments related to the scope of the Consolidated Group

Commitments given	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	2009 Amount in million €	2010 Amount in million €
Guarantee	Ecoval Technology	BFCC	Security granted in 2005 for an aggregate maximum of €140 K. This security is now blocked in the amount of €111.1 K in the dispute with the Cabries treatment and drinking water plant.	n/a	0.1	**0.1**
TOTAL						**0.1**

Commitments received	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	2009 Amount in million €	2010 Amount in million €
Option to buy back shares sold	Thenergo	THEOLIA SA	On December 24, 2008, THEOLIA SA sold its entire stake in Thenergo (4,716,480 shares) to Hestiun SA for €15 million. THEOLIA retained the option to redeem these shares at the agreed price of 110% of the sale price no later than December 31, 2009 and 120% for the same price no later than December 31, 2010, which option it has not exercised.	December 31, 2010	n/a	**n/a**
TOTAL						**n/a**

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

Commitments given	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	2009 Amount in million €	2010 Amount in million €
Pledging of bank accounts	THEOLIA Naturenergien GmbH	Banks	Pledging with various banks of a certain number of accounts opened on their books with a view to guaranteeing the costs which could arise in connection with dismantling various wind farms in Germany	Variable according to term of loan granted	7.9	**6.9**

Commitments given	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	2009 Amount in million €	2010 Amount in million €
Bank account pledge/ cash collateral agreements	SPVs France	Banks	Pledge to various banks for a certain number of accounts opened in their books	Variable according to term of loan granted	n/a	**3.7**
Pledge of SPV shares	SPVs	Credit institution or third parties (assignees)	Some Group companies – as detailed below – may have to grant pledges on their securities as part of the guarantees given to lenders.	Variable according to term of loan granted	74.7	**63.8**
TOTAL						**74.4**

Guarantees provided for financing of wind farms

The Group companies are required to give guarantees as part of the financing of wind farms by financial institutions or for the dismantling of wind turbines. These guarantees are pledges of shares in companies owning the wind generation projects for the duration of the long-term loan.

The following table presents details of the pledges of assets described above for the Group as of December 31, 2010:

Entity	Start date of pledge	Maturity date of pledge	amount of asset pledged in €K
France			
CEFF	09/13/2005	06/30/2021	61
CESAM	09/13/2005	06/30/2021	680
ROYAL WIND	09/13/2005	06/30/2021	2,492
LEPLA	09/22/2006	04/30/2021	798
CESA	10/12/2006	12/31/2020	30
THEOWATT	06/21/2007	12/31/2023	40
CEPLO	06/21/2007	12/31/2022	184
CEMDF	06/21/2007	12/31/2022	56
CESAL	03/20/2008	12/31/2023	645
Morocco			
La Compagnie Eolienne du Détroit	01/04/2008	12/15/2011	45,385
Italy			
Aerochetto Srl *	12/15/2009	06/30/2025	530
Vibinum Srl	12/24/2010	Variable	7,500
Garbino Eolica Srl (Pergola) *	07/10/2009	07/06/2011**	1,164
Germany			
Dritte Busmann Wind GmbH & Co. Betriebs KG (Ladbergen I) *	06/26/2009	Variable	548
20. UPEG Windpark GmbH (Ladbergen II) *	06/26/2009	Variable	554
19. UPEG Windpark GmbH (Ladbergen III) *	06/26/2009	Variable	555
WP Saerbeck GmbH & Co. KG *	06/26/2009	Variable	2,559
Total Group as of December 31, 2010			**63,781**

* *Pledges made to the assignee and not to the benefit of a financial institution*

** *Pledge extended from June 30, 2010 to July 6, 2011*

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

Commitments given	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	2009 Amount in million €	2010 Amount in million €
Leasing agreement for registered office	THEOLIA SA	La Halte de Saint Pons SAS	Contractual commitment of January 28, 2008 to lease the headquarters for a term of nine years from March 1, 2008 without the option of an early termination.	February 28, 2010	4.4	**2.9**
Liability use guarantees	Some Group companies	Purchasers	As part of the wind farm sales activities, the Group companies in France, Germany and Italy are required to give guarantees of assets and liabilities used for the benefit of purchasers for periods ranging from 18 to 36 months.	Variable (from 18 to 36 months)	n/a	**n/a**
TOTAL						**2.9**

Off-balance sheet commitments received

Commitments received	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	2009 Amount in million €	2010 Amount in million €
Non-compete commitment	THEOLIA SA	THEOLIA SA	Commitment not to compete in the European territory for a period of 3 years made by Jean-Marie Santander as part of his departure from THEOLIA SA	September 29, 2011	n/a	**n/a**
Non-compete commitment	THEOLIA France SAS	THEOLIA France SAS	Commitment not to compete for a period of 3 years made by the Sellers in connection with the acquisition by THEOLIA France SAS of the corporate rights of Ventura SA	September 16, 2012	n/a	**n/a**

Commitments received	Subsidiaries concerned	Beneficiaries	Main characteristics	Duration / Term	2009 Amount in million €	2010 Amount in million €
Non-poaching commitment	THEOLIA France SAS	THEOLIA France SAS	Non-poaching commitment for a period of 5 years granted by the Sellers in connection with the acquisition by THEOLIA France SAS of the corporate rights Ventura SA	September 16, 2014	n/a	**n/a**
Miscellaneous guarantees	Some Group companies	Some Group companies	As part of its operational activities for construction and operations, some Group companies are sometimes granted certain guarantees by some turbine manufacturers covering the proper operation of the farms and by some subcontractors of construction guarantees (down payment) or successful completion.	Variable	n/a	**n/a**
						n/a

30. Potential assets and liabilities

Windreich AG, represented by Willi Balz, began legal action against the Group demanding (i) commissions and (ii) compensation payments, under the terms of the services agreement for the sale of THEOLIA Naturenergien GmbH wind farms.
To date, the Group believes that it should not recognize a provision in response to that legal action.

31. Post-closing events

Securing of financing for the Gargouilles wind farm

At the end of January 2011, THEOLIA established the financing for its wind farm, Gargouilles. Located in the towns of Gommerville, Oysonville and Pussay, in the *Eure et Loire* region in France, this 18.4 MW wind farm entered the construction phase in September 2010. The commissioning is expected at the end of 2011.

Continuation of bond conversions

The Company has acknowledged, in February and March 2011, the conversion of 279,875 OCEANEs, creating 2,418,120 new shares.

Since July 20, 2010, the validity date for the change in the OCEANE terms, 1,381,945 OCEANEs have been converted, creating 11,939,136 new shares.

32. List of Group Companies

Companies	% interest	% control	Method of consolidation	Country	Activity
THEOLIA SA	100.00%	100.00%	Full consolidation	Parent	Holding company
THEOLIA DEUTSCHLAND GMBH	100.00%	100.00%	Full consolidation	Germany	Corporate
THEOLIA DEUTSCHLAND VERWALTUNGS GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
THEOLIA WP VERWALTUNG GMBH	100.00%	100.00%	Full consolidation	Germany	Corporate
WP BETRIEBS GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
THEOLIA WINDPARK 1 MANAGEMENT GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
THEOLIA WINDPARK MANAGEMENT GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
WINDWIN VERWALTUNGS GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
THEOLIA HOLDING Gmbh	100.00%	100.00%	Full consolidation	Germany	Development construction sale
THEOLIA NATURENERGIEN Gmbh	100.00%	100.00%	Full consolidation	Germany	Development construction sale
WP GROSS WARNOW GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Development construction sale
ERNEUERBARE ENERGIE ERNTE VIER GmbH & Co. KG	48.00%	48.00%	Equity method	Germany	Development construction sale
WINDENERGIE COESFELD-LETTE GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Development construction sale
WP TUCHEN RECKENTHIN INVESTITIONS GMBH & CO KG	100.00%	100.00%	Full consolidation	Germany	Wind farm operation
WINDPARK RABENAU GMBH & CO KG	100.00%	100.00%	Full consolidation	Germany	Wind farm operation
WP NOTTULN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Wind farm operation
WP RUHLSDORF GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Wind farm operation
WP MUEHLANGER GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Wind farm operation
DRITTE BUSMANN WIND GmbH & Co. BETRIEBS KG (LADBERGEN I)	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
ZWANZIGSTE (20) UPEG GmbH & Co. KG (LADBERGEN II)	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
NEUNZEHNTE (19) UPEG GmbH & Co. KG (LADBERGEN III)	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP SAERBECK GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP WOLGAST INVESTITIONS GmbH & Co. OHG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
ERNEUERBARE ENERGIE ERNTE ZWEI GmbH & Co. KG	89.60%	80.00%	Full consolidation	Germany	Sale of electricity
FALKENWALD R.E.W. Gmbh & Co. ELF WIND-KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP ZABELSDORF GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP KRIBBE-PREMSLIN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP GROSSVARGULA GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDWIN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
NATURSTROMNETZ FRAUENPRIESSNITZ GMBH & CO KG	43.81%	43.81%	Equity method	Germany	Sale of electricity
WINDHAGEN PROJEKT WALTROP Gmbh & Co.KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDHAGEN PROJEKT KLEIN STEIMKE GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDKRAFTANLAGE NEUSTADT 5 GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
ROTHENKOPF GmbH & Co.KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP KEFENROD Gmbh & Co.KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP WOPPENROTH GmbH & Co.KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
CWP GmbH	52.00%	52.00%	Full consolidation	Germany	Sale of electricity
WINDKRAFT KRUSEMARK GmbH & Co.KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
SOLARKRAFTWERK MERZIG Gmbh & Co. KG	100.00%	100.00%	Full consolidation	Germany	Non-wind activities
ECOLUTIONS GMBH & CO KGaA	35.21%	35.21%	Equity method	Germany	Non-wind activities
THEOLIA PARTICIPATIONS	100.00%	100.00%	Full consolidation	France	Corporate
SAS ROYAL WIND	100.00%	100.00%	Full consolidation	France	Corporate
THEOWATT SAS	100.00%	100.00%	Full consolidation	France	Corporate
SAS TEMPO HOLDING	100.00%	100.00%	Full consolidation	France	Corporate
CENT EOL DE FRUGES LA PALETTE	99.94%	99.94%	Full consolidation	France	Development construction sale
CENT EOL AQUEDUC	100.00%	100.00%	Full consolidation	France	Development construction sale
CENT EOL DE SORBIERE	100.00%	100.00%	Full consolidation	France	Development construction sale
THEOLIA France SAS	100.00%	100.00%	Full consolidation	France	Development construction sale
CENT EOL DES COSTIERES	100.00%	100.00%	Full consolidation	France	Development construction sale

CENT EOL DES GARGOUILLES	100.00%	100.00%	Full consolidation	France	Development construction sale
CENT EOL DE CROIX BOUDETS	100.00%	100.00%	Full consolidation	France	Development construction sale
CENT EOL DU MAGREMONT	100.00%	100.00%	Full consolidation	France	Development construction sale
CENT EOL LES MONTS	100.00%	100.00%	Full consolidation	France	Development construction sale
LES 4E SARL	100.00%	100.00%	Full consolidation	France	Development construction sale
CENT EOL DE CANDADES	100.00%	100.00%	Full consolidation	France	Development construction sale
CENT EOLIENNE DES SOUTETS	100.00%	100.00%	Full consolidation	France	Development construction sale
CENTRALE EOL CHEM DE FER	100.00%	100.00%	Full consolidation	France	Development construction sale
CENTRALE EOL FORET BOULTACH	100.00%	100.00%	Full consolidation	France	Development construction sale
CENT EOL DE COUME (CECOU)	100.00%	100.00%	Full consolidation	France	Development construction sale
CENT EOL DE MOTTENBERG	100.00%	100.00%	Full consolidation	France	Development construction sale
CENT EOL DE DAINVILLE	100.00%	100.00%	Full consolidation	France	Development construction sale
CENT EOL DE DEMANGE	100.00%	100.00%	Full consolidation	France	Development construction sale
SNC BIESLES	100.00%	100.00%	Full consolidation	France	Development construction sale
SNC LES PINS	100.00%	100.00%	Full consolidation	France	Development construction sale
SNC SAINT BLIN	100.00%	100.00%	Full consolidation	France	Development construction sale
SNC L'ARDECHE	100.00%	100.00%	Full consolidation	France	Development construction sale
Centrale éolienne Bois Des Plaines (CEBDP)	100.00%	100.00%	Full consolidation	France	Development construction sale
Centrale éolienne La Haute Borne (CEHAB)	100.00%	100.00%	Full consolidation	France	Development construction sale
CEBRE	100.00%	100.00%	Full consolidation	France	Development construction sale
CENTRALE EOLIENNE LES HAUTS VAUDOIS	100.00%	100.00%	Full consolidation	France	Development construction sale
CENTRALE EOLIENNE DE CHEMIN PERRE	100.00%	100.00%	Full consolidation	France	Development construction sale
CEFF	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DE SEGLIEN AR TRI MILIN	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DES PLOS	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DU MOULIN DE FROIDURE	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DES SABLONS	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DE SALLEN	100.00%	100.00%	Full consolidation	France	Sale of electricity
CORSEOL SA	95.20%	95.20%	Full consolidation	France	Sale of electricity
SNC LES EOLIENNES DU PLATEAU	100.00%	100.00%	Full consolidation	France	Sale of electricity
SNC VESAIGNES	100.00%	100.00%	Full consolidation	France	Sale of electricity
ECOVAL TECHNOLOGY SAS	100.00%	100.00%	Full consolidation	France	Non-wind activities
SERES ENVIRONNEMENT SAS	100.00%	100.00%	Full consolidation	France	Non-wind activities
THERBIO	99.99%	99.99%	Full consolidation	France	Non-wind activities
ECOVAL 30 SA	97.66%	97.67%	Full consolidation	France	Non-wind activities
WINDREAM ONE SARL	100.00%	100.00%	Full consolidation	France	Non-wind activities
SERES ENVIRONNEMENT MAGHREB SA	100.00%	100.00%	Full consolidation	France	Non-wind activities
SERES ENVIRONNEMENT TECHNOLOGY (Beijing) Co Ltd	51.00%	51.00%	Equity method	France	Non-wind activities
MGE Idea Srl	100.00%	100.00%	Full consolidation	Italy	Development construction sale
Maestrale Green Energy Srl	100.00%	100.00%	Full consolidation	Italy	Development construction sale
Maestrale Project Holding SA	50.32%	50.32%	Full consolidation	Italy	Development construction sale
Neo Anemos Srl (Martignano 21 MW)	47.81%	95.00%	Full consolidation	Italy	Development construction sale
MGE Giunchetto Wind Park SA	100.00%	100.00%	Full consolidation	Italy	Development construction sale
Belmonte Green Energy Srl	90.00%	90.00%	Full consolidation	Italy	Development construction sale
GARBINO EOLICA SRL	100.00%	100.00%	Full consolidation	Italy	Development construction sale
Mendicino Green Energy Srl	90.00%	90.00%	Full consolidation	Italy	Development construction sale
COLONNE D ERCOLE SRL	100.00%	100.00%	Full consolidation	Italy	Development construction sale
Aerochetto Srl (Giunchetto 29.75 MW)	51.00%	51.00%	Proportional consolidation	Italy	Sale of electricity
THEOLIA BRASIL	100.00%	100.00%	Full consolidation	Brazil	Development construction sale
THEOLIA IBERICA	100.00%	100.00%	Full consolidation	Spain	Corporate
ASSET ELECTRICA	50.00%	50.00%	Equity method	Spain	Development construction sale
PESSA	100.00%	100.00%	Full consolidation	Spain	Development construction sale
AIOLIKI ENERGEIA CHALKIDIKI AEBE	80.00%	80.00%	Full consolidation	Greece	Development construction sale
AIOLIKI ENERGEIA SITHONIA AEBE	80.00%	80.00%	Full consolidation	Greece	Development construction sale
THEOLIA GREECE	95.00%	95.00%	Full consolidation	Greece	Development construction sale
THEOLIA EMERGING MARKETS	99.99%	99.99%	Full consolidation	Morocco	Corporate

THEOLIA MAROC	100.00%	100.00%	Full consolidation	Morocco	Development construction sale
TANGER MED WIND SA	100.00%	100.00%	Full consolidation	Morocco	Development construction sale
THEOLIA MAROC SERVICES SA	100.00%	100.00%	Full consolidation	Morocco	Development construction sale
CED	100.00%	100.00%	Full consolidation	Morocco	Sale of electricity
THEOLIA SITAC WIND POWER PVT LIMITED (INDIA)	23.88%	23.88%	Equity method	India	Development construction sale
THEOLIA WIND POWER PVT (INDIA)	23.88%	23.88%	Equity method	India	Development construction sale
THEOLIA CEE Gmbh	100.00%	100.00%	Full consolidation	Austria	Development construction sale

Companies removed from the scope of consolidation

Companies	**% interest**	**% control**	**Method of consolidation**	Country	Activity
THEOLIA WINDPARK WERBIG GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDPARK ALSLEBEN I Gmbh & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDPARK NETZBETRIEB Gmbh & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WiWi WINDKRAFT GmbH & Co. WiWo KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP Kreuzbuche Gmbh & Co.KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
SNC DAINVILLE	100.00%	100.00%	Full consolidation	France	Development construction sale
SNC DEMANGE	100.00%	100.00%	Full consolidation	France	Development construction sale
MPH 1 SA	100.00%	100.00%	Full consolidation	Italy	Development construction sale
THEOLIA POLSKA	99.90%	99.90%	Full consolidation	Poland	Development construction sale

Companies added to the scope of consolidation

Companies	**% interest**	**% control**	**Method of consolidation**	Country	Activity
WINDKRAFT ALSLEBEN 2 GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Wind farm operation
Windpark Wotan Vierzehnte Betriebs GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
Windkraft Dietlas GMBH & CO KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDFARM HOXBERG GmbH & Co.KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
VIBINUM SRL	100.00%	100.00%	Full consolidation	Italy	Development construction sale
GIUGGIANELLO SRL	100.00%	100.00%	Full consolidation	Italy	Development construction sale
WIND SERVICES SRL	100.00%	100.00%	Full consolidation	Italy	Development construction sale

Merged companies

Companies	% interest	% control	Method of consolidation	Country	Activity
NEMEAU SAS	99.99%	100.00%	Full consolidation	France	Non-wind activities
CS2M	100.00%	100.00%	Full consolidation	France	Non-wind activities
SAEE	100.00%	100.00%	Full consolidation	France	Non-wind activities
SAPE	100.00%	100.00%	Full consolidation	France	Non-wind activities
Avalon Ltd.	100.00%	100.00%	Full consolidation	Italy	Development construction sale

4.2.7 Statutory Auditors' Report on the consolidated financial statements

To the shareholders,

In accordance with our appointment as Statutory Auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2010 on:

- the audit of the accompanying consolidated financial statements of THEOLIA;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements, based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2010 and of the results of its operations for the year then ended in accordance with IFRSs as adopted in the European Union.

Without qualifying the above opinion, we draw your attention to Note 2 "General accounting principles" to the consolidated financial statements which sets out change in accounting policies resulting from the application, from January 1, 2010, of new standards, amendments and interpretations.

II. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters :

- As indicated in note 2.5 "Intangible assets" of the notes to the consolidated financial statements, the Group recognizes as intangible assets the development costs of the various wind power station projects meeting the requirements of IFRSs as adopted in the European Union. We have examined the activity and profitability forecasts on which the appropriateness of this recognition method is based, the method used for determining their amortization and recoverable amount, and have verified that note 2.5 discloses appropriate information.
- At each year-end, the Group systematically tests its goodwill and assets with an indefinite life for impairment and also determines whether there is an indication of long-lived asset impairment loss, under the methods described in note 2.8 "Impairment" of the notes to the consolidated financial statements. We have examined the methods implemented in this impairment test, and the cash flow forecasts and assumptions used, and have verified that note 2.8 discloses appropriate information.
- At each year-end, the group systematically reviews the receivables recoverable amount and determines whether there is a risk of non recoverability, as described in note 2.11 "Trade and other receivables". On the basis of the information made available to us, our work consisted in assessing the data and assumptions on which the recoverability is based and we have verified that note 2.11 to the consolidated financial statements discloses appropriate information.

- note 2.1 to the consolidated financial statements describes the restatement of comparative information for the year ended December 31, 2009 in accordance with IAS 8 – *Accounting policies, changes in accounting estimates and errors*. We examined the correct restatement of the financial statements and the related disclosures in the notes to the consolidated financial statements for the year ended December 31, 2010.

These assessments were made as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of our unqualified opinion in the first part of this report.

III. Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group Management Report. We have no matters to report regarding its fair presentation and consistency with the consolidated financial statements.

Paris and Marseille, April 28 2011

The statutory auditors

Cabinet Didier Kling & Associés		**Deloitte & Associés**
Didier KLING	Christophe BONTE	Christophe PERRAU

4.3 FISCAL YEAR ENDED DECEMBER 31, 2009

4.3.1 Intangible assets

Upon the acquisition of the company Ventura in the first half 2005, the Group carried out an appraisal of the fair value of the acquired assets and liabilities. On the date of taking control, the Company had construction permits for a total of 272 MW, of which 32 had been accepted and had become final. Based on statistics, the Group had taken into consideration the completion of 72 MW of the 240 MW being developed. The total number of revalued MW was thus equal to 104.

The revaluation recorded amounted to €13,316 thousand with the recognition of a deferred tax liability of €4,505 thousand.

During the previous financial periods, some of these projects have been sold outside of the Group and others commissioned. Following these transactions, the related assets should have been derecognized and had an impact on the results from the disposal of these wind projects, or should have been amortized. This handling error was identified during the work on closing the accounts for the year 2010 and necessitated recording a restatement of the financial statements for the year 2009.

This restatement was conducted in three stages:

- Projects sold prior to 2009: restatement of non-current assets with a counterparty in the opening shareholders' equity;
- Projects sold in 2009: restatement of non-current assets with a counterpart in the income statement;
- Operating projects: recording of amortizations.

Impacts on the statement of the financial position as of December 31, 2009		
Assets		
	Intangible assets	**(8,360)**
Liabilities		
	Opening reserves	(1,457)
	Income	(4,075)
	Deferred tax liabilities	(2,828)
		(8,360)

Impacts on the income statement as of December 31, 2009	
Purchases and changes in inventories	(4,132)
Amortization	(310)
Other non-current income and expenses	(1,716)
Taxes	2,083
	(4,075)

4.3.2 Presentation of revenue

Until December 31, 2009, the production of electricity from wind farms managed for third parties had been recorded as revenue based on the volume produced and delivered over the period. The Group wrongly assumed that it was not acting as an agent in these transactions, especially because the contract for the sale of electricity to the grid operator had been set up between the Group and the end client and did not involve the owner of the asset managed by the Group.

In 2010 an in-depth review of these cases and the contracts between the German subsidiary in question and its clients was carried out by the Group, notably in reference to Section 21 of the notes to IAS 18 added by the IASB in 2009 as part of the annual improvement of IFRS standards. On that basis, the Group has changed its accounting for revenue related to this production from wind farms managed for third parties: sale of electricity for third parties is no longer recorded as revenue for the period, except in some cases where, on account of the contractual relationships, the transaction risks are mainly borne by the Group

In accordance with the provisions of IAS 8, revenue for the year 2009 were thus retrospectively restated.

This change had no impact on the operating results or on net income.

The table below presents the summary of the impacts on the income statement and on the financial position:

	12/31/2009 Published	Restatement of revenue	Restatement of intangible assets	12/31/2009 Restated
Revenue	**328,593**	**(34,213)**		**294,380**
Purchases and changes in inventories	(255,367)	34,213	(4,132)	(225,286)
Amortization	(21,493)		(310)	(21,803)
Current operating income	**27,811**	**-**	**(4,442)**	**23,369**
Other non-current income and expenses	(140)		(1,716)	(1,856)
Operating income before impairment	**27,671**	**-**	**(6,158)**	**21,513**
OPERATING INCOME (after impairment)	**32,180**	**-**	**(6,158)**	**26,022**
Tax expenses	437		2,083	2,520
Consolidated NET INCOME	**(21,101)**	**-**	**(4,075)**	**(25,176)**
Group income	(20,765)		(4,075)	(24,840)
From minority interests	(334)			(335)
Consolidated income per share (in euros)	(0.52)			(0.62)
Consolidated diluted income per share (in euros)	(0.49)			(0.59)

Assets	12/31/2009 Published	Restatement of intangible assets	12/31/2009 Restated
Intangible assets	99,883	(8,360)	91,523
Non-current assets	**520,123**	**(8,360)**	**511,763**
Current assets	**206,574**	**-**	**206,574**
TOTAL ASSETS	**743,769**	**(8,360)**	**735,409**
LIABILITIES AND SHAREHOLDER'S EQUITY			
Other reserves	(176,201)	(1,457)	(177,658)
Net income – Group share	(20,765)	(4,075)	(24,840)
Shareholder's equity – Group share	**150,475**	**(5,532)**	**144,943**
Shareholders' equity	**148,652**	**(5,532)**	**143,120**
Deferred tax liabilities	25,003	(2,828)	22,175
Non-current liabilities	**406,261**	**(2,828)**	**403,433**
Current liabilities	**177,818**	**-**	**177,818**
TOTAL LIABILITIES AND EQUITY	**743,769**	**(8,360)**	**735,409**

4.3.3 Inclusion by reference

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, 2009 (prepared in accordance with IFRS including comparative data for fiscal year 2008 under the same standards) and the related report of the auditors are included by reference in this Registration Document. They appear in Section 20.1 of the Registration Document of the Company registered by the AMF on June 4, 2010 under No. R 10-040.

4.4 FISCAL YEAR ENDED DECEMBER 31, 2008

4.4.1 Intangible assets

Upon acquisition of the company Ventura in the first quarter of 2005, the Group carried out an appraisal of the fair value of the acquired assets and liabilities. As of the date of taking control, the Company had construction permits for a total of 272 MW, of which 32 had been accepted and had become final. Based on statistics, the Group had taken into consideration the completion of 72 MW of the 240 MW being developed. The total number of revalued MW was thus equal to 104.

The revaluation recorded amounted to €13,316 thousand with the recognition of a deferred tax liability of €4,505 thousand.

Since then, some of these projects have been sold outside of the Group and others commissioned. Following these transactions, the related assets should have been derecognized and should have had an impact on the results from the disposal of these projects, or should have been amortized. This processing error was identified during the work on closing the accounts for the year 2010 and necessitated recording a restatement of the financial statements for the years 2009 and 2008.

The restatements effected on the financial statements for the year 2009 are presented in note 2.1 to the consolidated financial statements for the year ended December 31, 2010.

The restatements carried out on the financial statements for the year 2008 are the following:

- Impact on the financial position as of December 31, 2008 (in thousands of euros)

Assets	12/31/2008 published	Restatement of intangible assets	12/31/2008 Restated
Intangible assets	94,152	(2,202)	91,950
Non-current assets	555,584	(2,202)	553,382
Current assets	343,302	-	343,302
TOTAL ASSETS	**918,703**	**(2,202)**	**916,501**
LIABILITIES AND SHAREHOLDER'S EQUITY			
Other reserves	67,149	(1,252)	65 897
Net income – Group share	(244,454)	(205)	(244 659)
Shareholder's equity – Group share	170,137	(1,457)	168 680
Shareholders' equity	168,648	(1,457)	167 191
Deferred tax liabilities	22,033	(745)	21 288
Non-current liabilities	470,192	(745)	469 447
Current liabilities	266,742	-	266 742
TOTAL LIABILITIES AND EQUITY	**918 703**	**(2,202)**	**916,501**

- Impact on the income statement as of December 31, 2008 (in thousands of euros)

	12/31/2008 published	Restatement of intangible assets
Revenue	69,956	
Purchases and changes in inventories	(25,945)	
Amortization	(57,458)	(310)
Current operating income	(72,067)	(310)
Other non-current income and expenses	(22,584)	
Operating income before impairment	(94,651)	(310)
OPERATING INCOME (after impairment)	(201,228)	(310)
Tax expenses	11,936	105
Consolidated NET INCOME	**(245,210)**	**(205)**

4.4.2 Presentation of revenue

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

In 2010 an in-depth review of these cases and the contracts between the German subsidiary in question and its clients was carried out by the Group, notably in reference to Section 21 of the notes to IAS 18 added by the IASB in 2009 as part of the annual improvement of IFRS standards. On that basis, the Group has changed its accounting for revenue related to this production from wind farms managed for third parties: sale of electricity for third parties is no longer recorded as revenue for the period, except in some cases where, on account of the contractual relationships, the transaction risks are mainly borne by the Group

This change had no impact on the operating results or on net income.

The restatements effected on the financial statements for the year 2009 are presented in note 2.1 to the consolidated financial statements for the year ended December 31, 2010.

The restatements carried out on the financial statements for the year 2008 are the following:

- Impact on the income statement as of December 31, 2008 (in thousands of euros)

	12/31/2008 Published	Restatement of revenue
Revenue	69,956	(37,885)
Purchases and changes in inventories	(25,945)	37,885
Amortization	(57,458)	
Current operating income	(72,067)	
Other non-current income and expenses	(22,584)	
Operating income before impairment	(94,651)	
OPERATING INCOME (after impairment)	(201,228)	
Tax expenses	11,936	
Consolidated NET INCOME	**(245,210)**	**0**

The cumulative impact on the income statement as of December 31, 2008 of all of these restatements is summarized in the table below:

	12/31/2008 published	Restatement of revenue	Restatement of intangible assets	12/31/2008 Restated
Revenue	69,956	(37,885)		32,071
Purchases and changes in inventories	(25,945)	37,885		11,940
Amortization	(57,458)		(310)	(57,768)
Current operating income	(72,067)		(310)	(72,377)
Other non-current income and expenses	(22,584)			(22,584)
Operating income before impairment	(94,651)		(310)	(94,961)
OPERATING INCOME (after impairment)	(201,228)		(310)	(201,538)
Tax expenses	11,936		105	12,041
Consolidated NET INCOME	**(245,210)**	0	**(205)**	**(245,415)**

4.4.3 Inclusion by reference

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 Registration Document. They appear in Section 20.1 of the Registration Document of the Company approved by the AMF on January 25, 2010 under No. R 10-003.

5. ANNUAL FINANCIAL STATEMENTS AS OF DECEMBER 31, 2010

5.1 BALANCE SHEET

BALANCE SHEET - ASSETS

French GAAP (in thousands of euros)	Notes	**Gross**	**Depreciation, amortization and provisions**	**Net as of 12/31/2010**	**Net as of 12/31/2009**
Fixed assets					
FIXED ASSETS					
Intangible assets	4.1				
Concessions, patents, licenses, trademarks, processes, software, rights and equivalent		227	(202)	25	8
Goodwill		500	-	500	500
Other intangible assets		3,832	(3,832)	-	-
Property, plant & equipment	4.2				
Buildings		513	(144)	370	427
Technical installations, equipment and industrial tooling		-	-	-	
Other property, plant & equipment		606	(417)	188	278
Financial assets	4.3				
Equity interests		334,742	(176,273)	158,469	226,067
Receivables from equity interests		210,721	(45,499)	165,223	157,569
Shareholder loans		17,955	-	17,955	31,459
Other financial assets		316	(10)	307	346
TOTAL (I)		**569,412**	**(226,376)**	**343,036**	**416,654**
CURRENT ASSETS					
Inventories	4.4				
Wind projects / Turbines		-	-	-	16,991
Receivables					
Trade and other receivables	4.5	20,352	(28)	20,324	18,639
Other receivables	4.6	7,635	(300)	7,335	11,175
Marketable securities	4.8				
Cash instruments		54,537	-	54,537	22,693
Cash and cash equivalents	4.8				
In bank		496		496	7,460
At hand		1		1	-
Prepaid expenses		208		208	575
TOTAL (II)		**83,229**	**(328)**	**82,900**	**77,534**
ADJUSTMENT ACCOUNTS:	4.9				
Deferred expenses (III)		-		-	3,790
Bond redemption premiums (IV)		-		-	(7,038)
Currency translation adjustment – asset (V)		6		6	-
GRAND TOTAL (I + II + III + IV + V)		**652,647**	**(226,704)**	**425,943**	**490,940**

BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY

French GAAP (in thousands of euros)	Notes	12/31/2010	12/31/2009
SHAREHOLDERS' EQUITY			
Share capital	4.10	110,293	39,895
Additional paid-in capital		321,701	314,823
Retained earnings		(129,475)	(166,143)
Profit/(loss) for the period		(89,829)	36,668
SUBTOTAL: Net position		**212,691**	**225,244**
Regulated provisions		1,508	1,006
TOTAL (I)		**214,199**	**226,249**
PROVISIONS:	4.12		
Provisions for risks		2,051	131
Provisions for contingencies (lawsuits)		562	573
TOTAL (II)		**2,613**	**704**
LIABILITIES:	4.13		
Convertible bonds		203,197	244,800
Miscellaneous borrowings and financial debt		1,303	7,728
Operating liabilities:	4.14		
Trade payables		2,660	4,736
Tax and social liabilities		1,915	2,205
Miscellaneous liabilities:			
Other miscellaneous liabilities		43	4,484
ADJUSTMENT ACCOUNTS:			
Deferred income		-	-
TOTAL (III)		**209,119**	**263,954**
CURRENCY TRANSLATION ADJUSTMENT - LIABILITY (IV)		12	33
GRAND TOTAL (I + II + III + IV)		**425,943**	**490,940**

5.2 INCOME STATEMENT

French GAAP (in thousands of euros)	Notes	2010	2009	Change
Operating income	5.1			
Sales of goods held for resale		19,380	-	19,380
Production sold		5,539	6,118	(579)
Net revenue		**24,919**	**6,118**	**18,801**
Change in finished goods and in-progress inventory	5.2	(20,110)	-	(20,110)
Reversal of provisions (and amortization) and expense transfers	5.3	9,456	26,465	(17,009)
Other income	5.4	963	231	732
Total (I)		**15,227**	**32,814**	**(17,587)**
Operating expenses				
Purchases and changes in inventories		64		64
External expenses	5.5	13,891	5,703	8,188
Taxes and other similar contributions (excl. Corporation tax)		209	203	6
Salaries and wages	5.6	4,030	3,147	883
Payroll taxes and other personnel expenses	5.7	1,292	1,607	(315)
Amortization and provisions:				
For fixed assets: amortization		3,999	1,175	2,824
For fixed assets: provisions		-		
For inventory and current assets: provisions		28	901	(873)
For risks: provisions		2,051	-	2,051
Other expenses		452	1,215	(763)
Total (II)		**26,017**	**13,951**	**12,066**
OPERATING INCOME (I - II)		**(10,789)**	**18,863**	**(29,652)**
Financial income (III)		32,981	47,606	(14,625)
Financial expenses (IV)		112,462	47,452	65,010
FINANCIAL INCOME (III - IV)	5.9	**(79,481)**	**154**	**(79,635)**
CURRENT INCOME BEFORE TAX (I - II + III - IV)		**(90,270)**	**19,017**	**(109,287)**
Extraordinary income (V)		1,295	28,690	(27,395)
Extraordinary expenses (VI)		556	11,462	(10,905)
EXTRAORDINARY INCOME (V - VI)	5.10	**738**	**17,229**	**(16,490)**
CORPORATE TAX (VII)	5.11	**297**	**(422)**	**719**
TOTAL INCOME (I + III + V)		**49,504**	**109,110**	**(59,606)**
TOTAL EXPENSES (II + IV + VI + VIII)		**139,035**	**72,865**	**66,171**
PROFIT/(LOSS)		**(89,829)**	**36,667**	**(126,496)**

5.3 CASH FLOW STATEMENT

French GAAP (in thousands of euros)	**12/31/2010**	**12/31/2009**
Net profit/loss	**(89,829)**	**36,668**
Elimination of amortization, depreciation and provisions	84,414	8,777
Elimination of change in taxes	297	(422)
Elimination of capital gains (losses) from disposals	(24)	(18,145)
Other income & expenses (including dividends received)	2,645	1,296
Working capital from operations (A)	**(2,496)**	**28,174**
Income tax paid	-	-
Impact of the change in WCR related to business activity (B)	13,862	(32,615)
CASH FLOW FROM OPERATING ACTIVITIES (a) = (A+B)	**11,366**	**(4,441)**
Acquisition of fixed assets	(29,018)	38,169
Disposal of fixed assets	29	25
Dividends received	1,262	-
Change in loans	10,812	21,711
NET CASH FLOW ALLOCATED TO INVESTMENTS (b)	**(16,915)**	**16,484**
Capital increase	56,283	-
Proceeds from new loans	120	4,470
Repayment of loans	(21,012)	-
Interest paid	(4,961)	(100)
NET CASH FLOW ALLOCATED TO FINANCING (c)	**30,431**	**4,370**
Effect of changes in exchange rates		
CHANGE IN CASH AND CASH EQUIVALENTS (d) = (a)+(b)+(c)	**24,883**	**16,413**
Cash and cash equivalent as of January 1	30,151	13,738
Cash and cash equivalents as of December 31	55,034	30,151
CHANGE IN CASH AND CASH EQUIVALENTS	**24,883**	**16,413**

5.4 TABLE OF CHANGES IN SHAREHOLDERS' EQUITY

French GAAP (in thousands of euros)	Capital	Premiums	Profit/loss	Retained earnings	Provisions	Total shareholders' equity
AS OF 12/31/2008	**3,747**	**314,971**	**(163,011)**	**(3,132)**	**531**	**189,107**
Capital increase						-
Free shares	148	(148)				-
Convertible bonds						-
Excess tax depreciation over normal depreciation					474	474
Appropriation of earnings			163,011	(163,011)		-
Profit/loss for the period			36,668			36,668
AS OF 12/31/2009	**39,895**	**314,823**	**36,668**	**(166,143)**	**1,006**	**226,249**
Capital increase:	70,398	6,878				77,276
O.w.						
Free shares	*414*	*(414)*				-
Conversion of OCEANEs	*9,521*	*11,451*				20,972
Share subscription and related expenses	*60,463*	*(4,179)*				56,284
Merger		*21*				
Convertible bonds						-
Excess tax depreciation over normal depreciation					502	502
Appropriation of earnings			(36,668)	36,668		-
Profit/loss for the period			(89,829)			(89,829)
AS OF 12/31/2010	**110,293**	**321,701**	**(89,829)**	**(129,475)**	**1,508**	**214,199**

5.5 NOTES TO THE FINANCIAL STATEMENTS

Notes to the balance sheet before the appropriation of December 31, 2010, totaling €425,943K and to the income statement for the period, presented in list form, showing a loss of (€89,829K).

The financial year, starting on January 1st, 2010 and ending on December 31, 2010, covers a period of 12 months.

The notes appearing below are an integral part of the annual financial statements.

These financial statements were approved for publication by the Company's Board of Directors on April 18, 2011.

1. ACCOUNTING RULES AND METHODS

The annual separate financial statements were prepared in accordance with French accounting principles (Regulation 99-03 CRC). The general accounting conventions were applied respecting the principle of prudence, in accordance with the following basic principles:

- Consistency of accounting methods from one financial year to the next;
- Matching principle;
- Historical cost; and
- Going concern.

THEOLIA continued its restructuring in 2010.

Restructuring intensified with the renegotiation of the convertible bonds and the capital increase in July. The success of this operation enabled the Company to strengthen its balance sheet. Debt was substantially reduced and the cash position improved.

Strict cash management and cost cutting became two areas of focus.

THEOLIA is working to build its future. The main goal is to operate as an integrated industrial group and to establish a profitable business model.

The Company is currently looking at co-investment opportunities to ensure its development over the medium-term.

Following the implementation of the financial restructuring plan, THEOLIA has sufficient working capital to meet its obligations and funding requirements and is thus in a position to ensure its continuation as a going concern.

The principal accounting methods used are listed below:

1.1 Intangible assets

Intangible assets are valued at the acquisition cost (purchase price and associated costs).
Software is amortized over a period of 12 months.

Brands are not amortized.

The Company does not carry on any research and development.

1.2 Property, plant & equipment

Property, plant & equipment are valued at the acquisition cost (purchase price and associated costs) or at the production cost.

Depreciation is calculated according to the straight line method based on the expected useful life:

• Building fixtures and improvements	10 years
• General facilities	5 years
• Office and computer equipment	3 and 4 years.

1.3 Financial assets

The gross value consists of the purchase price plus securities acquisitions costs. These costs are subject to excess tax depreciation over normal depreciation over 5 years.

The present value of equity interests is determined as follows:

- Listed securities: net asset value based on the market price as of December 31;
- Unlisted securities: the value is determined using different approaches including the discounted cash flow method (DCF).

Where the present value is below the net book value, an impairment is recognized for the difference.

Equity interests, treasury shares and marketable securities are measured using the "first in first out" (FIFO) method.

1.4 Inventories

Equipment inventories are valued at the purchase price plus acquisition costs.

When the estimated resale value is less than the book value, an impairment is recorded.

1.5 Receivables

Receivables are recognized at face value. An impairment is recorded when the recoverable amount is less than the net book value.

1.6 Marketable securities

Marketable securities, recorded at their purchase price, are valued at the end of the year at their likely resale value (market price). Where the book value exceeds the market value at year-end an impairment is recognized.

1.7 Stock warrants

Stock warrants (convertible to equity) are recognized upon subscription at the subscription price.

1.8 Revenue recognition

The Company's revenue is primarily generated from services provided to support the Group of which it is the parent company.

1. KEY EVENTS OF THE PERIOD

Financial restructuring of the Company

On December 29, 2009, THEOLIA announced its restructuring plan for its bonds and its intention to increase its capital, with the goal of underpinning its development plans over the coming years.

The completion of this restructuring was subject to three conditions:

- approval of changes to terms and conditions of the bonds at the meeting of bondholders;
- approval, by the Extraordinary General Meeting of Shareholders, of the change to the terms and conditions of the bond issue; and
- the completion of a capital increase.

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

Provision of a fairness opinion by an independent financial expert

Ricol Lasteyrie is an independent firm of financial experts appointed by the Board of Directors to review the financial terms and conditions of the proposed OCEANE restructuring plan and to assess its fairness to both shareholders and bondholders.

In January 2010, Ricol Lasteyrie published its final report, which concluded that the proposed financial restructuring was fair and confirmed that the plan was in the interests of all parties concerned, including THEOLIA, its shareholders and bondholders.

General Meetings of Bondholders and Shareholders

On February 18, 2010, all those in attendance and represented at the General Meeting of Bondholders unanimously voted in favor of the proposed restructuring.

On March 19, 2010, the Ordinary and Extraordinary General Meeting of Shareholders voted by over 99% in favor of all the resolutions associated with the proposed restructuring plan.

Capital increase

On June 24, 2010, the Company carried out a €60,463,059 capital increase, maintaining the pre-emptive subscription rights of existing shareholders. Subscription ran from June 25 to July 7, 2010 inclusive. The capital increase was fully subscribed. THEOLIA issued 60,463,059 new ordinary shares at a unit price of €1 each, with the gross proceeds amounting to €60,463,059.

The success of the capital increase completed the Company's financial restructuring.

The new OCEANE terms and conditions of issue (the details can be found in the analysis of borrowings and financial debt, Note 4.13.) became effective upon settlement of the capital increase on July 20, 2010.

This financial restructuring enabled THEOLIA to significantly improve its financial position by increasing shareholders' equity, improving its cash position and reducing its debt, and thereby giving renewed momentum to its development.

External expenses directly attributable to the capital increase, amounting to €4,179K, were deducted from the issue premium upon completion.

Total fees of €5,462K were incurred in relation to the plan for the financial restructuring of the convertible bonds.

Conversion of bonds into shares

The financial restructuring amended the OCEANE terms and conditions and in particular introduced a new conversion ratio by virtue of which a bondholder may convert a bond into 8.64 shares up to the 7th business day prior to December 31, 2013 and convert a bond into 6.91 shares from January 1, 2014 to the 7th business day prior to December 31, 2014.

Between July 20, 2010, the date on which the new OCEANE terms and conditions became effective, and December 31, 2010, 1,102,070 OCEANEs were thereby converted, resulting in the creation of 9,521,016 new shares.

The conversion of these 1,102,070 OCEANEs into shares reduced the maximum amount to be repaid in the event of redemption on January 1, 2015 by €16.9m.

Acquisition and transfer of interests

Equity interests in ecolutions GmbH & Co. KGaA

On January 20, 2010, THEOLIA bought out the equity interests in the German company ecolutions GmbH & Co. KGaA held by its subsidiary THEOLIA Emerging Markets (TEM). The purchase was paid for by offsetting the €25m shareholder loan extended by THEOLIA to TEM in late 2007. Given TEM's financial position, THEOLIA wrote off the €2,710K owed to it in interest on the loan with no impact on the 2010 income statement, since it had been fully written down as of December 31, 2009.

At year end, €15,282K in impairment was recognized with respect to the ecolutions equity interests to reflect the recoverable amount of the assets acquired.

Equity interests in THEOLIA Emerging Markets

In July 2010, the Company bought out the shares in THEOLIA Emerging Markets held by the former Chief Executive Officer, Mohamed Habbal, for €90K, thereby taking its interest from 95% to 100%.

Equity interests in Seres Environnement

In June 2010, Ecoval Technology sold its Seres Environnement equity interests to THEOLIA for €1. Following a capital increase involving the conversion of a loan, the value of these securities amounted to €3,507K. This transfer is part of the restructuring of non-wind assets undertaken since 2008 by THEOLIA.

Transfer of all assets and liabilities

With a view to a winding up, the Nemeau equity interests, previously held by Therbio, were transferred to THEOLIA during the year.

In late 2010, as the Nemeau and CS2M subsidiaries (company that took over SAPE and SAEE) no longer had any assets they were wound up by means of the transfer of all their assets and liabilities subject to the ordinary tax regime.

Sale of turbines

In late December 2010, THEOLIA sold to its Italian subsidiary Neoanemos the Suzlon branded wind turbines held in the Company's inventory at a historical cost of €19,380K.

The turbine purchase agreement initially entered into by Neoanemos was taken over by THEOLIA in 2008. The asset had been the subject of €3,119K in impairment, wholly reversed upon completion of the sale this year.

This deal enabled Neoanemos to recognize on its balance sheet the turbines to be used in the construction of its future Martignano wind farm. All turbine-related agreements (rental and storage site security, insurance and wind turbine maintenance) will also be transferred to the Italian subsidiary.

2. EVENTS AFTER THE REPORTING PERIOD

Further bond conversions

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

Since July 20, 2010, the date on which the new OCEANE terms and conditions became effective, 1,381,945 OCEANEs have been converted, resulting in the creation of 11,939,136 new shares.

3. ANALYSIS OF THE PRINCIPAL BALANCE SHEET ITEMS

4.1 Intangible assets

French GAAP (in thousands of euros)	**Values at start of period 01/01/2010**	**Increases**	**Decreases**	**Values at end of the period 12/31/2010**
Gross intangible assets				
Software	682	45	-	727
Other intangible assets	3,832	-	-	3,832
Total gross values	**4,514**	**45**	**-**	**4,559**
D&A/impairment of intangible assets				
Software	174	29	-	202
Other intangible assets	3,832	-	-	3,832
Total amortization	**4,006**	**29**	**-**	**4,034**
Net intangible assets				
Software	508	17	-	525
Other intangible assets		-	-	-
Total net values	**508**	**17**	**-**	**525**

4.2 Property, plant & equipment

French GAAP (in thousands of euros)	**Values at start of period 01/01/2010**	**Increases**	**Decreases**	**Values at end of the period 12/31/2010**
Gross property, plant & equipment				
Fixtures on land belonging to others	513	-	-	513
Other property, plant & equipment	590	37	21	606
Total gross values	**1,103**	**37**	**21**	**1,119**
D&A/Impairments of property, plant & equipment				
Fixtures on land belonging to others	87	57	-	144
Other property, plant & equipment	312	124	19	417
Total amortization	**398**	**181**	**19**	**561**
Net property, plant & equipment				
Fixtures on land belonging to others	427	(57)	-	370
Other property, plant & equipment	278	(87)	3	188
Total net values	**705**	**(144)**	**3**	**558**

Property, plant and equipment refer mainly to the office fixtures installed in the first quarter of 2008, and to furnishings and computer hardware.

4.3 Financial assets

French GAAP (in thousands of euros)	**Values at start of period 01/01/2010**	**Increases**	**Decreases**	**Values at end of the period 12/31/2010**
Gross financial assets				
Equity interests	309,020	28,654	,932	334,742
Receivables from equity interests	197,032	54,983	41,294	210,721
Shareholder loans	44,819	846	27,710	17,955
Treasury shares	299	-	65	233
Other financial assets	92	-	10	82
Total gross values	**551,262**	**84,484**	**72,011**	**563,734**

Acquisition of equity interests

During the year, the Company made the following acquisitions totaling €28.654m:

- Purchase of ecolutions shares held by TEM (including expenses) €25,057K
- Purchase of TEM shares held by Mohamed Habbal €90K
- Purchase of Seres shares and capitalization of a portion of the current account €3,507K

Disposal of equity interests

In 2010, THEOLIA took over the companies listed below by means of the transfer of all assets and liabilities:

- CS2M sub-group (SAPE, SAEE holding companies)
- Nemeau

The shares recognized for a total of €2,932K had been the subject of €2,916K in impairment.

The former transaction resulted in a gain on cancelled shares of €166K. €145K of this gain was recognized under financial income, up to the amount of income retained by the company taken over and not distributed. The residual amount of €21K was allocated to shareholders' equity, under "Merger premium".

The loss on cancelled shares generated following the Nemeau merger amounted to €248K, recognized in full under financial expenses.

Changes in receivables from equity interests

The higher amount of receivables was mainly due to the cash advances provided by THEOLIA to the various subsidiaries:

- THEOLIA France (France) €17,491K
- THEOLIA Holding GmbH (Germany) €14,893K
- Maestrale Green Energy (Italy) €7,091K
- Seres Environnement (France) €2,244K

Furthermore, the intra-group trade debtors in the year-end balance sheet were reclassified under receivables from equity interests at the start of 2010.

As part of the Group cash pooling agreement, various subsidiaries made repayments during the year that are presented on the reduction in receivables from equity interests line:

- Maestrale Green Energy Guinchetto (Italy) €14,594K
- THEOLIA Holding GmbH (Germany) €7,309K
- THEOLIA France (France) €2,001K

Shareholder loans

Shareholder loans were down substantially. This reduction was mainly due to the offsetting of the €25m loan extended to THEOLIA Emerging Markets in consideration for the ecolutions shares acquired by THEOLIA. The €2,710K in capitalized interest was written off.

Breakdown of impairment on financial assets

French GAAP (in thousands of euros)	**Values at start of period 01/01/2010**	**Increases**	**Reversals**	**Values at end of the period 12/31/2010**
Impairment of financial assets				
Equity interests	82,953	96,636	399	179,189
Equity interests within the context of the transfer of all assets and liabilities*	-	-	2,916	(2,916)
Receivables from equity interests	39,463	7,931	1,896	4,499
Shareholder loans	13,359	-	13,359	-
Treasury shares	45	10	45	10
Other financial assets	-	-	-	-
Total impairment	**135,820**	**104,576**	**18,615**	**221,781**

The change in allocations for impairment of financial assets is discussed in further detail in the analysis of the principal line items in the income statement, Note 5.9.

*The difference between the net book value and the reversal of impairment on shares in CS2M, the company taken over by means of the transfer of all assets and liabilities, is included in the other financial income line item in the income statement.

Breakdown of net financial asset values

French GAAP (in thousands of euros)	**Values at start of period 01/01/2010**	**Increases**	**Decreases**	**Net impairment**	**Values at end of the period 12/31/2010**
Net financial assets					
Equity interests	22,067	28,654	2,932	93,320	158,469
Receivables from equity interests	157,569	54,983	41,294	6,036	165,223
Shareholder loans	31,460	846	27,710	(13,359)	17,955
Treasury shares	254	-	65	(35)	224
Other financial assets	92	-	10	-	82
Total net values	**415,442**	**84,484**	**72,011**	**85,961**	**341,953**

Breakdown of receivables from financial assets by maturity

12/31/2010 ***(in thousands of euros)***	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Receivables from equity interests	-	-	165,223	165,223
Shareholder loans	-	-	17,955	17,955
Other financial assets	224	83	-	307
Total receivables from financial assets	**224**	**83**	**183,177**	**183,484**

12/31/2009 *(in thousands of euros)*	Less than 1 year	1 to 5 years	More than 5 years	Total
Receivables from equity interests			157,569	157,569
Shareholder loans			31,459	31,459
Other financial assets	253	92		346
Total receivables from financial assets	**253**	**92**	**189,028**	**189,374**

The breakdown of the impairment of equity interests at year-end can be found in Note 9.

Year-end breakdown of impairment on receivables from equity interests

French GAAP (in thousands of euros)

	Impairment of receivables from equity interests
France sub-group	2,065
Environmental Unit sub-group	18,972
Centrale Eolienne Fruges La Palette	63
THEOLIA Participations	12,276
Windream One	686
THEOLIA Iberica	9,880
THEOLIA Grèce	506
THEOLIA CEE	270
THEOLIA Emerging Markets	780
TOTAL	**45,499**

Breakdown of net receivables from equity interests (advances to direct or indirect subsidiaries)

French GAAP (in thousands of euros)	Net values at year end 12/31/2010
THEOLIA France	75,355
THEOLIA France sub-group	5,059
Maestrale Green Energy	29,883
Italy sub-group	12,621
THEOLIA Holding GmbH	37,029
THEOLIA Brasil	2,805
THEOLIA Emerging Markets	93
CED	379
THEOLIA Wind Power	2,000
TOTAL	**165,223**

Treasury shares

The shares held by the Company in connection with a liquidity contract with the investment services provider Oddo are classified as non-current securities and recognized at acquisition cost and then subsequently measured on the basis of the market price at the end of each period. Impairment is recognized where the stock market value is below the book value.

Oddo bought and sold shares during the year.

The contract was put on hold during the capital increase subscription period. During this period, THEOLIA sold 93,420 subscription rights corresponding to the number of shares remaining prior to the start of the subscription period. A total of €20,300 in subscription rights were sold.

At the end of the year, the company owns 190,396 of its treasury shares as of the December 31, 2010 trading date, and 191,396 of its treasury shares on the settlement date of December 31, 2010 (accounting date).

The balance sheet amount was €233K, representing an average share price of €1.22 compared to a share price of €1.17 as of December 31, 2010. At year-end, the Company had recognized €9.5K in impairment.

4.4. Inventories

French GAAP (in thousands of euros)	**Values at start of period 01/01/2010**	**Acquisitions**	**Disposals**	**Values at end of the period 12/31/2010**
Turbines	20,110	-	20,110	-
Impairment	(3,119)	-	(3,119)	-
NET TOTAL	**16,991**	-	**16,991**	**-**

The turbine inventory held for the future Neoanemos wind farm was sold on December 31, 2010.

This equipment, bought in Italy by THEOLIA in the first half of 2008, was sold on to the Italian subsidiary Neoanemos for the contractual historical cost value of €19,380K.

The €3,119K in impairment recognized in 2008 was wholly reversed.

4.5 Trade and other receivables

French GAAP (in thousands of euros)	**Gross value 12/31/2010**	**Impairment 12/31/2010**	**Net value 12/31/2010**	**Net value 12/31/2009**	**Incl. value of associates as of 12/31/2010**	**Incl. value of associates as of 12/31/2009**
Non-group trade receivables	37	(28)	8	30	-	-
Total non-group receivables	***37***	**-**	***8***	***30***	**-**	**-**
Group trade receivables	20,316		20,316	18,609	20,316	18,609
Total Group receivables	***20,316***	**-**	***20,316***	***18,609***	***20,316***	***18,609***
TOTAL Trade and other receivables	**20,352**	**(28)**	**20,324**	**18,639**	**20,316**	**18,609**

4.6 Other receivables

French GAAP (in thousands of euros)	**Gross value 12/31/2010**	**Impairment 12/31/2010**	**Net value 12/31/2010**	**Net value 12/31/2009**	**Incl. value of associates as of 12/31/2010**	**Incl. value of associates as of 12/31/2009**
Supplier advances and installments	4,838	-	4,838	4,042	808	-
Receivables on asset disposals	-	-	-	17	-	-
Tax receivables (excluding corp. tax)	862	-	862	4,876	-	-
Corporate tax receivables	328	-	328	104	-	-
Soc. security receivables	5	-	5	8	-	-
Current accounts	1,133	-	1,133	2,168	1,133	2,168
Receivables from suppliers and other	469	(300)	169	65	-	3
Prepaid expenses	208	-	208	575	-	-
Currency translation adjustment, asset	6	-	6	-	-	-
TOTAL	**7,849**	**(300)**	**7,549**	**11,855**	**1,941**	**2,171**

At December 31, 2010, only the Niltech receivable (provisions funded in 2008) representing a total of €300K was in the impairment of other receivables line item.

The €4m down-payment made to the turbine manufacturer Siemens in 2008, included in the "Supplier advances and installments" line item, will shortly be allocated to the Pergola Italian project. Negotiations are underway with the turbine manufacturer, and the down-payment will be allocated to this project once the financing agreements are signed.

4.7 Receivables by maturity

French GAAP (in thousands of euros)

12/31/2010	**Less than 1 year**	**1 to 5 years**	**Total**
Receivables from current assets (net)			
Trade and other receivables	944	19,380	20,324
Soc. security receivables	5	-	5
Tax receivables (excluding corp. tax)	862	-	862
Corporate tax receivables	328	-	328
Supplier advances and installments	838	4,000	4,838
Current accounts	1,133	-	1,133
Receivables from suppliers and other	169	-	169
Prepaid expenses	208	-	208
Currency translation adjustment, asset	6	-	6
TOTAL	**4,493**	**23,380**	**27,873**

The schedule of current receivables includes their net values at the closing date.

The agreement to sell the Suzlon turbines to the Italian subsidiary Neoanemos includes a transfer of title provision. THEOLIA will retain ownership of these assets until the purchase price has been paid in full.

Because of this, the Company recognizes this receivable as a medium-term asset.

4.8 Cash and cash equivalents

French GAAP (in thousands of euros)	**12/31/2010**	**12/31/2009**
Marketable securities (net)	54,537	22,693
Cash and cash equivalents	496	7,461
TOTAL	**55,034**	**30,154**

At year-end, marketable securities amounted to €54,537K. This line item was comprised of the following instruments:

- Money market funds: €51,522K;
- Term accounts: €3,000K;
- Accrued interest on term accounts: €15K.

4.9 Accruals

The costs incurred on the bond issue in 2007 (see Note 4.13 principal characteristics) are amortized on a straight line basis over the maturity of the bonds.

Following the restructuring of the OCEANEs, the residual balance at December 31, 2009, namely €3,790K, was fully amortized on July 20, 2010.

The non-conversion premium on the bonds, representing a cumulative amount of €7,038K, was wholly reversed as part of the restructuring (see Note 5.9).

4.10 Share capital

	Par value (€)	Number of shares at 01/01/2010	Shares issued (cash)	Creation of shares by means of OCEANE conversion	Free shares created after the end of the allotment period	Number of shares at 12/31/2010
Number of shares	1	39,895,207	60,463,059	9,521,016	413,500	110,292,782
Number of securities	**1**	**39,895,207**	**60,463,059**	**9,521,016**	**413,500**	**110,292,782**
Share capital		**39,895,207**	**60,463,059**	**9,521,016**	**413,500**	**110,292,782**
Including 190,396 treasury shares						

At the start of the year, the free shares awarded in 2008 vested for €414K.

Following the capital increase completed in July 2010 by means of the creation of 60,463,059 new shares with a par value of €1, THEOLIA's share capital stood at €100,772K.

The OCEANE conversions carried out following this transaction increased the capital by €9,521K.

At year-end, the Company's share capital thus stood at €110,293K.

4.11 Stock warrants

Summary of changes in stock warrants

	Total stock warrants
Stock warrants not exercisable as of December 31, 2009	3,922,650
Balance as of December 31, 2009	**3,922,650**
Awarded during the year	-
Cancelled during the year	360,544
Exercised during the year	-
BALANCE AS OF DECEMBER 31, 2010	**3,562,106**

The beneficiaries of the stock warrants issued are mainly:

- a company controlled by George Hersbach, a Company director;
- a corporate shareholder of Thenergo controlled by Deny Ringoot, who also works for Thenergo;
- the former Chairman and Chief Executive Officer of the Company;
- a former director of the Company; and
- a former shareholder of the Company.

No stock warrants were exercised in 2010.

Following the capital increase and the resulting dilution, the conversion ratio of the outstanding stock warrants was changed. It stood at 1,132 at December 31, 2010.

4.12 Provisions

French GAAP (in thousands of euros)	Provision for risks	Provision for contingencies	Total
Values at opening at 01/01/2010	131	573	704
Increases	2,051	-	2,051
Reversals	131	11	141
Values at closing at 12/31/2010	**2,051**	**562**	**2,613**

The balance sheet item "Provision for risks and contingencies" stood at €2,613K and reflected the following:

Provisions for risks: €2,051K:

- At year-end, the Company passed a provision for risk with respect to a lawsuit between the French subsidiary Ecoval Technology and the Cabriès town hall;
- During the year, THEOLIA provisioned for risk with respect to a dispute with the Brazilian service provider SOWITEC; and
- The provision for risk relating to an out of court claim by the Greek developer ECOSUN was transferred to the German subsidiary THEOLIA Naturenergien GmbH.

Provisions for contingencies: €562K

In the dispute between THEOLIA and the former manager of Windream One, there is nothing significant to report. For this reason, the Company has made no change to the €354K provision for contingencies.

The €208K in provisions for contingencies encompassing a number of different labor law suits brought against the company and already included in THEOLIA's opening balance sheet, is unchanged. Two disputes resulting from the dismissals are currently in progress.

4.13 Borrowings and financial debt

French GAAP (in thousands of euros)	Convertible bonds	Bank overdrafts and equivalent	Other financial debt	Total
Values at opening at 01/01/2010	**240,000**		**4,803**	**244,803**
Repayment	41,395			41,395
OCEANE early redemption	*20,423*			
Conversion of OCEANEs	*20,972*			
Other changes			(210)	(210)
Values at closing at 12/31/2010	**198,605**		**4,593**	**203,197**

At year-end, borrowings and financial debt were wholly comprised of OCEANEs issued in October 2007.

The July 20, 2010 capital increase enabled the partial redemption of bonds with a face value of €20,423K.

Conversions that have occurred since the restructuring total €20,972K, reducing bonds outstanding at the year-end to €198,605K.

Accrued interest for 2010, recognized for a total of €4,593K under "Other financial debt", was paid in early January 2011.

Following this financial restructuring, there is no longer any risk of early redemption by bondholders as of January 1, 2012. The due date enabling bondholders to request early redemption has been pushed back to January 1, 2015.

The new OCEANE terms and conditions became effective on July 20, 2010, the date of the capital increase. The new conversion ratio became effective on July 21, 2010.

At year-end, the principal characteristics of the bonds following the changes to the OCEANE terms and conditions of issue were as follows:

• Type of financial instrument	OCEANE (convertible bonds)
• Number of bonds	10,436,392
• Initial face value	€240m
• New face value at 07/21/2010	€219,577K
• Amount of bonds outstanding at 12/31/2010	€198,605K
• Maturity date of the bonds	January 1, 2041
• Annual interest up to December 31, 2014	2.70%
• Annual interest from January 1, 2015	0.10%
• Conversion ratio to	
• 7th business day prior to December 31, 2013	8.64 shares per OCEANE
• Conversion ratio to	
• 7th business day prior to December 31, 2014	6.91 shares per OCEANE
• OCEANE redemption price at January 1, 2015	€15.29 per OCEANE
• OCEANE redemption price at January 1, 2041	€20.77 per OCEANE

Full details can be found in the AMF-approved securities note issued on June 23, 2010.

Breakdown by due date

French GAAP (in thousands of euros)

12/31/2010	Less than 1 year	1 to 5 years	More than 5 years	Total
Convertible bonds			198,605	
Other financial debt	4,593			
TOTAL	**4,593**	**-**	**198,605**	**203,197**

4.14 Other liabilities

French GAAP (in thousands of euros)	12/31/2010	12/31/2009
Suppliers	2,660	4,736
Other	43	4,484
TOTAL	**2,703**	**9,220**

	12/31/2010	12/31/2009
Soc. security liabilities	1,745	1,179
Tax liabilities	170	1,027
TOTAL	**1,915**	**2,206**

On March 11, 2011, THEOLIA signed a negotiated settlement agreement with former executives Marc van't Noordende and Olivier Dubois, thereby ending the legal proceedings initiated in February 2010 following their removal from office.

The Company cancelled the provision for contingencies, funded in June 2010, and recognized the outstanding settlement amount of €1,373K under social liabilities (including employer contributions). The indemnity payable under the agreement represents compensation for the damage suffered.

Marc van't Noordende and Olivier Dubois thereby relinquish their claims for damages, the non-compete indemnity, variable compensation for 2009, free share grant, including the anti-dilution provision, and under Article 700 of the French Code of Civil Procedure.

Breakdown by due date

French GAAP (in thousands of euros)

12/31/2010		Less than 1 year
Trade and related payables		2,660
Soc. security and tax liabilities		
	Personnel	*1,299*
	Social security bodies	*446*
	Govt. sales tax	*2*
	Other tax and soc. security liabilities	168
Other liabilities		43
TOTAL		**4,618**

4.15 Tax consolidation

THEOLIA has opted for tax consolidation since July 1, 2004. In this respect, it alone is liable for the corporate tax for all the companies that are members of the tax group.

The tax consolidation convention stipulates that the parent company recognizes as income the sums paid by the subsidiaries for their taxes as if they were separately liable.

At the end of the year, the tax consolidation scope comprised the following companies:

- THEOLIA Participation
- THEOLIA France
- THERBIO
- Ecoval 30
- Ecoval Technology
- Seres Environnement
- Royal Wind
- CEFF
- CESAM
- CESA
- CECOS

Group tax loss carryforwards amounted to €101,080K.

5. ANALYSIS OF THE PRINCIPAL ITEMS ON THE INCOME STATEMENT

5.1 Revenues

In 2010 net revenue totaled €24,919K, compared to €6,118K the previous year. It consists of group expenses re-invoiced to subsidiaries for €5,539K plus the sale of the turbine inventory to the Italian subsidiary Neoanemos for €19,380K.

5.2 Reduction in inventory

Following the sale of the turbines to the Italian subsidiary Neoanemos, appearing under the "Inventories" heading since 2008, THEOLIA recognized a reduction in inventory from the initial amount of €20,110K. This amount corresponds to the historical cost of the wind turbines of €19,380K as well as their ancillary expenses.

5.3 Reversal of operating provisions and expense transfers

The €4,324K in expense transfers break down as follows:

- Capital increase expenses €4,179K
- Insurance refunds...€63K
- Acquisition costs on the purchase of ecolutions shares...€57K
- Personnel expenses...€24K
- Other €1K

Operating provision reversals mainly relate to the reduction in group trade debtors, which were reclassified under receivables from equity interests.

5.4 Other income

Other income totaling €963K corresponds principally to the re-invoicing to a subsidiary of work paid on its behalf.

The significant increase in this line item is related to the commission on the sale of the Alsleben wind farm in Germany. The expenses associated with this sale were re-invoiced to the German subsidiary THEOLIA Naturenergien GmbH.

5.5 External purchases and expenses

The sharp increase in the "External expenses" line item was primarily due to the financial restructuring carried out in 2010. This line item includes:

- the expenses directly associated with this restructuring of €5,462K; and
- the fees paid to external consultants due to the exceptional circumstances faced by THEOLIA in the first half of 2010.

However, the Company's recurring operating costs continued to fall. This decline in "Other external purchases and expenses" reflects the continuation of the cost reduction plan, begun in 2009.

5.6 Salaries and wages

Total compensation paid to corporate officers in 2010 was €1,659K and breaks down as follows:

French GAAP (in thousands of euros)	**12/31/2010**	**12/31/2009**
Gross salaries (inc. bonuses)	920	452
Severance / negotiated termination payments	322	-
Benefits in kind	26	135
Fees, General administration	-	275
Directors' fees	391	400
TOTAL	**1,659**	**1,263**

In 2010, this line item shows a significant increase related to the exceptional nature of compensation paid with Company executives succeeding each other during the first half of 2010:

- One-off assignment designed to provide special support to the Chairman and Chief Executive Officer €40K;
- Variable compensation of €100K;
- Success bonus associated with the capital increase: €228K;
- Signing bonus: €93K;
- Severance and negotiated termination payments: €322K.

In addition, a negotiated settlement agreement was signed in March 2011 by THEOLIA and its former executives.

The negotiated severance settlement agreed to cover damages suffered does not constitute compensation. A deferred expense of €999K (not including social charges) was accordingly recognized under the "Salaries and wages" line item and this brings an end to the dispute between the Company and these former executives.

Finally, the compensation of THEOLIA SA staff (not including officers and transactional indemnity related to the former management) went from €1,884K in 2009 to €1,372 K in 2010, illustrating the reduction in staff.

5.7 Payroll taxes

Payroll taxes (excluding other personnel expenses) amounted to €1,213K in 2010, compared to €1,607K in 2009. This decrease was mainly due to a €300K reduction in URSSAF contributions, payable on the free shares awarded in 2009.

5.8 Employee information

At year end, the company employed 23 persons, compared with 27 people as of December 31, 2009.

- Employee retirement commitments: Because of the immaterial nature of this type of commitment, the Company has not recognized any provision for retirement indemnities.

- Individual training right: Employees had combined individual training rights of 933 hours, representing a total of €15.4K (measured on the basis of the hourly employee cost, excluding payroll taxes).

5.9 Financial income and expenses

In 2010 net financial income was a charge of (€79,481K) compared to net income of €154K in 2009.

Details of net financial income (charges) were as follows:

Financial income

- Dividends €1,262K
- Interest on advances of funds to subsidiaries €8,670K
- Interest on shareholder loans €846K
- Income from cash investments €143K
- Income from sale of treasury shares €9K
- Reversals of impairment of financial assets €15,700K
- Reversal of impairment of current accounts €8K
- Reversal of the OCEANE non-conversion premium €7,038K
- Foreign exchange gains €33K
- Other financial income (including cancellation of 2009 late payment interest on receivables) .... (€728K)

The reversal of the impairment of financial assets corresponds mainly to the cancellation of the €13,359K shareholder loan extended to THEOLIA Emerging Markets.

Financial expense

- Bond interest €4,824K
- Interest on loans or advances to shareholders €103K
- Expenses on sale of treasury shares €169K
- Losses on receivables from equity interests €2,714K
- Impairment of financial assets €104,576K
- Other financial expenses €76K

The sharp increase in financial expenses in 2010 was due to the significant impairments related to the losses in value of equity interests in, and loans to, affiliates, namely:

- THEOLIA Holding GmbH - impairment of equity interests: €77,573K;
- ecolutions - impairment of equity interests: €15,282K;
- Seres Environnement - impairment of equity interests: €3,507K.

Total: €96,362K

5.10 Extraordinary income and expenses

Extraordinary net income totaled €738K compared to €17,229K in 2009, generated principally through the disposal of Ventura securities.

In 2010 extraordinary income totaled €1,295K.

The Company made claims for adjustment to deductible VAT and payroll taxes for a total of €960K.

The €556K in extraordinary expenses are mainly related to the accelerated amortization (excess tax depreciation over normal depreciation) of equity interest purchase costs.

5.11 Corporate tax

Expense / income

The details of this item are as follows:

- Tax expense (withholding tax on activities in Morocco) (€331K)
- Research and apprenticeship tax credit €195K
- Family tax credit €34K

6. TRANSACTIONS BETWEEN THE COMPANY, ITS DIRECTORS AND EXECUTIVES

Transactions between the Company and its directors

George Hersbach, a THEOLIA director, signed a consultancy agreement under which Heartstream Corporate Finance B.V. provided consultancy services with respect to the Group’s disposal of a wind farm in Germany.

The remuneration terms were as follows: satisfactory performance bonus of 1.25% of the value of the wind farm sold. This agreement ended on July 1, 2010.

The services invoiced by Heartstream to THEOLIA were wholly re-invoiced for €904K to the German subsidiary THEOLIA Naturenergien GmbH which thereby recognized on its books all services associated with the sale of its Alsleben wind farm.

7. ASSOCIATES

SOCIETES	Participations (Brut)	Créances rattachées à des participations (Brut)	Prêts	Créances clients et comptes rattachés (Brut)	Comptes courants (Dettes)	Dettes fournisseurs et comptes rattachés	Prestation de services (Produits)	Autres produits financiers	Autres produits	Prestation de services (Charges)	Autres charges financieres
ECOVAL TECHNOLOGY SAS	40	3 583						139	3		
SERES ENVIRONNEMENT	3 507	3 863						149	11		22
THERBIO SA	14 634	6 751						284	3		
ECOVAL 30 SA		4 477						142	6		
CENT EOL DE FRUGES LA PALETTE	37	63					2	2			
THEOLIA FRANCE	14 240	75 355		9		28	2 226	2 610	20	25	
THEOLIA PARTICIPATIONS	40	12 276						457			
ROYAL WIND		914					(3)	34			
CEFF		85	1 978					3			
CENT EOL DE SEGLIEN			3 412								
CENT EOL DES PLOS		338	1 626					13			
CENT EOL DU MOULIN DE FROIDURE		18	4 488					1			
CENT EOL DES SABLONS		36	3 430					2			
CENT EOL DU GRAND CAMP											
CENT EOL DU PLATEAU DE RONCHOIS											
CENT EOL DE SALLEN		296	3 021					11			
CENT EOL DES COSTIERES		621					2	23			
CENT EOL DES GARGOUILLES		596					2	21			
CENT EOL DE CROIX BOUDETS		446					2	20			
CENT EOL DE CHASSE MAREE											
CENT EOL DU MAGREMONT		363					2	71			
CENT EOL DE LA VALLEE DE LA TRIE		868					2	35			
CENT EOL DE L'AQUEDUC		28					2	2			
CENT EOL DE CANDADES		34					2	2			
CENT EOL DU CHEMIN DE FER							2				
CENT EOL DE COUME		78					2	3			
CENT EOL DE LA FORET DE BOULTACH		7					2	2			
CENT EOL DE DAINVILLE		72					2	2			
CENT EOL DE DEMANGE		71					2	2			
CENT EOL DE MOTTENBERG		147					2	5			
CENT EOL DE SORBIERE		38					2	2			
CENT EOL DES SOUTETS		94					2	3			

CENT EOL DU BOIS DES PLAIN		13					1				
CENT EOL BREHAIN TIRCELET		18					2	1			
CENT EOL DE CHEMIN PERRE		20					1	1			
CENT EOL DE LA HAUTE BORNE		18					1	1			
CENT EOL LES HAUTS VAUDOIS		20					1	1			
SNC BAUDIGNECOURT											
SNC LE CHARMOIS											
SNC EOLIENNES DE BEL AIR											
SNC EOLIENNES DU PLATEAU								20			
SNC DEMANGE											
SNC DAINVILLE											
SNC ST BLIN		41					2	1			
SNC LES PINS		40					2	1			
SNC L'ARDECHE		40					2	1			
SNC VESAIGNES		2									
SNC BIESLES		41					2	1			
THEOLIA IBERICA		9 880						464			
NATENCO HOLDING GMBH	195 397	37 029					2 567	1 826	904		
NATENCO GMBH											
LES 4E		348					(3)	12			
THEOLIA WIND POWER PVT (INDIA)	1 118	2 000									
THEOLIA BRAZIL	4 000	2 805						117			
THEOWATT		840						31			
THEOLIA GREECE	57	506									
THEOLIA CEE Gmbh	1 000	270						11			
THEOLIA EMERGING MARKETS	1 998	873				450		32			
CED	45 385	1 512		49			45	91			
THENERGO ME (Sous Groupe)											
Maestrale Energy Srl	28 231	29 883					666	1 254			
Maestrale Giunchetto		12 621						738			
Neo Annemos				20 257					19 380		
Aerochetto											
ECOLUTION	25 057			1							
PLATEAU		534									
TEMPO					1 002		2				
WINDREAM ONE		686						27			
TOTAL	**334 742**	**211 556**	**17 955**	**20 316**	**1 002**	**479**	**5 538**	**8 669**	**20 326**	**25**	**22**

8. OFF-BALANCE SHEET COMMITMENTS

As part of its normal business activities, the Company generally establishes a subsidiary in each country in which it operates. When the company develops a wind project in a country, the corresponding subsidiary establishes an SPV (Special purpose vehicle) to hold the assets and liabilities specific to the project. This subsidiary is the main project finance debtor. These hosting entities may be direct subsidiaries of the Company in certain jurisdictions, or indirectly owned through intermediary holding companies.

However, as a Group holding company, the Company may be liable to its lenders, suppliers and clients for providing credit, liquidity or other forms of support for its direct and indirect subsidiaries in the form of guarantees and other commitments.

These off-balance sheet commitments include:
- letters of credit guaranteeing the subsidiaries' working capital;
- guarantees to the suppliers of wind turbines;
- guarantees of finance for the subsidiaries to develop wind projects;
- guarantees for obligations to refund the purchase price for the benefit of clients;
- letters of comfort granted to the subsidiaries; and
- other commitments.

In addition, in some cases, non-consolidated entities may also supply credit, liquidity or other forms of support to the Group given the market risks which also constitute off-balance sheet commitments

Commitments made by the Company

The table below provides a summary of the amounts of off-balance sheet commitments given by the Company as of December 31, 2010:

Commitments given	Relevant subsidiaries	Beneficiaries	Principal characteristics	Duration / Term	2009 Amount in millions of euros	2010 Amount in millions of euros
Guarantee	Ecoval Technology	BFCC	Guarantee awarded in 2005 for an overall maximum amount of €140,000. €111,086 under this guarantee is currently frozen due to a dispute with the wastewater treatment and drinking water plant in Cabriès.	N/A	0.1	0.1
Leasing agreement for head office	THEOLIA SA	La Halte de Saint Pons SAS	Contractual commitment of January 28, 2008 to lease the registered office premises for a period of 9 years (from March 1, 2008) with no option of early termination.	February 28, 2017	4.4	2.9
TOTAL					**4.5**	**3.0**

Commitments given	Relevant subsidiaries	Beneficiaries	Principal characteristics	Duration / Term	2009 Amount in millions of euros	2010 Amount in millions of euros
Guarantee	THEOLIA Naturenergien GmbH	Südwestbank	Initial guarantee for up to €7.5m to secure a €10m credit line intended to finance the working capital requirements of THEOLIA Naturenergien GmbH.	1 year renewable	7.5	2.0
Surety	THEOLIA Naturenergien GmbH	West-LB	Guarantee provided on July 29, 2010 by THEOLIA, for up to €7.5m to secure a €10m credit line arranged by THEOLIA Naturenergien GmbH with West-LB on July 24, 2007 for a period of 5 years.	May 15, 2011	N/A	7.5
Letter of comfort	THEOLIA Deutschland GmbH	THEOLIA Deutschland GmbH	On June 29, 2010, THEOLIA provided a new letter of comfort for its sub-subsidiary THEOLIA Deutschland GmbH in order to meet its obligations to third parties.	June 30, 2012	2.0	5.5
Joint guarantee	Ecoval 30	Société Générale	Joint guarantee for the loan taken out on June 27, 2005 by Ecoval 30. Under the terms of the guarantee the latter will in principal stay in place should Ecoval 30 be sold by THEOLIA to a third party.	July 14, 2012	2.0	0.5
Joint guarantee	Ecoval 30	Crédit Agricole	Joint guarantee for the loan taken out on June 27, 2005 by Ecoval 30 for a 15-year period.	March 27, 2020	4.6	4.4
Pledge of bank accounts	THEOLIA Naturenergien GmbH	Banks	Pledging with various banks of a certain number of accounts opened in their books, with a view to providing for costs that may be incurred in the dismantling of various wind farms in Germany	Variable according to term of loan granted	7.9	6.9
TOTAL					**24.0**	**26.8**

Letters of comfort granted to the subsidiaries

Given the economic context of some of its subsidiaries, THEOLIA commited, acting as reference shareholder, to support the operations during the 2011 fiscal year of:

- THEOLIA France,
- Seres Environnement,
- Ecoval 30,
- Ecoval Technology,
- Group Maestrale Green Energy.

Guarantees for wind farm financing:

The Company may be directly called on to provide guarantees as part of the financing of wind farms by financial institutions or for the dismantling of wind turbines.

These guarantees are pledges of shares in companies owning the wind projects for the duration of the long-term loan.

The table below details the aforementioned asset pledging by the Company as of December 31, 2010:

Entity	Date of commencement of pledge	Date of expiry of pledge	Amount of assets pledged in thousands of euros
Morocco			
La Compagnie Eolienne du Détroit	01/04/2008	12/15/2011	45,385

In addition to the pledging of assets to banks, framework agreements with the banks provide for a joint and several commitment by THEOLIA, THEOLIA France and Theowatt to make available to the SPVs, via capital contributions and/or shareholder loans, sums corresponding to the fraction agreed with the banks of the wind farm construction costs. In addition, pursuant to these agreements, THEOLIA, THEOLIA France and Theowatt are jointly and severally liable for covering any exceeding of the construction budgets confirmed with the banks via fresh capital contributions and/or shareholders' loans;

These commitments concern the following SPVs:

1. Centrale Éolienne des Plos ("CEPLO"),
2. Centrale Éolienne du Moulin de Froidure ("CEMDF"),
3. Centrale Éolienne de Sallen ("CESAL"),

Finally, the framework agreements with the banks institute a joint guarantee with THEOLIA for the repayment of sums due for revolving credit extended by the banks to the SPVs to finance the VAT on the construction of wind farms.

Off-balance sheet commitments received in connection with the Group's operating activities

Commitments received	Relevant subsidiaries	Beneficiaries	Principal characteristics	Duration / Term	2009 Amount in millions of euros	2010 Amount in millions of euros
Share buyback option granted	Thenergo	THEOLIA SA	On December 24, 2008, THEOLIA SA sold its entire interest in Thenergo (4,716,480 shares) to Hestiun SA for €15m. THEOLIA retained an option to buy back these shares at the agreed price of 110% of the sale price up to December 31, 2009 and 120% of that price up to December 31, 2010. This option has not been exercised.	December 31, 2010	N/A	N/A
Non-compete commitment	THEOLIA SA	THEOLIA SA	Non-compete commitment covering Europe and running for a 3-year period made by Jean-Marie Santander in the context of his leaving THEOLIA SA	September 29, 2011	N/A	N/A
TOTAL					**N/A**	**N/A**

9. LIST OF SUBSIDIARIES AND EQUITY INTERESTS

Forme juridique	Raison sociale	% détention directe	Adresse	Ville / Pays	Code SIRET	Capital (en K€)	Réserves et report à nouveau (en K€)	Résultat (en K€)	Chiffre d'Affaire (en K€)	Valeur comptable des titres détenus (brut)	Dépréciations	Valeur comptable (net) des titres détenus	Montant des prêts et avances accordés	Montant des cautions et avals donnés
	ECOLUTIONS					28 400	3 086	(3 687)	875	25 057	15 282	9 775		
SAS	SERES	100,00%	360 Rue Louis de Broglie	13290 AIX EN PROVENCE FFRANCE	49061931900018	1 760	-	(3 229)	5 760	3 507	3 507		3 863	
SAS	THEOLIA France	100,00%	4 Rue Jules Ferry	34000 MONTPELLIER FFRANCE	48003982500025	14 240	(11 423)	(9 208)	5 882	14 240	-	14 240	75 355	
Gmbh	THEOLIA HOLDING	100,00%	Hirschstrasse 5	72649 WOLFSCHLUGEN ALLEMAGNE	722378	30	(1 293)	95	4 333	195 397	117 665	77 732	37 029	
SAS	THEOLIA PARTICIPATIONS	100,00%	75 Rue Denis Papin	13290 AIX EN PROVENCE FFRANCE	48003961900022	40	(10 335)	(1 960)	0	40	40	-	12 276	
SAS	ECOVAL TECHNOLOGY	100,00%	360 Rue Louis de Broglie	13793 AIX EN PROVENCE FFRANCE	4799175930028	40	(4 889)	(762)	-	40	40	-	3 583	
SA	THERBIO	100,00%	360 Rue Louis de Broglie	13793 AIX EN PROVENCE FFRANCE	39997960800060	4 800	(13 393)	602	145	14 634	14 634		6 751	
	THEOLIA GREECE	95,00%	Kolokotroni, N° 15 - Ano Liissia	ATHENES GREECE		60	(607)	-	-	57	57	-	506	
Srl	MAESTRALE GREEN ENERGY	100,00%	Corso Magenta N° 32	20123 MILANO ITALIE	04954090967	15	(2 724)	(883)	1 206	28 231		28 231	29 883	
Limited	THEOLIA WIND POWER PVT INDIA (en INR)	50,00%	1008-1009 Mercantile House 15 Kasturba Gandhi Marg	110001 NEW DELHI INDIA	U40101DL2006PTC145792	258 433	(51 528)	18 018	(241 500)	1 118		1 118	2 000	
Gmbh	THEOLIA CEE	100,00%	C/o MM-Trust Landstrasser Hauptstrasse 143/22	1030 WIEN AUSTRIA	297793	1 000	(1 189)	(30)	-	1 000	1 000	-	270	
SA	THEOLIA EMERGING MARKETS (en MAD)	95,24%	231, bd. Bir Anzarane	20000 CASABLANCA MAROC	170 779	21 000	(46 261)	19 759	(6 207)	1 998	1 998		873	
SA	CENTRALE EOLIENNE DE FRUGES LA PALETTE	99,94%	75 Rue Denis Papin	13290 AIX EN PROVENCE FFRANCE	49127142500010	37	(156)	(21)	-	37	37		63	
SARL	WINDREAM ONE	100,00%	6, rue Porstrein, BP 21014	29210 BREST FFRANCE	49360054800017	1	(663)	(24)	0			-	686	
SA	CENTRALE EOLIENNE DE DETROIT (MAD)	100,00%	Angle Boulevard Pasteur - rue Ahmed Chawki et rue du Mexique	TANGER MAROC	13 749	181 111	123 414	14 895	80 511	45 385	20 622	24 763	1 512	
SA	THEOLIA BRAZIL (REAL)	99,90%	Rua Furriel Luiz Antônio Vargas, n°250, cj 1.002	PORTO ALEGRE RS BRAZIL	43 2 0524430-6	2 687	(4 541)	(1 038)	-	4 000	1 390	2 611	2 805	

5.6 FIVE-YEAR FINANCIAL SUMMARY

Under French accounting standards, in Euros	12/31/2006 18 months	12/31/2007 12 months	12/31/2008 12 months	12/31/2009 12 months	12/31/2010 12 months
Total shareholders' equity	**168,349,952**	**350,035,018**	**189,106,745**	**226,249,000**	**214,198,711**
Balance sheet total	**214,304,936**	**604,525,432**	**454,935,459**	**490,940,000**	**425,942,835**
Share capital at fiscal year end					
Share capital	25,403,531	38,681,671	39,746,992	39,895,207	110,292,782
Number of ordinary shares	25,403,531	38,681,671	39,746,992	39,895,207	110,292,782
Preferred shares without voting right	-	-	-	-	-
Maximum number of shares to be created					
By allotment of shares	423,500	575,715	561,715	2,070,611	1,777,111
By conversion of bonds		11,538,462	11,538,462	11,538,462	90,170,427
By subscription rights	2,955,277	4,917,447	4,415,450	3,997,450	4,053,504
Operations and results					
Revenue Net of Tax	4,859,762	5,968,734	7,414,503	6,118,146	24,918,915
Income (loss) before taxes, employee profit-sharing, amortization and provisions	- 1,678,550	3,235,425	828,527	20,224,750	- 6,003,856
Income tax	- 2,737,985	- 608,719	- 240,050	- 422,000	296,945
Employee profit sharing	-	-	-	-	-
Income (loss) after tax, employee profit-sharing, amortization and provisions	413,710	- 1,151,491	- 163,010,876	36,668,169	- 89,828,723
Income distributed	-	-	-	-	-
Earnings per share (undiluted)					
Income (loss) before tax and employee profit-sharing, but before amortization and provisions	- 0.07	0.08	0.02	0.51	- 0.05
Income (loss) after tax, employee profit-sharing, amortization and provisions	0.02	- 0.03	- 4.1	0.92	- 0.81
Dividends paid	-	-	-		
Income per share (diluted)					
Income (loss) before tax and employee profit-sharing, but before amortization and provisions	- 0.06	0.06	0.01	0.36	- 0.03
Income (loss) after tax, employee profit-sharing, amortization and provisions	0.01	- 0.02	- 2.9	0.64	- 0.44
Dividends paid	-	-	-		
Employees					
Average number of employees	16	20	38	30	23
Total salary expenses	2,514,329	3,575,161	3,081,088	3,147,000	4,030,393
Employee benefits paid	920,103	1,236,154	1,979,021	1,607,000	1,291,694

5.7 REPORT OF THE STATUTORY AUDITORS ON THE ANNUAL FINANCIAL STATEMENTS

To the Shareholders,

Pursuant to the engagement assigned to us by your ordinary shareholders' meeting, we hereby present our report on the year ended December 31, 2010, on:

- the audit of the annual financial statements of the THEOLIA Company, as oftached to this report;
- justification for our assessments;
- the specific audits and disclosures required by law.

The annual financial statements were closed by the Board of directors. It is our responsibility, based on our audit, to express an opinion on these statements.

I. OPINION ON THE ANNUAL FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France; these standards require that due care be taken to obtain a reasonable assurance that the annual financial statements do not contain any material misstatements. An audit consists of verifying, by sampling or by any other selection method, the items justifying the amounts and disclosures contained in the annual financial statements.. It also consists of assessing the accounting principles followed, any significant estimates used and the overall presentation of the statements. We believe the items we have collected are a sufficient and appropriate basis for our opinion.

We certify that the annual financial statements are, in respect of French accounting rules and principles, fair and accurate and that they present fairly the results of the operations for the year ended as well as the financial position and the assets of the Company at the end of that year.

II. JUSTIFICATION FOR OUR ASSESSMENTS

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code related to the justification of our assessments, we draw your attention to the following items:

- Investments as well as the receivables attached to investments, the net amount of which included on the balance sheet as of December 31, 2010 totals 323,691,763 euros, are valued at their acquisition cost and depreciated in accordance with the methods described in note 1.3 to the financial statements, "Capital Assets".
- Based on the information provided to us, our work consisted of assessing the data on which the useful values are based, and in particular of reviewing the updated prospects of profitability of the activities concerned and the prospects of achieving their objectives; it also consisted of checking the consistency of the assumptions adopted with the budget projections from the medium-term plans prepared under the authority of the General Management.

The above assessments are part of our process of auditing the annual financial statements as a whole and therefore contributed to the formation of our opinion expressed in the first part of this document.

III. SPECIFIC AUDITS AND DISCLOSURES

In accordance with the professional standards applicable in France, we also conducted the specific audits required by law.

We have no comments to make on the fairness or the consistency with the annual financial statements of the disclosures contained in the Management Report of the Board of directors and in the documents intended for the shareholders on the Company's financial position and its annual financial statements.

Concerning the information provided pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code on the compensation and benefits paid to the executive management as well as any commitments made to them, we verified their consistency with the financial statements and with the data used to prepare those statements, and, where necessary, with the items gathered by your Company from the companies controlling your Company or controlled by it. Based on this work, we certify that this information is fair and accurate.

As required by law, we verified that the various data related to the acquisition of equity interests and of control and to the identity of the holders of the capital and voting rights were disclosed to you in the Management Report.

Marseilles and Paris, April 28, 2011

The Statutory Auditors

Deloitte & Associés	**Didier Kling & Associés**	
Christophe PERRAU	Christophe BONTE	Didier KLING

6. INFORMATION ON THE COMPANY AND THE SHARE CAPITAL

6.1 INFORMATION RELATED TO THE COMPANY

6.1.1 Corporate name

The company is registered under the name THEOLIA.

6.1.2 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.

6.1.3 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.

6.1.4 Registered office, legal form and applicable law

The registered office of the Company is situated at 75, rue Denis Papin, BP 80199, 13795 Aix-en-Provence Cedex 3 (France).

The telephone number of the registered office is: 04.42.904.904.

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.

6.1.5 Articles of incorporation and Articles of association

6.1.5.1 Corporate purpose

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 countries 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.

6.1.5.2 Legal provisions relating to the administrative and management bodies – Internal regulation of the Board of directors

The description below 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 planned for June 1, 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).

The annual general meeting on June 17, 2011 decided to harmonize the address of the Company's registered office and its postal address, and to modify Article 4 of the Articles of association accordingly.

- ***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 the event of a 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.

  - 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 Meeting of Shareholders.

  - 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 general management of the Company in the capacity of CEO, if the Board of directors has chosen to combine these two offices at the time of his appointment.

- Deliberations of the Board of directors – Minutes (Article 14 of the Articles of association)

The Board of directors shall meet as often as the interests of the Company so require and at least six times a year as convened by its Chairman summoned 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, at least a third of its members may require the Chairman to summon the Board for a specific agenda. If necessary, the CEO may require the Chairman to summon the Board of directors for a specific agenda.

The Board of directors can only deliberate validly if at least half its members are present.

Except when provided otherwise by law, the directors participating in the meeting of the board by videoconference or by means of telecommunication permitting their identification, in accordance with the current regulations, shall be reputed to be in attendance for calculating the quorum and the majority.

A director can provide a proxy in writing for another director to represent him. Each director can have only one power-of-attorney during the same session.

An attendance book shall be maintained, which shall be signed by the directors attending the session, and which shall mention, if applicable, the attendance of directors through videoconferencing or telecommunication permitting their identification and guaranteeing their actual attendance. The substantiation of the number of serving directors, of their attendance, including through videoconferencing or telecommunication permitting their identification and guaranteeing their actual attendance, or their representation, shall be sufficient with respect to third parties from the statements of the minutes of each meeting.

The meetings shall be presided by the Chairman of the Board of directors or, in his absence, by the director who may have been temporarily delegated these duties, by a Vice-Chairman or by any other director designated by his fellow members.

The decisions shall be adopted by a majority of votes of the members present or possibly reputed as such or represented. In case of a tie vote, the chairman shall have the deciding vote.

The Board can decide to create committees or commissions responsible for studying matters that it itself or its chairman submit to their examination for opinion; such committees or commissions shall exercise their prerogatives under its responsibility.

The minutes recording the deliberations of the Board shall be signed by the chairman of the session and by a director, or if the chairman of the session is prevented from doing so, by at least two directors.

The directors, as any person called upon to attend the Board meetings, shall have an obligation of discretion with respect to information of a confidential nature and indicated as such by the chairman of the session.

- Assignment and powers of the Board (Article 15 of the Articles of association)

The Board of directors determines the Company's activity guidelines and oversees their implementation.

With the exception of the powers expressly assigned to shareholder meetings and within the scope of the corporate purpose, it shall take up any matter concerning the proper operation of the Company and shall, through its deliberations, guide the matters concerning it.

The Board of directors shall conduct the inspections and audits that it deems appropriate.

The chairman or CEO 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.

As of the registration date of this Registration Document, Mr. Michel Meeus holds the position of Chairman of the Company’s Board of directors.

- ***General Management (Articles 16 and 17 of the Articles of association)***

  - Methods of exercise

As set out by law, the general 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 CEO.

The decision of the Board of directors as to the choice among these two methods of exercising the general 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 general management when appointing or renewing the CEO, if this appointment is dissociated with that of the chairman.

  - General Management

Based on the choice made by the Board of directors pursuant to the provisions of Article 16, the general 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 CEO.

When the Board of directors chooses to disassociate the appointments of Chairman and CEO, it shall then appoint the CEO 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 CEO shall automatically cease at the end of the fiscal 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 CEO beyond this age limit for successive one-year periods. In this case, the duties of the general management must definitively cease no later than the end of the fiscal year during which he reaches the age of 70.

The acceptance and the exercise of the duties of CEO require the interested party to affirm that he conforms to the restrictions set out by law with respect to the combination of appointments of CEO and director of limited liability corporations.

The CEO can be removed at any time by the Board of directors. When the CEO does not assume the duties of Chairman of the Board of directors, his removal can give rise to damages if it is decided without a just reason.

  - Powers of the CEO

The CEO 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 CEO 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 general management is assumed by a CEO, the latter may ask the Chairman of the Board of directors to convene the Board of directors for a specific agenda.

The CEO and the deputy managing directors can substitute for all special representatives.

As of the registration date of this Registration Document, Mr. Fady Khallouf is the Company's CEO.

- ***Deputy Managing Directors (Article 18 of the Articles of association)***

Upon proposal by the CEO, whether this position be held by the Chairman of the Board of directors or by another person, the Board of directors can appoint one or several natural persons as Deputy Managing Director, to assist the CEO.

The maximum number of deputy managing directors 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 managing director(s) shall cease at the end of the fiscal 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 managing director or officers beyond this age limit for successive one-year periods. In this case, the duties of the deputy managing director or officers must definitively cease no later than the end of the fiscal year during which he reaches the age of 70.

In the event that the CEO should cease or be prevented from his duties, unless decided otherwise by the Board of directors, the Deputy Managing Director or Directors shall retain their prerogatives until the appointment of a new CEO.

The Deputy Managing Director or Directors can be removed at any time by the Board of directors, at the proposal of the CEO.

The CEO, together with the Board of directors shall determine the extent and the duration of the powers granted to the Deputy Managing Director.

The deputy managing directors shall have the same powers as the CEO with respect to third parties.

As of the registration date of this Registration Document, no Deputy Managing Director has been nominated by the Board of directors to assist the CEO in his duties.

- ***Board of directors Internal Rules and Regulations***

The Board of directors of the Company adopted on April 18, 2011 a new internal regulation which is in line with the relevant recommendations aiming to ensure compliance with the fundamental principles of corporate governance.

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 Section 2.1.2), and on the other hand the methods for controlling and evaluating their operation.

A full copy of the Internal Rules is included in this Registration Document as a Note to the 2010 Report released by the Chairman of the Board of directors on corporate governance, internal control and risk management mechanisms (see Section 2.3.4 above).

- Control 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 functioning of the special committees created by the Board; they must see to it that the internal control bodies function effectively and that the Statutory Auditors perform their role satisfactorily.

The Board of directors undertakes an assessment of its own operation at regular intervals. It conducts an annual review of its work once a year and a formal evaluation is conducted every three years by an independent director with the assistance of an outside consultant. The evaluation of the Board's work is carried out in accordance with recommendation R15 of the MiddleNext Code.

On March 30, 2009, the Board of directors engaged an independent expert to conduct an evaluation of the organization and operation of the Board of directors.

After the close of the fiscal year on December 31, 2010, the Board of directors will conduct an annual review of the operation of the Board and its committees. The main conclusions will be published in the Report of the Chairman of the Board of directors on corporate governance, internal control procedures and risk management for the 2011 fiscal year.

6.1.5.3 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.

6.1.5.4 General meetings of the shareholders

The general shareholders meetings shall be convened by the Board of directors or, failing this, by the Statutory Auditors, by an authorized agent appointed in legal proceedings in accordance with Article L. 225-103, II of the French Commercial Code, at the request of one or more shareholders under the conditions provided for in Articles L. 225-105 and R. 225-71 of the French Commercial Code, or at the request of a shareholders' association in accordance with Article L. 225-120 of the French Commercial Code.

The meeting is convened at least fifteen days in advance for the first notice and at least ten 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. 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.

6.1.5.5 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.

6.1.5.6 Shareholder identification – Crossing legal thresholds

In order to identify the holders of bearer shares, the Company may at any time, in accordance with the prevailing legislative and regulatory provisions, request from the central shares depository maintaining the issuance account of its shares, information on the shares and the holders of shares issued by it, conferring the voting right immediately or over time. Based on the list conveyed by the central shares depository responsible for maintaining the issuance account for its shares, the Company may specifically, as set out in the legal and regulatory provisions, require information concerning the ownership of the shares 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 shares. 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 shares depository.

When it concerns registered shares providing immediate or term access to the capital, the registered intermediary is obligated to reveal the identity of the owners of such shares as well as the quantity of shares 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 shares on behalf of third party owners of the shares, it shall be entitled to demand that such holders reveal the identity of the owners of those shares.

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 French Commercial Code to notify the Company and the AMF of the crossing of the thresholds of 5%, 10%, 15%, 20%, 25%, one-third, 50%, two-thirds, 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 shares giving 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 shares, 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.

6.1.5.7 Changes in the share capital (Article 8 of the Articles of association)

- *Capital increase*

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 carried out 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 value 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.

6.2 INFORMATION RELATED TO THE SHARE CAPITAL

6.2.1 Share capital

As of September 30, 2011, the Company's share capital was set at €127,591,147, divided into 127,591,147 shares of a par value of one € (1) each, for a real number of voting rights of 128,690,194.

Marketable shares or securities issued by the Company are in the form of either bearer shares or registered shares. Registered shares can be converted to bearer shares unless otherwise provided by law. These shares or marketable securities, whatever their form, must be registered in an account under the conditions set forth by the laws and regulations in force. Rights over the shares are contingent upon registration in an account under the conditions and according to the terms stipulated by the laws and regulations in force.

All the shares issued have been fully paid; they are all of the same class.

The Company has been informed that the three custodian banks, Bank of New York Mellon, Citibank and Deutsche Bank, have taken the initiative to make THEOLIA shares available to US investors. They offer an American Depositary Receipt representing one share of THEOLIA. This certificate, under Cusip code 88338D109 and SEDOL code B3DTP21 with the mnemonic code THIXY, is a program that is not sponsored by THEOLIA, and to date the Company has not been informed of the activity for this instrument.

As of July 31, 2011, no pure registered shares in the Company were pledged.

As of December 31, 2010, the number of shares was 110,292,782 with total net of voting rights of 111,604,695.

6.2.2 Securities not representing the capital

None.

6.2.3 Shares held by the Company of for its account

The ordinary shareholders' meeting on June 17, 2011 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 previous authority given by the ordinary shareholders' meeting of June 1, 2010.

This delegation allows the Company to trade THEOLIA shares on the market through a liquidity contract in accordance with market practice allowed by the AMF. The Company made no other use of this delegation aside from the liquidity contract.

Under previous delegated authorities for share buybacks by THEOLIA, it should be noted that a liquidity contract was concluded on August 28, 2006 between the Company and Exane BNP Paribas, an investment services provider, in order to improve liquidity of its shares and the legality of its listings through purchase and sale mechanisms. This liquidity contract was drawn up in accordance with the standard contract of the Association Française des Entreprises d'Investissement ("AFEI") and the AFEI ethics charter of March 14, 2005, approved by the AMF on March 22, 2005.

On January 26, 2009, the liquidity contract granted by the Company THEOLIA to Exane BNP Paribas was terminated. The Company then appointed Oddo Corporate Finance to introduce a new liquidity contract based on the AFEI ethics charter, by transferring to it the 95,515 THEOLIA shares and €155,113.36 previously held by Exane BNP Paribas. The contract was concluded for an initial period from January 27, 2009 through December 31, 2009, automatically renewable thereafter by successive identical 12-month periods. This contract was renewed for 2011.

Transactions from January 1, 2010 to December 31, 2010:

	Quantity	Average price (€)	Amount(€)
Total Purchase	1,080,725	1.87	- 2,020,980.04
Total Sale	- 1,078,185	1.7942	1,934,510.60
As of 12/31/2009			
Number of shares held	190,396		

During the 2010 fiscal year, a total of 1,080,725 shares were therefore bought back at an average price of €1.87 per share and 1,078,185 shares were sold at an average price of €1.7942 per share. The corresponding trading costs are €25,000 for the 2010 fiscal year.

As of July 31, 2011, the Company owned 140,406 treasury shares with a par value of one euro each, representing 0.11% of the capital, and whose trading price of July 29, 2011 was €1.19, representing €167,083.14.

6.2.4 Authorized, unissued share capital

The delegations and authorizations granted to the Board of directors by the ordinary shareholders' meeting and pertaining to the issuance of shares and other transferable securities as of the publication date of this Registration Document are as follows:

OSM of June 17, 2011	Type of delegation	Purpose	Term	Termination	Ceiling	Usage as of July 31, 2011	Unused balance as of July 31, 2011	Overall ceiling (in €)
5th	Delegation of authority	Authorization to carry out transactions on the Company's shares	18 months	December 17, 2012	10% of the share capital			300 million
6th	Delegation of authority	Issuance, with PSRs, of shares and securities granting a right to hold a stake in the share capital or granting a right to bonds	26 months	August 17, 2013	100 million			
7th	Delegation of authority	Issuance, without PSRs, of shares and securities granting a right to hold a stake in the share capital or granting a right to bonds as part of a public purchase offer	26 months	August 17, 2013	€100 million or €200 million in the event of the issuance of bonds set out in resolutions 7, 8, 9, 11, 13 and 14.			

OSM of June 17, 2011	Type of delegation	Purpose	Term	Termination	Ceiling	Usage as of July 31, 2011	Unused balance as of July 31, 2011	Overall ceiling (in €)
8th	Delegation of authority	Issuance, without PSRs, of shares and securities granting a right to hold a stake in the share capital or granting a right to bonds for private placement provided for in Article L.411-2, II of the French Monetary and Financial Code	26 months	August 17, 2013	€100 million set out in resolutions 7, 8, 9, 11, 13 and 14			
9th	Authorization	To freely determine the issue price in the case of an issuance of shares without PSRs and of securities granting a right to hold a stake in the share capital	26 months	August 17, 2013	10% of the share capital with a maximum ceiling of €100 million set out in resolutions 7, 8, 9, 11, 13 and 14			
10th	Delegation of authority	Increase in the number of shares to be issued in the event of a capital increase with or without PSRs in accordance with resolutions 6, 7, 8 and 9	26 months	August 17, 2013	Up to a maximum of 15% of the initial issuance, with a ceiling of 10% of the share capital on the day the decision is taken by the Board of directors for each 12 month period			
11th	Delegation of authority	Issuance by one or more than one of the Company's subsidiaries of shares granting a right to hold a stake in the share capital and the resulting issuance of shares in the Company	26 months	August 17, 2013	€25 million, to be deducted from the shared ceiling of €100 million set out in resolutions 7, 8, 9, 11, 13 and 14			
12th	Delegation of authority	Capital increase through capitalization of reserves, profits, premium or other sums eligible for capitalization	26 months	August 17, 2013	Total amount of the sums that may be incorporated into the capital in accordance with current regulations			
13th	Delegation of authority	Issuance of shares and securities granting a right to hold a stake in the share capital or granting a right to bonds as part of public exchange offer issued by the Company	26 months	August 17, 2013	€100 million set out in resolutions 7, 8, 9, 11, 13 and 14			
14th	Delegation of powers	Issue shares granting access to the Company's capital in payment for contributions in kind	26 months	August 17, 2013	10% of the share capital at the date of the decision of the Board of directors, with a ceiling of €100 million set out in resolutions 7, 8, 9, 11, 13 and 14			

OSM of June 17, 2011	Type of delegation	Purpose	Term	Termination	Ceiling	Usage as of July 31, 2011	Unused balance as of July 31, 2011	Overall ceiling (in €)
15th	Authorization	Grant share subscription and/or purchase options in to staff members and/or Company or Group executive management	38 months	August 17, 2014	4% of the share capital on the day of the decision of the Board of directors, limited to the shared ceiling set out in the 16th resolution	Allocation of 810,000 stock options on July 29, 2011		
16th	Authorization	Proceed with the granting of free shares to employees and/or executive management of the Company and/or other companies in its Group	38 months	August 17, 2014	4% of the share capital on the day of the decision of the decision of the Board of directors, limited to the shared ceiling set out in the 15th resolution			
18th	Authorization	Reduction of the Company's share capital through the cancellation of shares	18 months	August 17, 2012	10% of the share capital on the day of the decision of the Board of directors			

6.2.5 Options or agreements concerning the Company's share capital

As of the date of this Registration Document, the optional mechanisms likely to affect the Company's share capital are:

- **stock warrants ("BSA")**

During the 2010 fiscal year, no BSA was allocated or exercised.

The 1,500,000 BSA GE1 reached their maturity date on January 3, 2011.

As of July 31, a total of 2,062,106 BSA remain in circulation and the total number of new shares that could potentially be created through the exercise of these stock warrants is 2,355,504.

It is specified that the exercise price of 1,962,106 BSA out of the 2,062,106 (i.e. 95%) in circulation is higher or equal to €12.174.

Details of the BSA are presented in Section 2.2.5 of this Registration Document.

- **the OCEANEs**

On October 23, 2007, THEOLIA floated an issue of OCEANEs maturing on January 1, 2014, which was the object of a prospectus approved by the AMF on October 23, 2007 under number 07-0368. The terms of this convertible bond were modified in accordance with prospectus number 10-198 dated June 23, 2010. The main modifications to the terms of the OCEANEs are presented in Section 3.1.1.4 of this Registration Document.

As of July 31, 2011, the total number of outstanding OCEANEs is 8,459,406. In the event of conversion of these OCEANEs by the 7th business day preceding December 31, 2013, that would lead to the creation of 73,089,268 new shares and would cancel the convertible debt to be reimbursed. In the event none of these OCEANEs were converted by December 31, 2014, the maximum amount to be reimbursed by THEOLIA would amount to €129.3 million if requested by the bondholders on January 1, 2015.

Details of the OCEANEs are presented in Section 3.1.1 of this Registration Document.

- **free share plan**

As part of the plan for allocating free shares over 2009-2011, on December 17, 2009 the Board of directors allotted 1,388,278 free shares to the executives and the first-rank employees of the Group for the fiscal years 2009, 2010 and 2011, subject to attendance and performance associated with the achievement of financial objectives. At the end of each fiscal year, the employees concerned could potentially benefit from a grant of up to one-third of the total value, subject to satisfaction 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 granted shares will be definitively acquired on December 17, 2011 and available on December 17, 2013.

On February 22, 2010, the Board of directors decided to award 30,000 free shares to an employee, subject to attendance and performance, and as part of the 2009-2011 free share plan described above.

On February 22, 2010, the Board of directors also decided to award 180,000 free shares subject to attendance and/or performance to a member of executive management. Since then, the attendance and performance conditions have been removed. These shares have therefore been permanently allocated.

However, it is to be noted that:

- Following a negotiated settlement agreement signed on March 11, 2011, the Company's former executives waived their rights to previously allocated free shares, i.e., 199,426 shares allocated on June 11, 2009 and 998,278 shares allocated as part of the 2009-2011 free share plan;
- Following the departure of certain employees from the Company, 90,000 free shares allocated as part of the 2009-2011 free share plan were cancelled as of July 31, 2011.

In total, as of July 31, 2011, 535,000 free shares, of which 330,000 subject to presence and performance, have been allocated and are in the process of being acquired.

- **stock options**

On December 1, 2010, the Board of directors authorized, according to the principle of commitment to value creation for shareholders, the allocation of 1,500,000 stock performance-based stock options to the CEO.

Based on the delegation granted by the fifteenth resolution of the ordinary shareholders' meeting held on June 17, 2011, the Board of directors meeting on July 29, 2011, decided to allocate 810,000 stock options subject to conditions of stock performance, to few employees of the Group.

Apart from the above-mentioned mechanisms, to the best of the Company's knowledge, no other optional mechanisms exist that are susceptible to have an effect on the Company's share capital.

6.2.6 Historical review of the share capital over the last three fiscal years

Date	Nature of transaction	Share capital
01/08/2008	Exercise of stock warrants	38,681,671
06/28/2008	Exercise of stock warrants	38,900,079
08/27/2008	Exercise of stock warrants	38,945,804
11/05/2008	Issue of free shares, exercise of share subscription warrants	39,353,304
12/30/2008	Exercise of stock warrants	39,746,992
12/31/2008	Capital recognized at fiscal year-end 2008	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

Date	Nature of transaction	Share capital
12/31/2009	Capital recognized at fiscal year-end 2009	39,895,207
02/22/2010	Definitive allocation of free shares	40,308,707
07/20/2010	Issue of shares by public issue	100,771,766
11/15/2010	Conversions of OCEANEs (bonds)	110,292,782
12/31/2010	Capital recognized at fiscal year-end 2010	110,292,782
04/18/2011	Final grant of free shares and conversions of OCEANEs (bonds)	112,755,309
08/31/2011	Conversions of OCEANEs (bonds)	127,418,347

The share capital as of September 30, 2011 stands at 127,591,147 shares following the conversion of 1,996,986 OCEANEs between January 1st, 2011 and September 30, 2011, leading to the creation of 17,253,958 new shares and the creation of 44,407 new shares further to allotted free shares definitely acquired. The conversions that took place in September 2011 has not yet been recognized by the Board of directors at the publication date of the present Registration Document.

6.3 SHAREHOLDER BASE

6.3.1 Principal shareholders

	Situation as of 09/14/2011		
Shareholder base	**Number of shares**	**% of Share Capital**	**% of Voting Rights**
APG Algemene Pensioen Groep NV	13,779,936	10.80	10.69
Concert (2)	17,160,524	13.44	13.31
CRC Active Value Fund Ltd	3,750	ns	ns
Michel Meeus	7,244,162	5.67	5.62
Pierre Salik	6,395,557	5.01	4.96
Brigitte Salik	3,517,055	2.75	2.72
THEOLIA employees	ns	< 0.25	< 0.25

	Situation as of 07/27/10			Situation as of 03/15/10		
Shareholder base	**Number of shares**	**% of Share Capital**	**% of Voting Rights**	**Number of shares**	**% of Share Capital**	**% of Voting Rights**
Gama Enerji (1)	6,462,000	6.41	6.33	6,462,000	16.03	15.47
Concert (2)	13,660,524	13.56	13.38	3,658,274	9.08	8.76
CRC Active Value Fund Ltd	3,750	NS	NS	1,500	NS	NS
Michel Meeus	4,994,162	4.96	4.89	1,337,250	3.32	3.20
Pierre Salik	5,145,557	5.11	5.04	1,377,788	3.42	3.30
Brigitte Salik	3,517,055	3.49	3.45	941,736	2.34	2.26
Willi Balz (3)	3,192,380	3.17	3.13	3,614,988	8.97	8.66
Pierre & Brigitte Salik	(4)			(4)		
THEOLIA employees	< 2%				< 1%	

Shareholder base	Situation as of 09/30/09 Number of shares	% of Share Capital	% of Voting Rights	Situation as of 12/12/08 Number of shares	% of Share Capital	% of Voting Rights
Gama Enerji (1)	6,462,000	16.2	15.57	6,462,000	16.42	15.77
Concert (2)	NA			NA		
Willi Balz (3)	3,614,988	9.06	8.71	4,170,188	10.6	10.18
Pierre & Brigitte Salik	2,108,471	5.29	5.08	2,108,471	5.36	5.15
THEOLIA employees		< 1%			< 3%	

(1) *It is to be noted that Gama Enerji A.S. reported it had sold, over-the-counter, all the shares held by it in the equity capital of THEOLIA in December 2010.*
(2) *Concert party as declared in letters of March 11 and July 23, 2010 to the AMF.*
(3) *Directly or indirectly through the companies Windreich AG and Financial Consulting GmbH.*
(4) *Henceforth included in the concert party referred to in note 2.*

The table below shows the threshold crossings reported to the AMF during fiscal year 2010:

Reporting date	Name of holder	Threshold crossed (how)	Date threshold crossed	% of capital held after threshold crossed	% of voting rights held after threshold crossed
01/28/2010 01/29/2010	Willi Balz, in his own name and through the German companies Windreich GmbH and Financial Consulting GmbH, which are controlled by him CRC Active Value Fund Mr. Michel Meeus Mr. Pierre Salik Mrs. Brigitte Salik	Upward	01/25/2010	18.23%	17.55%
This threshold crossing results from agreements concluded forming a shareholder concert party amongst the declarants.					
03/11/2010 03/12/2010	CRC Active Value Fund Mr. Michel Meeus Mr. Pierre Salik Mrs. Brigitte Salik (without Mr. Willi Balz)	Downward	03/08/2010	9.08%	8.76%
This threshold crossing results from the withdrawal from the concerted party by Willi Balz and his companies Windreich GmbH and Financial Consulting GmbH which he controls following an end of concerted party agreement on March 8, 2010.					
07/13/2010	The société anonyme (PLC) Amundi, acting for its own account and for the account of the société anonyme (PLC) Société Générale Gestion and the Etoile Gestion partnership.	Upward	07/12/2010	7.44%	7.21%
This threshold crossing results from acquisition of THEOLIA shares on the market.					
07/23/2010	CRC Active Value Fund Mr. Michel Meeus Mr. Pierre Salik Mrs. Brigitte Salik	Upward	07/07/2010	13.56%	13.38%
These threshold crossings result from subscribing to the THEOLIA capital increase.					
07/26/2010	Gama Enerji A.S.	Downward	07/20/2010	6.41%	6.33%
This threshold crossing results from the THEOLIA capital increase.					
07/26/2010 07/27/2010	Willi Balz, in his own name and through German company Windreich GmbH, which he controls	Downward	07/27/2010	3.17%	3.13%
This threshold crossing results from the THEOLIA capital increase.					
07/29/2010	The *société anonyme* (PLC) Amundi, acting for its own account and for the account of the *société anonyme* (PLC) Société Générale Gestion and the Etoile Gestion partnership.	Downward	07/27/2010	2.61%	2.58%
This threshold crossing results from a change in the number of THEOLIA shares following a capital increase.					
12/07/2010	Gama Enerji A.S.	Downward	12/02/2010	0.00%	0.00%
This threshold crossing results from the off-market sale of THEOLIA shares.					

The threshold crossings reported to the AMF between January 1st, 2011 and July 31, 2011 are as follows:

Reporting date	Name of holder	Threshold crossed (how)	Date threshold crossed	% of capital held after threshold crossed	% of voting rights held after threshold crossed
07/19/2011	The Dutch company APG Algemene Pensioen Groep NV, acting for the account of fund porfolios it manages.	Upward	07/11/2011	10.81%	10.71%
This threshold crossing results from the conversion of OCEANEs into new shares.					
07/29/2011	Michel Meeus, acting for his own account.	Upward	07/29/2011	4.70%	4.65%
This threshold crossing results from the acquisition of THEOLIA shares.					

The Company also reports the last declarations made by its directors:

- Acquisition by Michel Meeus, Chairman of the Board of directors, of 500,000 shares on September 6, 2011;
- Acquisition by Michel Meeus, Chairman of the Board of directors, of 200,000 shares on September 7, 2011;
- Acquisition by Michel Meeus, Chairman of the Board of directors, of 300,000 shares on September 7, 2011; and
- Acquisition by Michel Meeus, Chairman of the Board of directors, of 250,000 shares on September 8, 2011;

This information is available on the AMF website.

The threshold crossings reported to the AMF on September 14, 2011 are as follows:

Reporting date	Name of holder	Threshold crossed (how)	Date threshold crossed	% of capital held after threshold crossed	% of voting rights held after threshold crossed
09/14/2011	Pierre Salik	Upward	09/08/2011	5.02%	4.97%
This threshold crossing results from the acquisition of THEOLIA shares.					
09/14/2011	Michel Meeus	Upward	09/08/2011	5.69%	5.63%
This threshold crossing results from the acquisition of THEOLIA shares.					

The concert made up of the company CRC Active Value Fund Ltd (CRC), Mr. Michel Meeus, Mr. Pierre Salik and Mrs. Brigitte Salik reported that as of September 8, 2011 it held 17,160,524 Company shares representing as many voting rights, i.e. 13.47% of the capital and 13.33% of the voting rights in the Company, broken down as follows:

	Shares	% of capital	Voting rights	% of voting rights
Michel Meeus	7,244,162	5.69	7,244,162	5.63
Pierre Salik	6,395,557	5.02	6,395,557	4.97
Brigitte Salik	3,517,055	2.76	3,517,055	2.73
CRC	3,750	ns	3,750	ns
Total concert	**17,160,524**	**13.47**	**17,160,524**	**13.33**

6.3.2 Control over the Company

The Company is not aware of any pact or agreement concluded between shareholders on the date this Registration Document was registered.

As far as the Company is aware, no action in concert was declared to the Company or to the AMF to the exception of the followings.

In relation to the notification of the threshold crossing and the concerted action 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 GmbH and Financial Consulting GmbH which are controlled by him, Mr. Michel Meeus, Mr. Pierre Salik and 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 THEOLIA company 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.

Further to Mr. Balz's withdrawal from the concert, the other members of the Concert (the company CRC Active Value Fund Ltd1 (CRC), Mr. Michel Meeus, Mr. Pierre Salik and Mrs. Brigitte Salik), reported 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 THEOLIA Company 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.

By letter received on July 23, 2010, the concert made up of the company CRC Active Value Fund Ltd (CRC), Mr. Michel Meeus, Mr. Pierre Salik and Mrs. Brigitte Salik reported to the AMF that on July 7, 2010 it had crossed the threshold upward, further to its subscription to the increase in share capital, of 10% of the capital voting rights in the THEOLIA company and that it held 13,660,524 shares of THEOLIA stock representing as many voting rights, i.e. 13.56% of the capital and 13.38% of the voting rights in this Company.

By letter received on July 13, 2011 completed by another received on July 19, 2011, the Dutch company APG Algemene Pensioen Groep NV (PO Box 2550, 6401 DB Heerlen, Pays-Bas), acting for the account of fund portfolios it manages, reported that on July 11, 2011 it had crossed the thresholds of 5% and 10% of the share capital and voting rights of the THEOLIA Company and that it holds, for the accounts of the said fund portfolios, 13,779,936 shares in THEOLIA, representing as many voting rights, i.e. 10.81% of the share capital and 10.71% of the voting rights of this Company. This threshold crossing results from the conversion of OCEANEs into THEOLIA new shares. By letter received on July 18, 2011, the following declaration of intent was made: « The acquisition of shares in the THEOLIA Company by Algemene Pensioen Groep NV is carried out in the framework of its activity as fund management company and led without intention to operate a particular strategy toward THEOLIA nor to exercise, as such, a specific influence on its management. Algemene Pensioen Groep NV does not act in concert with a third party nor intend to take control of THEOLIA nor request its appointment or that of one or several persons as director, member of the management board or the supervisory board".

By letter received on September 8, 2011 completed by another received on September 13, 2011, the concert made up of the company CRC Active Value Fund Ltd (CRC), Mr. Michel Meeus, Mr. Pierre Salik and Mrs. Brigitte Salik reported that it held 17,160,524 shares of THEOLIA representing as many voting rights, i.e. 13.47% of the capital and 13.33% of the voting rights in this Company, as of September 8, 2011.

6.3.3 Agreements that can bring about a change in the control of the Company

As far as the Company is aware, on the date this Registration Document was registered, there were no agreements in place whose implementation may, at a later date, bring about a change in its control.

6.3.4 Provisions liable to have an effect on the control of the Company

In accordance with the provisions of Article L. 225-100-3 of the French Commercial Code, the items liable to have an effect in the event of a public offering targeting the Company are described below.

6.3.4.1 Statutory restrictions on the exercise of voting rights and share transfers

The bylaws of the Company provide for double voting rights as well as certain provisions relating to the exercise of voting rights and do not contain any provisions restricting the transfer of shares.

Double voting right

A voting right double that allocated to other shares, in proportion to the quota of share capital they represent, is allocated to all fully paid-up shares for which there is proof of registration for at least two years in the name of the same shareholder, who shall be either a French citizen or a citizen of a member state of the European Union. In the event of an increase in capital through the capitalization of reserves, profits or issue premiums, this double voting right shall apply, to any new bonus shares granted to a shareholder in proportion to the previous shares for which he already benefits from this right.

Any share whose ownership is transferred loses the double voting right subject to the exceptions provided by law (Article 23.3 of the bylaws).

Statutory restrictions on the exercise of voting rights and on share transfers

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.

The bylaws of the Company do not contain any restricting the transfer of shares.

6.3.4.2 Financing agreements concluded by the Company that would be amended or that would terminate in the event of a change in control of the Company

Some of the Company's financing arrangements provide for early repayment in the event of a change in the control of the Company. This is the case of the OCEANEs issued in October 2007 and modified in 2010, the principal provisions of which are presented in Sections 3.1.1.4 and 3.5.3.1 of this Registration Document.

6.3.4.3 Agreements among shareholders of which the Company is aware and which may result in restrictions on the transfer of shares and the exercise of voting rights

On January 29, 2010, a group of shareholders, including Willi Balz, controlling 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". Subsequently, Willi Balz withdrew from the Initial Concert and, after discussions with the Company, the other members of the Concert holding approximately 9% of the share capital in the Company (the "New Concert") decided on March 11, 2010 to support the restructuring.

On May 31, 2010, the Company took note of the intent of Michel Meeus, a director of the Company since March 19, 2010, of Pierre Salik, Brigitte Salik and CRC Active Value (who reported to the AMF that they were acting in concert on March 11 and 12, 2010) to subscribe to the capital increase for €10 million in proportion to their respective ownership stakes and not jointly and severally. This demonstration of interest was confirmed in a commitment for a firm subscription before the launch of the capital increase on June 18, 2010.

This new concert reported holding a major stake in the Company enabling it to have a significant substantial influence over decisions taken: as of September 8, 2011, the Concert accounted for 17,160,524 shares in the Company's share capital, i.e. 13.47% of the share capital and 13.33% of the voting rights.

6.3.4.4 Powers of the Board of directors to issue or buy back shares

During the 2010 fiscal year, the Board of directors made use of the authority for the Company to buy back its own shares under market-making for THEOLIA's shares through a liquidity contract concluded with ODDO, in accordance with the market practice allowed by the *Autorité des Marchés Financiers* (AMF). The Company did not make any other use aside from the liquidity contract of this delegation granted by the shareholders' meeting of June 1, 2010 and then of June 17, 2011.

The buyback price per share may not exceed €7. The authority applies to up to a maximum of 10% of the share capital in the Company.

6.4 STOCK MARKET INFORMATION

Trends in stock market prices from January 1, 2009 to July 31, 2011 are shown below:

The Company was floated on Euronext Paris (regulated market) on July 31, 2006. Prior to that time, it was listed on the free market of the Paris Stock Exchange.

7. ADDITIONAL INFORMATION

7.1 DATE OF LAST FINANCIAL INFORMATION

This Registration Document contains all the annual financial information as of December 31, 2010 as well as the half-year financial information as of June 30, 2011.

7.2 DOCUMENTS AVAILABLE 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 Statutory 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 and Article 225-73-I of the French Commercial Code are accessible on the Company's Internet website at the following address: www.theolia.com, and a copy may be obtained at the Company's registered office, 75 rue Denis Papin, PO Box 80199, 13795 Aix-en-Provence Cedex 3.

7.3 ANNUAL INFORMATION DOCUMENT

In accordance with Article 222-7 of the French financial markets authority's (AMF) General Regulations, the Company drew up an annual report containing all of the information published or made public over the past 12 months, i.e. from March 31, 2010 to March 31, 2011, so as to satisfy legislative or regulatory obligations with respect to financial instruments, an issuer of financial instruments and financial markets.

Financial reports

Publication date	Nature of the information
June 08, 2010	THEOLIA publishes its 2009 annual Registration Document registered by the AMF
April 21, 2010	2009 annual Financial Report made available

Financial information

Publication date	Nature of the information
February 10, 2011	THEOLIA released its 2010 annual revenue figure
November 15, 2010	THEOLIA announced its revenue for the first nine months of 2010 and reported on its latest operating achievements
September 09, 2010	THEOLIA announced its first-half earnings for 2010
July 29, 2010	THEOLIA announced consolidated revenue of €116 million for the first half of 2010
May 06, 2010	First-quarter revenue for 2010 was €31 million
April 16, 2010	Overall improvement in THEOLIA's 2009 earnings

News and press releases

Publication date	Nature of the information
January 05, 2011	Half-yearly summary report of THEOLIA's liquidity
October 19, 2010	THEOLIA commissioned its first wind farm in Italy
September 15, 2010	THEOLIA's Board of directors is re-aligned
July 28, 2010	THEOLIA reorganizes its Board of directors: Michel Meeus, is nominated Chairman of the Board of directors;
July 20, 2010	THEOLIA ends its capital increase with success
July 14, 2010	€60.5 million capital increase is successful
July 02, 2010	Half-yearly summary report on the liquidity contract
June 24, 2010	THEOLIA launches a €60.5 million capital increase
May 31, 2010	THEOLIA's Board of directors formally recognizes the Concert members' intention to take part in the capital increase
May 24, 2010	Fady Khallouf is appointed as THEOLIA's CEO
May 17, 2010	Suspension notice of the right to allocate shares attached to convertible bonds and/or in exchange for new or existing shares issued by the THEOLIA company (OCEANEs)
April 29, 2010	THEOLIA and Repower Produzione Italia Spa signed an agreement for the sale of a 39% equity stake in a 30 MW wind project in Italy
April 21, 2010	THEOLIA and Dortmunder Energie-und Wasserversorgung GmbH signed an agreement to sell a 55.5 MW wind farm in Germany

Shareholders' meetings

Publication date	Nature of the information
December 17, 2010	Voting results of the December 17, 2010 ordinary shareholders' meeting
November 12, 2010	Ordinary shareholders' meeting of December 17, 2010
June 02, 2010	Voting results of the June 1, 2010 ordinary shareholders' meeting
April 26, 2010	Combined shareholders' meeting of June 1, 2010

Other regulated information

Publication date	Nature of the information
March 11, 2011	Number of shares and voting rights at February 28, 2011
February 02, 2011	Number of shares and voting rights at January 31, 2011
January 05, 2011	Number of shares and voting rights at December 31, 2010
December 07, 2010	Number of shares and voting rights at November 30, 2010
November 04, 2010	THEOLIA reports on new bond conversions
October 06, 2010	Number of shares and voting rights at September 30, 2010
September 08, 2010	Number of shares and voting rights at August 31, 2010
August 03, 2010	Number of shares and voting rights at July 31, 2010
July 02, 2010	Number of shares and voting rights at June 30, 2010
June 03, 2010	Number of shares and voting rights at May 31, 2010
May 10, 2010	Number of shares and voting rights at April 30, 2010
April 07, 2010	Number of shares and voting rights at March 31, 2010

All of these documents are available on the THEOLIA Group's website: www.theolia.com

7.4 SPECIAL REPORT ON FREE SHARES

This Registration Document contains all of the elements of the Board of directors' special report on the free shares required under the terms of Article L. 225-197-4 of the French Commercial Code, which are as follows:

- number and value of the shares freely awarded during fiscal year 2010 by the Company to its top executives and directors. No award was made by the companies related to it under Article L. 233-16 or by the companies controlled within the meaning of Article L. 233-16): see Section 2.2.1.5 of this Registration Document; and
- number and value of the shares freely awarded during fiscal year 2010 to the 10 highest paid employees who are not top executives or executive managers the Group: see Section 2.2.6 of this Registration Document.

7.5 INFORMATION FROM THIRD PARTIES, EXPERT DECLARATIONS AND INTERESTED PARTY

None.

7.6 PERSON RESPONSIBLE FOR THE DOCUMENT

7.6.1 Name and function

Fady Khallouf, CEO

7.6.2 Certification

“Having adopted all reasonable measures for such purpose, I certify that the information contained in this Registration Document, to the best of my knowledge, faithfully represents the actual condition and does not contain any omission that could have significant impact upon it.

I 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 Registration Document as well as read the entire Registration Document.

The historical financial information submitted in this Registration Document was covered by the reports of the Statutory Auditors appearing in Section 4.1.7 of said document.

The auditors' report on the consolidated financial statements as of December 31, 2008 appearing in Section 20.1.1 of the **2008 Registration Document** contains the following observations: “Without calling the above expressed opinion into question, we draw your attention to the ‘Going-concern principle’ Section of note 2.1 of the Notes to the Consolidated Financial Statements.” This Section is set out on page 150 of the 2008 Registration Document.

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

- The uncertainty relating to the continuity of operation set out 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 1, 2009 – Change in method" which states the changes in accounting methods resulting from the application from January 1, 2009 of new standards, amendments and interpretations,
- Note 5 of the consolidated accounts "Significant events during the fiscal year – Sale of non-wind assets and interests" mentioning the reversal on a provision for a debt due by the company Hestiun Ltd, following the full payment of this debt during the fiscal year.”

The auditors' report on the consolidated financial statements as of December 31, 2010 and appearing in Section 4.2.7 of this Registration Document contains the following observations:

- "Without calling into question the opinions expressed above, we direct your attention to note 2 "Accounting Principles" in the notes to the consolidated financial statements, which describes the changes in accounting methods resulting from the application of new standards and interpretations beginning on January 1, 2010."

The auditors' review report on the first half-year financial information for 2011 and appearing in Section 4.1.3 of this Registration Document contains the following observations: "Without calling the above expressed opinion into question, we draw your attention to:

- the “Accounting policies” note to half-year consolidated financial statements, which sets out the changes in accounting methods arising from the application, as from January 1, 2011, of new standards and interpretations,
- the note 2 to half-year consolidated financial statements, which describes the restatement of comparative information for the period ended June 30, 2010 in accordance with IAS 8 – Accounting policies, changes in accounting estimates and errors.“

Fady Khallouf, CEO

7.7 PERSONS RESPONSIBLE FOR THE AUDIT OF FINANCIAL STATEMENTS AND FEES

7.7.1 Incumbent Statutory auditors

7.7.1.1 Deloitte & Associés

Les Docks – Atrium 10.4 – 10 place de la Joliette – 13002 Marseille

Represented by Christophe Perrau

Initial Date of 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.

7.7.1.2 Didier Kling & Associés

41 avenue de Friedland – 75008 Paris

Represented by Didier Kling and Christophe Bonte

Initial Date of Appointment:	ordinary shareholders' meeting of December 17, 2010 for the remaining term of office of its predecessor, the Coexcom company, resigning, or until the ordinary shareholders' meeting called in 2012 to approve the accounts for the fiscal year that will close on December 31, 2011.

Didier Kling & Associés is a member of the Regional Society of Auditors of Paris.

7.7.1.3 Incumbent Statutory auditors having resigned or not having been renewed during the last three fiscal years

Mr. Jean Jouve has resigned from his duties as incumbent statutory auditor for reasons of health by letter dated July 6, 2009 and effective August 31, 2009. Pursuant to the law, Coexcom, the deputy legal auditor, automatically assumed the duties of incumbent statutory 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.

On June 28, 2010, the Coexcom company, incumbent statutory auditors since August 31, 2009, submitted their resignation to the Company, which was effective on the date the half-yearly 2010 financial statements were closed, i.e. September 2, 2010. Having agreed to it with the Company, the Coexcom company confirmed in a letter dated November 17, 2010 that its resignation would only take effect as of December 17, 2010, or at the close of the ordinary shareholders' meeting called to appoint a new incumbent statutory auditor. The Coexcom company had been appointed deputy legal auditor during the combined shareholders' meeting of November 28, 2005 for a six-year term expiring at the close of the ordinary shareholders' meeting to be held in 2012 to approve the financial statements for the year ending December 31, 2011. Pursuant to the law, the Coexcom company had automatically assumed its duties of incumbent statutory auditor on August 31, 2009, the date Mr. Jean Jouve's resignation took effect.

7.7.2 Deputy Statutory auditors

7.7.2.1 SARL BEAS

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

Initial Date of 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 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.

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

7.7.2.2 FICOREC Audit

327 boulevard Michelet, 13009 Marseille

Initial Date of Appointment: ordinary shareholders' meeting of December 17, 2010 for the remaining term of office of its predecessor, Ernst & Young et Autres, resigning, or until the ordinary shareholders' meeting called in 2012 to approve the financial statements for the fiscal year closing on December 31, 2011.

FICOREC Audit is a member of the Regional Society of Auditors of Marseille.

7.7.2.3 Deputy Statutory auditors having resigned or not having been renewed during the last three fiscal years

After the Coexcom company assumed its duties as incumbent statutory auditor on August 31, 2009, the Company's annual shareholders' meeting held June 1, 2010 had appointed Ernst and Young et Autres as deputy legal auditor for the remaining term of its predecessor, i.e. until the close of the shareholders' meeting scheduled for 2012 to approve the financial statements for the fiscal year ending December 31, 2011. By the terms of a letter dated November 30, 2010, Ernst & Young et Autres notified the Company that it would resign effective December 17, 2010.

7.7.3 Fees paid to Statutory Auditors during the 2010 fiscal year

	COEXCOM (1)				DELOITTE & ASSOCIES				KLING & ASSOCIES (2)			
	Amount (in Euros, tax excl)		%		Amount (en euros HT)		%		Amount (en euros HT)		%	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
AUDIT												
Audit of the financial statements, certification, review of individual and consolidated accounts												
Issuer	48,750	92,850	65.8	100	292,925	348,300	40.6	54.3	63,200		40.7	
Fully consolidated subsidiaries					312,595	221,389	43.3	34.5	92,160		59.3	
Subtotal	**48,750**	**92,850**	**65.8**	**100**	**605,520**	**569,689**	**83.9**	**88.8**	**155,360**	**0**	**100.0**	**0**
Other diligences and services directly related to the legal auditor's mission												
Issuer	25,300		34.2		97,246	61,751	13.5	9.6				
Fully consolidated subsidiaries					15,000	10,000	2.1	1.6				
Subtotal	**25,300**	**0**	**34.2**	**0**	**112,246**	**71,751**	**15.6**	**11.2**	**0**	**0**	**0**	**0**
OTHER SERVICES TO FULLY CONSOLIDATED SUBSIDIARIES												
Legal, tax, labor					4,000		0.6					
Other												
TOTAL	**74,050**	**92,850**	**100**	**100**	**721,766**	**641,440**	**100**	**100**	**155,360**	**0**	**100**	**0**

(1) *Legal auditor until its resignation in December 2010*
(2) *Incumbent legal auditor since December 17, 2010*

7.8 CONCORDANCE TABLE FOR THE REGISTRATION DOCUMENT

In order to facilitate comprehension of the present Registration Document, the following thematic table will help the reader to identify the minimum categories of information required according to Annex I of Regulation No. 809/2004 of the European Commission of April 29, 2004.

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theolia

Public limited company with Board of Directors
with share capital of €127,591,147

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