THEOLIA

2009 ANNUAL FINANCIAL REPORT

CERTIFICATION OF THE PERSONS RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

2009 MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

CONSOLIDATED ACCOUNTS AS OF DECEMBER 31, 2009

AUDITORS' REPORT ON THE CONSOLIDATED ACCOUNTS AS OF DECEMBER 31, 2009

ANNUAL ACCOUNTS AS OF DECEMBER 31, 2009

AUDITORS' REPORT ON THE ANNUAL ACCOUNTS AS OF DECEMBER 31, 2009

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The annual financial report has been prepared in French and this document is an English translation thereof, which has been established by THEOLIA for information purposes only. In the event of any discrepancies between the French version of the annual financial report and this English translation, the French version shall prevail.

CERTIFICATION OF THE PERSONS RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

We certify, to the best of our knowledge, that the consolidated financial statements are established in accordance with the accounting standards applicable and give a fair representation of the assets, financial situation, and income of the Company and entities included in the consolidation and that the management report gives a fair representation of the evolution of the business, income and financial situation of the Company and entities included in the consolidation, and a description of the risks and uncertainties with which they are confronted.

Mr. Eric Peugeot, Chairman and Chief Executive Officer (*Président Directeur Général*)

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

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

THEOLIA

2009 MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

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This management report seeks to present management's analysis regarding the operating results and the financial condition of THEOLIA SA (the "Company") and its subsidiaries (collectively, the "Group") for the concerned periods. Shareholders and potential investors are requested to read these jointly with all financial information, including the Group's consolidated audited accounts, and the complementary notes and auditors' reports, for each of the financial years ended December 31, 2009, 2008 and 2007 presented in the schedules of this document and in the reference document registered with the AMF on January 25, 2010 under number R 10-003 (the "2008 Reference Document").

The financial data presented below are extracted from the Group's audited consolidated accounts for the year ended December 31, 2009, 2008 and 2007, prepared in accordance with the international standards of financial information, as adopted by the European Commission under the EC Regulation 1606/2002 of July 19, 2002.

This report contains forward-looking statements subject to risks and uncertainties, known and unknown to this day. Actual results of the Group and the timing of events can differ materially from those described in these forward-looking statements, due to various factors mentioned in this report or in other financial information documents. Shareholders and potential investors are advised to read paragraph 5 "Main risk factors of the Group" below.

The present Management Report reflects the Company's and the Group's activity during financial year 2009, as stated by the Board of Directors during its meeting on April 20, 2010.

1 OVERVIEW: PRESENTATION OF THE GROUP

1.1 Information related to the Company

Corporate title

The company is registered under the name THEOLIA.

Commercial and companies register

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

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

Date of incorporation and period

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 duration is fixed at 99 years from the date of its registration in the commercial and companies register.

Registered office, legal form and applicable law

The registered office of the Company is situated at 75 rue Denis Papin, Aix-en-Provence, 13100.

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

The Company is subject to French law.

History of the Company

1999	Creation of PMB Finance which would become THEOLIA in 2002
July 2002	Listing of THEOLIA on the over-the-counter market of the Paris stock exchange
May 2005	Acquisition of Ventura, a French wind project development company
July 2005	Signing of the first project financing contract for an amount of €66 million from the Royal Bank of Scotland
January 2006	First acquisition outside of France. THEOLIA acquires two operational wind turbines in Germany for a total installed capacity of 14 MW
February 2006	THEOLIA subscribes to the capital increase of the company Energo in the amount of €1,983,450 (Energo becomes THEOLIA Benelux Thenergo and then Thenergo)
	THEOLIA contributes its environmental business (consisting of the companies Sodetrex, Ecoval 30 and A+O) dealing in the triple-composting of household waste and the design/building of treatment units used for the treatment of residual urban and industrial water to the Swiss law company Granit
April 2006	Appointment of Jean- Marie Santander as Chairman and Chief Executive Officer of THEOLIA
July 31, 2006	First day of listing of THEOLIA shares on the Eurolist of Euronext Paris, compartment B
September 2006	Unwinding of the operation with Granit leading to THEOLIA's sale of the Granit shares held by THEOLIA and to the discharge of the current account held by THEOLIA in the Granit accounts. THEOLIA becomes the owner of its environmental unit
December 2006	Acquisition of Natenco (named today THEOLIA Naturenergien GmbH) which has wind farm projects in Germany, India, Brazil and the Czech Republic
February 2007	Signing of a partnership agreement with GE Energy Financial Services with a view to acquiring 165 MW in operation in Germany financed by way of shares of the Company
June 2007	Listing of Thenergo on Alternext, followed by a capital increase of €65 million
July 2007	Completion of the transactions planned by the agreement signed with GE Energy Financial Services. The stake of GE Energy Financial Services in THEOLIA amounts to 17.03%
September 2007	Creation of THEOLIA Emerging Markets for the development of wind projects in emerging countries

	Listing of THEOLIA on the SBF 120 index
October 2007	Issuance of convertible bonds (OCEANEs) for an amount of €240 million
November 2007	Acquisition of the Maestrale Green Energy Group, developer of wind projects in Italy, with a portfolio of 500 MW of projects
	Purchase of a 35.21% stake in Ecolutions, a German company specializing in the trading of carbon credits
January 2008	Acquisition of the Compagnie Eolienne du Détroit ("CED") which holds the right of use for a 50.4 MW operating wind farm in Morocco until the end of 2019
	Listing of THEOLIA on the Next 150 index of NYSE Euronext
August 2008	Listing of Thenergo on Euronext Paris and Bruxelles (compartment C)
September 2008	Changes in Group management: resignation of Jean-Marie Santander from the offices of Chairman and Chief Executive Officer. Appointment of Eric Peugeot as Chairman of the Board of Directors and Marc van't Noordende as Chief Executive Officer
	Listing of THEOLIA on the CAC MID100 index of NYSE Euronext
December 2008	Sale of THEOLIA's stake (27.21%) in Thenergo
January 2009	Announcement of the implementation of a program with a view to sell more than 200 MW of wind projects and wind farms in France, Germany and Spain and the decision to close or sell the businesses in Spain, Greece, the Czech Republic, Poland, Croatia and Canada
May 2009	Appointment of Olivier Dubois as Chief Financial Officer
June 2009	Sale of a portfolio of 32 MW of wind projects in France
August 2009	Sale of a portfolio of 100.6 MW of wind farms and projects in Germany
	Announcement of the "Develop, Operate and Sell" strategy
October 2009	Sale of a wind project of 9.2 MW in France
December 2009	Announcement of the signing of agreements with the principal holders of OCEANEs with a view to carry out a financial restructuring of the Company ("Restructuring")
	Sale of a 47 MW portfolio in France
February 9, 2010	Appointment of Eric Peugeot Chairman of the Board of Directors as Chief Executive Officer ("CEO")
	Appointment of François Rivière as Chief Financial Officer ("CFO") and Jean-François Azam as Chief Operating Officer ("COO")
February 18, 2010	Approval of the restructuring of the OCEANE convertible bonds by the bondholders' meeting

March 19, 2010	Approval of the financial restructuring by the shareholders' meeting

1.2 General presentation of the Company

1.2.1 Group's activities

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

In a rapidly developing market, supported by a long-term trend in the reinforcement of environmental protection policies and the promotion of renewable energy, the Group decided to concentrate exclusively on the wind energy sector and consequently to promptly divest from any activity or participation in the non-wind sector (see paragraph 1.10.2).

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

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

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

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

Current national and international policies support the development of non-polluting energy sources and THEOLIA believes that the favorable regulatory context will continue in the years to come. The Group therefore benefits from certain measures and aid granted to the wind energy sector. In its main markets, these measures take the form of fixed purchase prices over long time periods of up to 15 or 20 years and certain tax and financial incentives. For further details, see paragraph 1.7.

As of December 31, 2009, THEOLIA's wind portfolio stood at 2,793 megawatts ("MW"). Of these, THEOLIA operated 322 MW for own account, managed 458 MW on behalf of third parties and had projects totaling 2,013 MW under development.

Operating projects

THEOLIA currently operates wind farms in France, Germany and Morocco. As of December 31, 2009, the total installed capacity operated by the Group amounts to 780 MW of which 322 MW are for own account and 458 MW for the account of third parties, allocated as follows:

(in MW)	MW held for own account 1	MW managed for third parties	Total
France	73	35	108
Germany	199	423	622
Morocco	50	-	50
Total	**322**	**458**	**780**

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

Developing projects

As of December 31, 2009, the Group's pipeline of wind projects in development amounted to 2,013 MW. This figure excludes those which are subject to litigation (initiated, either by third parties opposing the grant of a building permit or, by the Group following a refusal of such permit) and represents 225 MW of capacity for own account and 63 MW of capacity for the account of third parties. THEOLIA continues its efforts to obtain authorizations for projects for which permits are the subject of litigation and considers that a significant number of such projects will be authorized.

This pipeline of developing projects is broken down as follows:

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

(1) 50:50 joint venture with THEOLIA Mauritius and Aldene Ltd; figures shown on the basis of 50%.
(2) Project divested by the Group since December 31, 2009 (see paragraph 1.2.2C).
** Permits free of third party claims.*

1.2.2 Group's geographical positions

The Group operates its activities in Europe and in certain emerging countries.

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

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

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

A THEOLIA Germany

Germany is the largest and most mature wind market in Europe, with the largest aggregate installed capacity. Several years ago, this country established numerous tax incentives designed to benefit private individuals investing in small and medium sized enterprises SMEs (including those operating in the wind energy sector) (see paragraph 1.7). Therefore, a large number of players are active at different stages of the entire wind energy value chain in Germany.

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

Traditional trading activity of recently installed capacities in Germany

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

Thus, in Germany, the Group generally acquires wind energy projects near the end of their development; it completes such projects, connects them to the electricity grid and then sells them once they are commissioned. Once in THEOLIA's pipeline, the short development phase of 12 to 18 months, compared to the normal development phase of up to 5 years in France and Italy, allows capital expended to be turned around quickly. The projects are typically financed through a combination of credit lines and project finance debt without or with limited recourse against the parent company (see paragraphs 3.4.3C and 3.5.1).

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

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

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

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

The following table sets out the pipeline of projects for THEOLIA Naturenergien, for own account, as of December 31, 2009 (with a view to be put up for sale immediately after commissioning):

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

Historically, the sale of farms has been carried out through a partnership with FC Holding (subsequently renamed Windreich AG) which is owned by Willi Balz, a German entrepreneur and one of THEOLIA's largest shareholders. These sales are concluded with private individuals that benefit from tax incentives when investing in SMEs. More recently, THEOLIA has explored other sale channels. In August 2009, it directly sold a portfolio of 100.6 MW of assets and projects to the German state-owned company RheinEnergie. To the extent that the margins realized by the Group are more significant when sales are made to individual purchasers that benefit from tax advantages, the Group intends to favor these types of sales, in particular through its transactions intermediated by Windreich AG (for further details on this partnership, please refer to paragraph 6.10 of this Report.).

Management for the account of third parties

In the course of selling wind farms and in order to generate additional regular revenue the Group generally proposes to purchasers that it continues the ongoing operation and maintenance of the farms for the duration of their operational existence. These operational management activities have the following advantages:

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

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

Perspectives

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

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

B THEOLIA France and Italy

Develop, operate and sell wind projects in France and Italy

In France and in Italy, THEOLIA focuses its efforts on developing, operating and then selling wind projects once they have established a record of operational and financial performance. The Group has specialized teams to initiate and complete all the stages of the development. Financing is ensured by a combination of equity capital from THEOLIA and debt finance in the form of project finance without recourse or with limited recourse against the parent company (see paragraphs 3.4.3C and 3.5.1), except in the case of guarantees or other off-balance commitments (see paragraph 3.5). Upon completion of the financing, the Group will carry out the construction of and operate the wind farm for two to four years. Once an operational and financial performance history is established the farm will then be sold for an optimized price. The Group hopes to maximize its return on investment.

The main advantages of this strategy, guided by market conditions, are the following:

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

THEOLIA in France

The Group became a significant player in the French market with the acquisition of Ventura SA in May 2005 and Natenco SAS in December 2006, all assets and liabilities of both companies being transferred by a universal asset transfer.

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

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

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

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

In France the Group also develops and operates projects for the account of third parties. The following table sets out statistics regarding the project and wind farm pipeline for THEOLIA France, managed for the account of third parties, as of December 31, 2009:

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

Since 2008, the conditions relating to the obtaining of building permits have become more stringent. Although certain permits remain under review, the Company has not received any building permits over the last two years. THEOLIA France has systematically brought proceedings against such refusals and hopes to obtain decisions in its favor for a significant number of these permits. For further details regarding the risk of not obtaining such building permits and the position of organizations opposed to wind farms, see paragraphs 5.2.4 and 5.2.5.

THEOLIA in Italy

The Group entered the Italian wind energy market in November 2007 with the acquisition of an Italian developer, Maestrale Green Energy s.r.l. for an amount of €5 million, to which additional price amounts will be added throughout the achievement of certain steps in this company's projects (see paragraph 3.1.2A). The purchase was financed by equity. One of the founders of Maestrale, Carlo Durante remains a director of the company and therefore continues to play an active role in the daily management of Maestrale.

The pipeline of Maestrale Green Energy, as of the day of the acquisition, amounted to 500 MW located exclusively in Italy.

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

As of December 31, 2009, Maestrale had a pipeline of 27 MW under construction and 2 wind farms (totaling 75 MW) for which building permits have been obtained, representing 66% of total project MW from projects for which permits have been obtained in connection with the Group's activities in Europe. Application for permits has been submitted for 5 projects (totaling 171 MW), and 2 projects (totaling 34 MW) are subject to litigation initiated by third parties.

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

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

In Italy, there is significant community opposition to wind farms, making it more difficult to obtain building permits for the Group’s wind projects and increasing the number of proceedings brought against the Group once the permit is obtained.

Due to the significant proportion of the Group's wind projects which are at an advanced stage of development in Italy, the Group expects to carry out a substantial portion of its capital investments in Italy. In addition, the cost of earn-outs related to the acquisition of Maestrale Green Energy s.r.l, notwithstanding that such earn-outs may have a limited effect in time and volume, (see paragraph 3.1.2A), increases the development costs the Group's Italian projects. Consequently, the Group plans to sell minority interests in its Italian projects (up to 49 %) once relevant authorizations are obtained, and during the construction phase at the latest, in order to decrease the financial impact of its capital expenditure in Italy and to allow it to balance its investments in the different countries in which it operates.

C THEOLIA in emerging countries

THEOLIA in Morocco

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

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

After August 30, 2010, ONE has the right to terminate the supply and sales agreement at any time by means of payment of an indemnity. This indemnity totals US$17 million if the termination right is exercised by the ONE in 2010, and then is progressively reduced each year pursuant to the terms of the agreement. The early termination of the supply and sales agreement would lead automatically to the termination of the transfer of use agreement held by CED. At the date of this report, the ONE has not informed the Group of its interest to exercise this clause (see paragraph 5.1.21 for more detail).

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

THEOLIA in India

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

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

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

THEOLIA in Brazil

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

As of December 31, 2009 the Company's pipeline in Brazil contained 100 MW, allocated among 4 projects all of which were in the prospecting phase.

The Group's strategy in the Brazilian market, as discussed in a public release dated January 19, 2010, is to offer for a significant part of its portfolio (75%) development services to third parties. This strategy is designed to enable THEOLIA to maintain its presence in the country at lower costs while gaining a better understanding of the market pending the implementation of a clear and incentivized regulatory regime for wind power in Brazil – in which event the Group expects that it would increase its investments in the country.

Other countries

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

1.3 Competitive Strengths

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

A presence in a rapidly growing market with attractive prospects

The growth observed in the wind energy market over the last five years has been significant and prospects for development are significant as well (please see paragraph 1.4).

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

Exclusive focus on the wind energy sector

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

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

Expertise present across the wind energy sector value chain

Since its creation, the Group has continuously aimed at strengthening its expertise across the entire wind power value chain. It has, in particular, been able to acquire experienced teams possessing an established operational know-how in the development and commissioning of wind farms. The quality and experience of its human resources are constantly improving and 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.

The Group's employees, the key to success

THEOLIA has invested and capitalized on its employees – who are the real value of the Group – including highly competent individuals within each of the Group's major areas of expertise (technical, financial and legal). With an experienced view of the wind market, the Company's human resources allow it to anticipate changes in a sector that is constantly evolving.

1.4 Market and competitive position

1.4.1 The Global Wind Energy Market

The global wind energy market is expanding. Between 2004 and 2009, the number of MW installed each year grew on average by 27.30%. Supportive environmental, regulatory and technological trends are factors contributing to the market's growth.

The following table shows the evolution of the aggregate installed capacity and the annual installed capacity worldwide from 2004 to 2009:

Year	MW installed globally over course of year	Annual growth (in %)	Aggregate worldwide installed capacity at year-end	Annual growth (in %)
2004	8,154	N/A	47,912	N/A
2005	11,542	42	59,399	24
2006	15,016	30	74,306	25
2007	19,791	32	94,005	27
2008	28,190	42	122,158	30
2009	38,103	35	160,084	31

Source: BTM Consult ApS, 2010 report

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

The following table shows the ten main countries worldwide in terms of installed wind energy capacity for the last three years and their growth rates over the last year (the countries where THEOLIA has installed capacity at present are shown in grey):

Country	Total capacity end 2009 (MW)	Added Capacity 2009 (MW)	Growth rate 2009 (%)	Total capacity end 2008 (MW)	Total capacity end 2007 (MW)
United States	35,159	9,922	39.3	25,237.0	16,879
People's Republic of China	25,853	13,750	113.3	12,121.0	5,875
Germany	25,813	1,917	7.9	23,933	22,277
Spain	18,784	2,331	14.2	16,453	14,714
India	10,827	1,172	12.1	9,655	7,845
Italy	4,845	1,114	23.9	3,731	2,721
France	4,775	1,104	30.1	3,671	2,471
United Kingdom	4,340	1,077	33	3,263	2,394
Portugal	3,474	645	22.8	2,829	2,150
Denmark	3,408	334	7.9	3,159	3,088
TOTAL	137,278	33,366	-	104,052	80,414
% of installed capacity worldwide	86%	88%	-	85.2%	85.5%

Source: BTM Consult ApS, 2010 report

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

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

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

The markets in which THEOLIA is most active, Germany, Italy and France, represented at year-end 35,433 MW installed or 22.1 % of world-wide installed capacity.

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

1.4.2 *Growth prospects*

The world 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, supports this expected growth. The potential for development of the wind energy sector in the world for the years 2010 to 2014 is illustrated in the following table (the countries where THEOLIA is present are in grey):

	Aggregate installed capacity at year-end 2009	Capacity installed in 2009	Forecasts 2010-2014 (including offshore)					Capacity installed between 2010 and 2014	Aggregate installed capacity at year-end 2014
			2010	2011	2012	2013	2014		
United States	35,159	9,922	8,000	10,000	15,000	15,000	17,000	65,000	100,159
Canada	3,321	950	1,200	1,500	2,000	2,500	3,000	10,200	13,521
Rest of the Americas	1,871	561	800	1,100	1,400	1,400	2,100	6,800	8,671
Total Americas	**40,351**	**11,433**	**10,000**	**12,600**	**18,400**	**18,900**	**22,100**	**82,000**	**122,351**
Germany	25,813	1,917	2,000	2,400	2,500	3,000	3,500	13,400	39,213
Spain	18,784	2,331	2,000	2,500	2,000	2,500	2,000	11,000	29,784
France	4,775	1,104	1,600	2,100	2,500	2,700	3,000	11,900	16,675
United Kingdom	4,340	1,077	1,600	2,200	2,500	3,000	2,500	11,800	16,140
Italy	4,845	1,114	1,300	1,500	1,500	1,500	1,500	7,300	12,145
Portugal	3,474	645	1,000	1,000	1,000	1,200	1,000	5,200	8,674
Denmark	3,408	334	350	100	500	150	150	1,250	4,658
Netherlands	2,226	39	300	250	400	400	500	1,850	4,076
Rest of Europe	8,795	2,167	3,155	3,950	5,125	6,500	7,300	25,380	35,517
Total Europe	**76,553**	**10,738**	**13,305**	**16,000**	**18,025**	**20,500**	**21,250**	**89,080**	**165,633**
People's Republic of China	25,853	13,750	14,000	15,000	15,500	16,500	18,000	79,000	104,853
India	10,827	1,172	2,500	2,500	3,500	4,000	4,000	16,500	27,327
Rest of Asia	467	69	200	350	600	800	1,100	3,050	3,517
Total Asia	**37,147**	**14,991**	**16,700**	**17,850**	**19,600**	**21,300**	**23,100**	**98,550**	**135,697**
Total OECD - Pacific	4,873	620	1,200	1,500	1,850	2,350	2,450	9,350	14,223
Rest of the world	1,161	321	825	1 100	1 600	2 350	2 750	8 625	9 786
New capacity installed per year		38,103	42,030	49,050	59,475	65,400	71,650	287,605	447,690
Aggregate installed capacity at year-end	160,084								447,689

Source: BTM Consult APS March 2010.

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

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

1.4.3 *Principal Competitors*

The market for the development and operation of wind farms is divided up between numerous operators. Key success factors for this market are the capacity of operators to identify and secure the most attractive wind sites, and more importantly, their ability to arrange project financing and development of such sites.

The fifteen largest wind energy operators in the world (as of December 31, 2009) are found in the table below.

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

Source: BTM Consult APS March 2010.

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

1.5 Description of the Group's main activities

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

1.5.1 Wind activity

The Group's wind activities are divided into three areas:

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

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

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

A wind farm is made up of several wind turbines. A wind turbine is composed of a support tower on which a wind generator is installed. This generator converts wind into electric energy when the wind sets in motion the rotor, which transfers the received energy, through a gearbox (or not) to an alternator that produces electric energy.

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

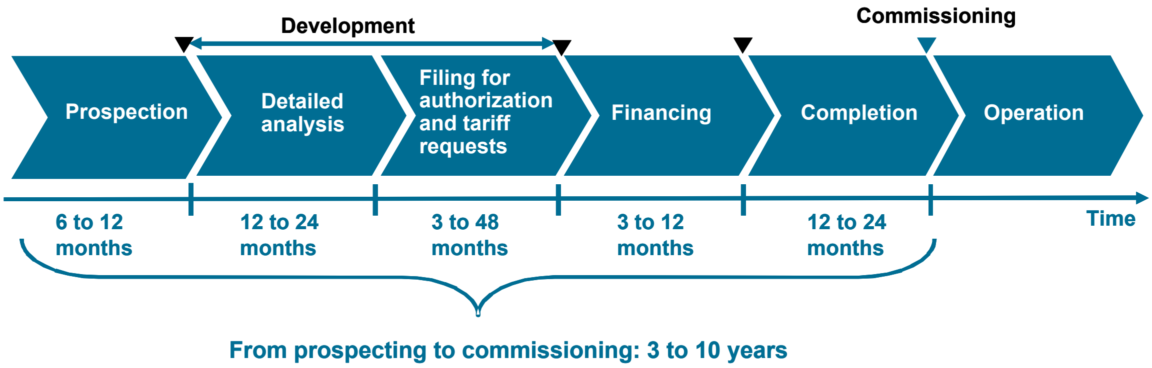
The average annual production of each MW of installed capacity varies from 1.6 to 3.7 GWh, according to the qualities of the site (wind conditions) and the type of machines (power curve and availability).

When the Group develops a project, it generally sets up a Project Support Company ("PSC") known as a "*Société Support de Programme*" used to hold assets and conclude financing.

Lenders typically take security over a PSC's assets and over the PSC's bank accounts that are assigned receivables and any insurance proceeds. The finance arrangements require, among other things, the PSC to maintain a certain number of financial ratios as well as giving regularly certain information related to the operation of the project**.** Main events of default include: breach of financial ratios, failure to make a payment, sale of part or all of the assets, change in control, change in law that results in the project becoming illegal, cross-default and default or insolvency of a major counterparty essential to the project (in general, the third party purchasing the produced electricity).

The process for bringing a wind energy plant into operation is long (in average from 3 to 10 years) consisting of at least five stages, the development stage being divided into two phases.

Life cycle of a wind farm project



The timeline above shows the phases of a life cycle of a wind farm. Timelines mentioned by this picture are only an illustration and the actual time required for any phase can vary significantly depending on a number of significant factors, including duration of administrative proceedings, the availability of turbines provisioning, and arranging the financing, which includes, in particular, a detailed audit of the project (technical, legal and insurance aspects).

First stage: Prospecting

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

Second stage: Development

The development of a wind energy site can be divided into two phases: the completion of detailed analysis and instructing and obtaining of administrative authorizations (construction, operating, connection to the grid, purchase).

The first phase of development consists primarily of doing an impact study to assess a proposed site's actual state and potential impacts related to the installation of a wind farm. The studies take into account matters such as topographic constraints, easements, connection capabilities to the local grid, environmental constraints associated with plant and animal life, and proximity of residential houses, historical monuments, or other sensitive or protected sites. The Group also conducts a site survey to measure and determine wind conditions of the site by installing one or several measuring masts to collect data over a period of at least 12 to 18 months. Wind quality is measured by both the wind's strength and consistency; the frequency and intensity of wind gusts also come into play as they can cause premature wear of the machinery.

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

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

The second phase of development covers the review of all authorizations requests and tender agreement requests necessary to build the project, connect it to the grid, to operate it and to obtain a contract for the sale of the electricity produced.

By the end of this process, and before arranging for the financing, THEOLIA must also select a turbine model well suited to the site and a turbine supplier. THEOLIA does not have a framework agreement in place with any manufacturers; in the absence of such agreement, it may freely choose the most suitable turbines for every site and introduce competition among manufacturers for the Group's business. However, this policy exposes the Group to the risk of shortage in wind turbines supply, as was the case in 2006 and 2007. For further details, please refer to paragraph 5.1.12.

Third stage: Financing

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

- An audit of the site's wind energy potential (provisional number of working hours on the basis of anemometric and meteorological measurements made on site over a minimum period in the range of 12 to 18 months and depending on the wind generator chosen);
- An audit of the economic model (financial and economic simulation of the operation on the basis of the investment amounts, the operating costs of the wind deposit, of the purchase agreements and the debt parameters);
- A legal audit (audit of all the legal documents arising in such an operation: leases, easements, various constraints, administrative authorizations, turnkey contract, contracts with the suppliers but also drafting of the contracts between the Group and the bank);
- An insurance audit (audit of the building and operating insurance, in particular excesses and allocation of damages caps between the PSC and its sub-contractors).

Fourth stage: Completion

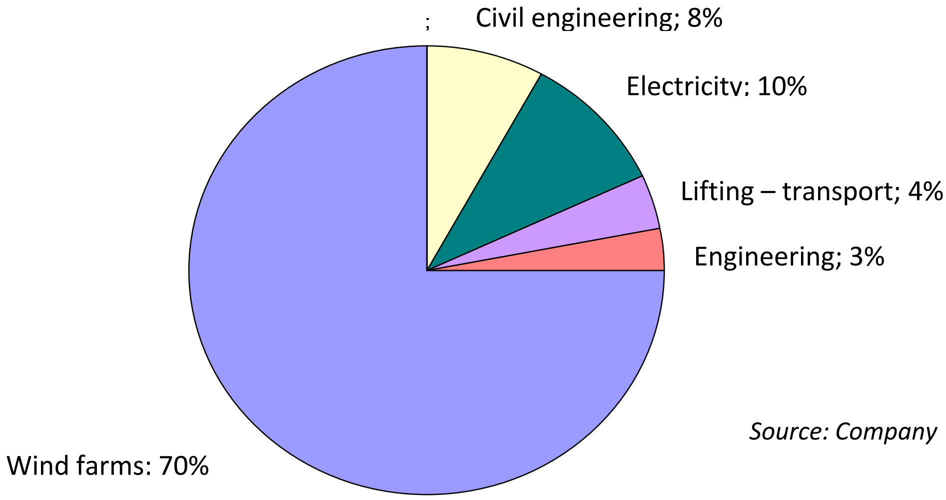
The construction of a wind farm typically takes one to two years and represents the achievement of what is usually a long process fraught with pitfalls and regulated by validation milestones marked with a ▼ in the life cycle scheme of a wind farm project above**.**

At the end of certain phases of a wind project life cycle, a formal decision must be undertaken to proceed to the next phase. At these moments, consideration is given to the size of the investment to be made in the next phase. While the prospecting stage costs on average only €10,000, the development stage now involves hundreds of thousands of euros in costs. Within the Group, the decision to progress a project from prospecting to development is made at the level of the geographically concerned subsidiary, who takes development initiatives subject to the budge limits set out by the Board of Directors.

The decision to pursue a project beyond the development phase—through the financing and completion phases—potentially involves tens of millions of euros and is taken at the Group's holding level. The Group's holding level validates the financing agreements (in particular financing conditions and guarantees granted to the lender).

The completion stage begins with the signing of the agreement with the turbine manufacturer during the provisioning phase. Tender offers for other divisions and feasibility studies are made before the beginning of work on the site, which typically begins three to six months before the turbines arrive in order to prepare a construction of an access road, common areas, foundations and an internal electric grid.

The following chart is an estimate of the division of a wind energy project's construction costs:



It is during this completion stage that the Group enters into agreements for connection to the grid and repurchase of electricity with electricity operators.

Fifth stage: Operation

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

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

As of December 31, 2009, THEOLIA operated 780 MW of wind farms in France, in Germany and in Morocco, for own account and that of third parties. The Group has developed real-time production surveillance systems for the operation of its large installed base in Germany, for own account and that of third parties. These tools allow it to optimize its operation in Germany and achieve high rates of wind turbine availability.

In Morocco, the acquisition of Compagnie Eolienne du Detroit (CED) in January 2008 has provided the Group with technical know-how in the maintenance and operation of wind farms situated in difficult environments due to the fact that the Group carries out all the maintenance normally performed by a turbine supplier on a power plant comprising 84 wind turbines (for a total installed power of 50.4 MW) and producing about 160 GWh per year.

1.5.2 Non-wind activities

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

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

Interests sold

- **Thenergo**

The company Thenergo, located in Belgium and listed on Euronext Brussels, specializes in the development and operation of sustainable energy projects, using biogas, natural gas, vegetable oil and waste timber. THEOLIA, a shareholder in Thenergo since 2006, sold its entire interest (27.21%) in Thenergo at the end of December 2008 for €15 million (see paragraph 8.3 hereunder).

- **Biocarb**

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

- **Hydro development activity in Canada**

In July 2009, THEOLIA sold its interests in the companies THEOLIA Canada (99.98%) and THEOLIA Premieres Nations Inc. (99.98%), whose activities included hydroelectricity development in Canada for one symbolic euro.

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

In July 2009, the Group sold its two peaking units units located in France for €0.38 million. These peaking units were the assets of the companies SAEE and SAPE, whose holding company is CS2M. These three companies are now in the process of winding down during the 2010 financial year.

Interests in the process of disposal

- **France Environmental Unit**

The France Environmental Unit is currently composed of the structures described below. At the date of publication of this Report, the Group had carried out the disposal of the breathalyzer activities of Seres Environnement in November 2009 for an amount of €0.4 million and signed a memorandum of understanding for the disposal of the activities of the Nemeau SAS group. The Group is in discussions with possible buyers for certain other companies of the Environmental Unit.

- **Seres Environnement**

Seres Environnement, established on June 13, 2006 following THEOLIA's acquisition of Seres SA, develops instruments to measure, among other variables, water, air and alcohol (breathalyzers). Seres Environment had revenue of approximately €4.8 million in 2009.

- **Ecoval Technology SAS**

Ecoval Technology, set up in December 2004, following THEOLIA's acquisition of "A+O" specializes in the field of design, partial or complete realization, turnkey construction and the sale of units implementing 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, specializing in the treatment of liquid and solid waste. Its factory based in Beaucaire, France receives waste collected by other companies, separates it and isolates the target fermented matter in order to compost it with a view to its resale. Its revenue amounted to approximately €4.2 million in 2009.

- **Nemeau SAS**

Nemeau, was set up in December 2004, following the acquisition of the company Naturem Environnement within the framework of insolvency proceedings at the Tribunal de Commerce de Marseille (Marseille Commercial Court). The company specializes in the design and sale of industrial installations used in the environmental field. The company owns a patent for a sludge treatment system.

- **Ecolutions**

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

- **Solar park in Germany**

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

1.6 Financial markets and economic conditions

From the second half of 2007 onwards, global financial markets experienced significant dislocation as devaluation of real estate and related assets, triggered by the US sub-prime residential market, led financial institutions to restrict lending and increase the cost of capital as they sought to reduce their exposure to default risk. The availability of debt financing for wind farms and other renewable energy projects became extremely limited during the financial crisis that ensued following the failure or near-failure of a number of top tier financial institutions in 2008. In 2009, debt financing continued to be constrained, and the rate of contraction in euro zone bank lending to non-financial corporations accelerated, at an annual rate of 2.3% in December 2009 against 1.9% in November 2009 (source: European Central Bank data published January 29, 2010).

As the financial crisis developed, economic conditions deteriorated and led to recession. From the first quarter of 2008 to the second quarter of 2009, the euro zone economy contracted by 5.1%. Although the economy emerged from recession in the third quarter of 2009, when gross domestic product grew by 0.4%, it is uncertain whether the recovery will be sustainable, as the unemployment rate breached 10% for the first time since the introduction of the single currency (source: Eurostat). The fragility of economic recovery is underscored by the conclusions of a European Central Bank working paper which concludes that the contraction in bank lending has had, and is likely to continue to have, an adverse impact on euro zone output (source: European Central Bank working paper no. 1150, January 29, 2010).

Since the financial crisis, the financing available to the renewable energy industry takes longer to be secured. In addition, the cost of debt financing increased and banks imposed stricter lending criteria, i.e., significantly lower debt ratios.

1.7 Legislative and regulatory environment

The Group is subject to various laws and regulations realting to the development of wind projects and its success is heavily dependent on the continuation of a favorable legislative and regulatory environment to promote the development and, in some cases, sale of wind energy projects.

Internationally

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

The Kyoto Protocol (the "Protocol") was adopted in December 1997 and entered into force in February 2005. 184 parties to the UNFCCC have ratified the Protocol to date, including all of the countries in whose markets the Group is active. The Protocol sets binding targets for 37 industrialized countries and the European community for reducing greenhouse gas emissions whereas the UNFCCC "encourages" industrialized nations to stabilize their greenhouse gas emissions. Reduction objectives are set out by, on average, 5% against 1990 levels over the five-year period 2008-2012. The Protocol designated the promotion of electricity from renewable energies among its top priorities

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

EU legislation

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

The Kyoto Protocol was ratified by the European Union and its Member States in May 2002. The Protocol assigned the European Union a target of an 8% decrease in greenhouse gases in relation to 1990 levels between 2008 and 2012.

Hoping to affirm itself as being the most environmentally compliant economy, the European Union went further than the international objectives by adopting the Climate and Energy Package in December 2008. Under the Climate and Energy Package the Member States have undertaken to reduce greenhouse gas emissions by 20% in relation to 1990 levels, to raise the share of renewable sources in energy consumption to 20%, and to increase energy efficiency by 20% by 2020.

The Climate and Energy package includes the European Directive 2009/28/EC dated April 23, 2009 aming at increasing to 20% the amount of energy produced from renewable energy sources in the aggregate consumption of Europeans by 2010 by setting out national binding objectives. This Directive modifies and repeals the provisions of Directive 2001/77/EC as of January 1, 2012. The objectives of the 2001 Directive, consisting in particular for the European Union to bring the share of renewable energy sources in its gross energy consumption to 12% as well as to produce 21% of its electricity consumption from renewable energy sources in 2010, will nevertheless remain in force until December 31, 2011 and 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.

National legislation

Legislation in France

The law relating to the modernization and expansion of the public electricity service dated February 10, 2000 and its related decree dated December 6, 2000 provide that Electricité de France (or other private distributors) are required to purchase at a tariff fixed by decree electricity generated by power plants using renewable energy sources. Installations using renewable energy or implementing efficient energy saving technologies, such as cogeneration, may benefit from this purchase obligation. Wind turbines may be subject to 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 of July 13, 2005, known as "POPE law", creates a legal regime for Wind Power Development Zones (*Zone de Développement de l'Eolien*) (ZDE) which sets out the minimum and maximum installed capacity of installations producing electricity from wind energy. The latter are fixed by the regional commissioner (*Préfet de Région*) after proposals by the locality or the community of localities. Wind power development zones are thus established as part of the regional wind power scheme with regard to local development.

Power thresholds are fixed for each ZDE, the parameters of which depend on the wind energy potential, connection to the electricity grid, protection of the environment and the presence of "remarkable" 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 attesting that the production site meets a 12 MW threshhold and is located at least 1,500 meters from another production site; and
- evidence that the building permit relating to the project was under consideration prior to July 14, 2007.

Wind energy projects with building permits under consideration after July 15, 2007 may benefit from the purchase obligation at a preferential tariff only if located within a ZDE. Consequently, the Company no longer applies for permits outside of the ZDEs.

The repurchase tariff for on shore installations operates under two different regimes, specifically:

- the tariff set out in the by-law dated June 8, 2001 applies a basic tariff set at 8.38 cts€/kWh for the first 5 years and for the next ten years ranges between 8.38 cts€/kWh and 3.05 cts€/kWh depending on the number of hours produced by the wind farm; and,
- the tariff set out in the by-law entered into force on July 10, 2006 (without retroactive effect) that applies a basic tariff set at 8.20 cts€/kWh for the first 10 years and ranges between 8.2 cts€/kWh and 2.8 cts€/kWh for the next five years. The tariff by-law which entered into force on December 29, 2008 (without retroactive effect) applies a basic tariff set at 8.36 cts€/kWh for the first 10 years and ranges between 8.36 cts€/kWh and 2.85 cts€/kWh for the next five years, depending on the rate of production hours of the wind farm.

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

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

Legislation in Italy

Building and operation permits

The construction and operation of power plants using renewable energy sources and related facilities works are subject to a single authorization, granted on the basis of objective and transparent criteria, issued by the relevant Region (or the Province delegated by the Region), which takes the place - and incorporates the contents - of any other authorization, concession, licence or opinion required by the relevant Laws (the "Single Authorization"). The Single Authorization is issued upon the applicable environmental approvals by the competent Authorities and the approval of the project by a Steering Committee (*Conferenza di Servizi*) composed of the representatives of the public bodies involved. The duration of the authorization procedure cannot exceed 180 days, net the timing necessary for the issuance of the applicable environmental approvals (please note that this 180-day term is not mandatory; nonetheless in case of unjustified delays, the promoter may file a claim before the competent Administrative Court to obtain a decision imposign the public entities to proceed).

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 by means of an electricity exchange operated by the electricity market operation company Gestore del Mercato Elettrico S.p.A ("GME"), a wholly owned subsidiary of the national electricity grid, the Gestore dei Servizi Energetic ("GSE"); (2) sale to a broker or a wholesaler through a bilateral agreement, or (3) sale to GSE under an annual bilateral convention under which the GSE is obliged to repurchase the total produced electricity over the relevant contractual period. In the third case, the purchase price is determined by a weighting of market prices established by supply and demand by regional zones, on an hourly basis.

The market is divided into 6 regional zones and the exchange prices are established by means of the supply and demand existing for each one of these zones.

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

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

Green certificates

The Legislative Decree of March 16, 1999 obliges the operators who produce or import more than 100 GWh per year of electrical energy from fossil sources to inject a certain quantity of renewable energy into the grid. Initially equal to 2% of the fossil energy produced or imported, this quota was increased by 0.35% per year between 2004 and 2006 and will be further increased by 0.75% per year between 2008 and 2011. The quota was 3.85% for 2008, 4.6% in 2009 and 5.35% in 2010. These operators can discharge 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 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 Finance Law for 2008 came into effect, installations commissioned after January 1, 2008 can request that green certificates be awarded for their first 15 years of operation as opposed to 12 years for those commissioned earlier. The length of validity of each green certificate is three years. The transfer of the green certificates can take place by bilateral contracts or by means of the electricity exchange managed by the GME. The prices are freely determined, according to supply and demand.

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

The sale price, also referred to as the reference price of the green certificates, is determined by law and is equal to the difference between a pre-determined value currently set at 18 c€/kWh and the average value of the sale price of the electricity of the previous year established by the Delibera de l'Autorita per l'Energia Elettrica e il Gas ("AAEG"). Thus, because the AAEG had established the average value of sale price of electricity for 2008 at 9.1 c€/kWh, the reference price of the green certificates in 2009 was 8.8 c€/kWh. In 2010, the green certificates of the year before will be sold 8.89 c€/kWh.

Starting from the commissioning of its wind farms in Italy, the Company will begin the sale of its green certifiates.

<u>Legislation in Germany</u>

Germany has benefited for years from legislation designed to create incentives to develop wind energy, particularly 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 tariffs 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 tariff for the repurchase of electricity produced. Thus, on January 1, 2009, the repurchase tariff rose from 8.03 c€/kWh to 9.2 c€/kWh for electricity generated by onshore wind farms. The repurchase obligation is in place for 20 years with an annual 1% decrease for new installations connected to the grid (as opposed to the previous 2% decrease). Specific provisions also exist in favor of the projects for re-powering existing farms or for offshore development.

In addition, electricity produced from renewable sources benefits from a 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 an income tax relief. In addition, companies in the wind energy industry are eligible to an accelerated amortization of their operating assets (e.g., turbines).

<u>Legislation in Brazil</u>

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

At year-end 2008, with installed wind energy capacity at only 341 MW, the Brazilian government decided to accelerate the sector's development by launching, in November 2009, the first substantial invitation to tender specifically for the installation of wind farms for an aggregate capacity capable of achieving 1,000 MW. This invitation to tender is expected to be only the first of a series.

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

The Brazilian territory offers a significant wind energy potential, with many sites of good quality. The wind energy sector remains however limited in Brazil because the government has only recently adopted incentives for development and no favorable tariff has yet been implemented, except within the framework of the aforementioned invitation to tender.

Legislation in India

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

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

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

Legislation in Morocco

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

Morocco has set an objective of 12% of its energy mix being derived from renewable energies by 2012.

The development of wind is currently based on two programs:

(1) Invitations to tender: 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 on behalf of the ONE. The producer that wins the tender receives a contract for a term of 20 years with a guaranteed repurchase tariff;

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

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

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

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

1.8 Cash position

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

- The internal factors stem from the implementation by the former management in 2008 of an uncertain investment strategy and of an exclusive strategy of operating wind farms for the Group's own account which required substantial expenditures to pursue an ambitious expansion strategy, while halting sales of operational wind farms in Germany, thereby preventing the Group from recovering the working capital requirements invested in wind farms built in Germany in 2008 and also from achieving sales margins.
- The external factors arose from the lack of liquidity in international credit markets, due to the deepening financial crisis and deteriorating conditions in the global and euro zone economies from late 2008.

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

The adverse impact of these internal and external factors on the Group’s liquidity has been magnified by the risk that holders of bonds issued in October 2007 (the "OCEANEs") have the right, pursuant to the issuance agreement, to request early redemption of their OCEANEs on January 1, 2012, that the full amount of which the Company believes it would not be able to satisfy (see paragraph 3.1.4). This risk restricted the Company's ability to raise new project financing, particularly in France.

1.9 Priorities of the management

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

The Group’s immediate priorities remain:

- to strengthen the Group’s balance sheet and accelerate debt reduction via the restructuring (see paragraph 3.1.4);
- to secure access to financing necessary for the development of the Group’s pipeline and wind activities;
- to actively manage the Group’s liquidity and other market risks;
- to continue to improve operating performance; and
- to improve operating efficiency through cost controls and organizational streamlining.

1.10 Actions to position the Group for recovery

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

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

Management has in particular, implemented the following initiatives:

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

1.10.1 Sale of projects and wind farms

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

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

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

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

1.10.2 Divestment of non strategic activities

In line with its strategic focus on the wind energy business and its efforts to maximize cash generation, the Group has decided to divest non strategic activities and assets. Since December 2008, the Group has completed the sales set forth in paragraph 1.5.2, enabling the Company to generate revenue of €15.3 million, which was primarily applied to meet capital expenditures on projects in France, Germany and Italy.

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

1.10.3 Improvement of operating efficiency

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

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

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

1.10.4 Group's divestment from some markets

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

2 CHANGES IN THE GROUP'S MANAGEMENT

During the Board of Directors' meeting on February 9, 2010, Eric Peugeot, Chairman of the Board of Directors, was appointed CEO of THEOLIA. During the same meeting, two chief officers were appointed: Jean-François Azam, Chief Operating Officer (COO) and François Rivière, Chief Financial Officer (CFO). The reasons for these changes in management are described in more detail in paragraph 3.9.1 of this Report.

Mr. Eric Peugeot replaces former CEO Marc van't Noordende, who took office in September 2008, and implemented the first phase of strategic realignment of the Company (see paragraph 1.2.2 of this Report for further details).

Following the appointment of Mr. Eric Peugeot as CEO of THEOLIA on February 9, 2010, the Board of Directors combined the offices of Chairman and CEO.

Eric Peugeot (director and chairman of the board of Directors) is a marketing specialist. He was European merchandising manager for automobiles at Peugeot SA and Sponsoring and Partnerships Director for automobiles at Peugeot until 2000. He holds many positions abroad within subsidiaries of the PSA group, including, in particular, that of Chairman and Director of Peugeot in Belgium, Portugal and the Netherlands. He is director of Établissements Peugeot Frères, LFPF, IP EST, SKF France and HESTIUN Ltd and honorary Chairman of the Football Club Sochaux Montbéliard.

Jean-François Azam was appointed COO of the Group on February 9, 2010. Since 2006, he has been CEO of THEOLIA France and Morocco. Mr. Azam graduated from the Ecole Polytechnique Fédérale de Lausanne with a degree in engineering. Prior to joining THEOLIA, he worked for the Compagnie Générale de Géophysique, the Cogema Group, EOLE-RES S.A., the GAUDRIOT Group, and the GINGER Group as General Manager of one of its subsidiaries from 2004 to 2006.

Francois Rivière was appointed CFO of the Group on February 9, 2010. Prior to joining THEOLIA, he has held the position of chief financial officer within the following international companies: Saint-Gobain Desjonquéres, Oberthur Card Systems, Wilson Gestion and Group Prouvost. He began his career in 1977 at IBM and then at Schlumberger.

3 Activity of the Group in 2009

The list of subsidiaries and ventures constituting the consolidated Group, along with the percentage of interests and control, can be found at footnote 35 of the schedules to the consolidated accounts.

3.1 Highlights of this financial year

3.1.1 Change in strategy

The Group announced on August 31, 2009, the implementation of a new strategy: the strategy "Development, construction, sale" (see paragraph 1.2.1 for more detail).

3.1.2 Investments

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

Overall in 2007 the Group acquired 185.5 MW in operational wind farms in Germany and commissioned 33.5 MW of wind farms in France, which increased its total installed capacity to 283.1 MW as of December 31, 2007.

Partnership with GE Energy Financial Services

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

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

GE Energy Financial Services also subscribed to a limited capital increase of €20 million in exchange for 1,212,000 new ordinary shares with a par value of one euro each, issued at a subscription price per share of €16.50 per share. In addition, THEOLIA issued 3,000,000 equity warrants in favor of GE Energy Financial Services, divided into two tranches of 1,500,000 BSA ("*bons de souscription d'actions*"), one tranche having an exercise price of €16.50 per warrant and the other of €17.50 per warrant.

On completion of the transactions contemplated by the strategic partnership agreement on July 2, 2007, GE Energy Financial Services had a 17.03% interest in THEOLIA's share capital.

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

On December 19, 2008, GE Energy Financial Services transferred its THEOLIA shares to Gama Enerji, one of its subsidiaries held as a joint-venture with the Turkish company Gama Holding. As a result, the two directors representing GE Energy Financial Services on the THEOLIA board resigned.

Acquisition of the company Maestrale Green Energy in Italy

On November 22, 2007, THEOLIA completed the acquisition of an Italian wind farm developer, the Maestrale Green Energy group, at a purchase price of €5 million. The purchase price does not include earn out payments to be made by the seller to THEOLIA as and when achievements of certain stages of the projects are achieved. Under the terms of the acquisition agreement, the Group may be responsible for paying additional consideration to the sellers of Maestrale corresponding to (i) €500,000 for each additional megawatt authorized and ready for construction, decreased by development costs already invoiced by the developer, capped at 100 MW and apart from MWs that make up part of the Martignano project and projects developed by the Group or one of its other subsidiaries for a period of three years starting on November 22, 2007, and (ii) an additional €1,500,000 to be paid in the event that (a) the construction of the Martignano project begins within three years from November 22, 2007 and (b) the Martignano project earns a 15% internal rate of return and has at least 16.8 MW of installed capacity. Furthermore, Carlo Durante, one of the founding members of Maestrale and former owner of approximately 20% of the share capital of Maestrale, is still an officer of the company and, therefore, is still involved in the day-to-day management of the company. Finally, pursuant to a side agreement dated November 22, 2007, an additional sum amounting to €70,000 per MW authorized and ready for construction, decreased by development costs already invoiced by the developer, above 100 MW and apart from MWs that make up part of the Martignano project and projects developed by the Group or one of its other subsidiaries for a period of three years starting on November 22, 2007. This additional incentive is allocated as follows: 50% to certain sellers of Maestrale and 50% for the benefit of Maestrale employees. This part of the incentive is accounted for as debt.

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

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

Acquisition of equity interest in Ecolutions, a German company

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

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

Acquisitions by THEOLIA Naturalenergien GmbH (Natenco GmbH) in Germany

The Group's subsidiary, THEOLIA Naturalenergien GmbH (formerly Natenco GmbH), is active in the purchase and sale of wind farms with recently installed capacities in Germany and has acquired several wind farms representing 20.5 MW for the year 2007.

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

Commissioning of wind farms in France

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

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

The overall investment in these wind farms amounted to €44.4 million. The wind farms are approximately 80% financed by bank debt and 20% financed by equity contributions from the Group.

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

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

Acquisition of the Compagnie Eolienne du Détroit in Morocco

On January 4, 2008 the Company acquired 100% of the shares of the Compagnie Eolienne du Detroit (CED) in Morocco for €45 million by way of equity finance. CED operates a wind farm comprising 84 windmills for a total installed power of 50.4 MW (see paragraph 1.2.2C).

Commissioning of a 8 MW wind farm in France

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

Acquisition of two wind farms in France

During the first quarter of 2008, the Group entered into a letter of agreement with the former partners and founders of its subsidiary Natenco SAS and acquired two wind farms in the north of France: Bel Air and Plateau. Each wind farm has an installed capacity of 6.9 MW in operation. These wind farms were built by Natenco SAS on behalf of third parties, which were unable to raise the necessary capital to service current loans. The Group therefore acquired the wind farms from these third party developers for the amount of the funds invested by them, financed out of shareholders' equity, and equivalent to the equity capital required for their financial structuring.

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

C Main investments during the year ended December 31, 2009

Increase of the stake in THEOLIA Emerging Markets

THEOLIA SA repurchased the shares in THEOLIA Emerging Markets held by Jean-Marie Santander. The shares of THEOLIA Emerging Markets were repurchased for 10 million Dirhams, equal to the nominal value of the shares, and financed out of shareholders' equity.

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

As announced in its press release dated November 17, 2008, the proposed listing of THEOLIA Emerging Markets on the Alternext NYSE-Euronext Paris 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 the development of wind projects

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

The Group's efforts allow it simultaneously to continue its investments in wind projects pursuant to the new business strategy in order to secure its future development and to provide a return on the equity invested by the shareholders. Such investments have been made in wind projects mainly in France and in Italy. The distribution of projects under development as of December 31, 2009 is described in paragraph 1.2.1 above.

Main investments planned or subject to firm undertakings by management

During the year ended December 31, 2009, the majority of investments were made in Italy. These investments represent €19.97 million or 64.21% of the investments made during the 2009 financial year. The Group intends to continue this policy of focusing investment on Italy during the 2010 financial year.

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

3.1.3 Transfer of assets

A Sale of projects and wind farms

Information related to the sale of projects and wind farms is presented in paragraph 1.10.1 of this Report.

B Divestment of non-strategic activities; renewal of focus on wind activities

Information related to the divestment of non-strategic activities is presented in paragraph 1.10.2 of this Report.

3.1.4 Restructuring plan

Background

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

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

The terms of the OCEANEs allow any holder to request on January 1, 2012, at its sole option, an early redemption in cash of all or a portion of the outstanding principal amount of the bonds held by it. Under the terms of the OCEANEs, the Company would be required to redeem the bonds at the applicable early redemption rate plus accrued interest, which would effectively represent a redemption price of €21.9 per OCEANE, compared to a nominal value of €20.80 per OCEANE. The Company believes that it is very likely that the bondholders will choose the early redemption. In that event, the Company would face repayment obligations of €253.2 million in assuming early redemption of the entire principal amount of the outstanding OCEANEs.

If bondholders were to request early redemption on January 1, 2012, the Company currently believes that it would be unable to satisfy the full amount of the €253.2 million aggregate early redemption price. As a result, it would have to declare insolvency and enter into creditor protection under French law, and any resulting liquidation of the Group's assets would lead to significant value destruction for shareholders. Ricol Lasteyrie, the independent expert appointed by the Board of Directors to assess the terms of the Restructuring and its impact on both bondholders and shareholders, stated in the conclusion of his report that "*THEOLIA holds assets that are relatively liquid, the sale of such assets would enable it to reimburse a significant part, but probably not the totality, of its OCEANE debt*" and that *"a cash approach would most probably result in no surplus being available for the shareholders*".

Appointment of a special purpose trustee

In June 2009, the Company requested the appointment of a special purpose trustee as a preventative measure. Pursuant to Article L.611-3 of the French Commercial Code, the Chief Judge of the Commercial Court of Aix-en-Provence on June 22, 2009 appointed Attorney Laurent Le Guernevé as special purpose trustee of THEOLIA for an initial period of three months, renewed for five more months, until February 23, 2010. The mandate of the special purpose trustee was primarily to assist THEOLIA in negotiating with its bondholders in order to restructure its debt. Therefore, the special purpose trustee was primarily instructed to carry out the following:

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

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

Agreements in preparation for the financial restructuring

After consideration of various options, and under the aegis of the special purpose trustee, the Company commenced negotiations of the terms of the OCEANEs with certain large bondholders.

In December 2009, the Company announced that it had reached an agreement with bondholders representing 65.5% of the outstanding principal amount of the OCEANEs to effect the Restructuring. This agreement will allow the implementation of a restructuring plan, which is intended to substantially reduce the Company's financial debt and strengthen its equity, in order to facilitate its access to project financing necessary to resume the development of its pipeline of projects.

Independent financial expert

The Company appointed Ricol Lasteyrie to act as an independent financial expert and to review the financial conditions of the proposed Restructuring plan, particularly the impact and interest in Restructuring for the Company, its shareholders and its bondholders, and to assess its fairness from the point of view of the shareholders and bondholders. Ricol Lasteyrie submitted its final report to the Board of Directors on January 18, 2010.

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

Principal characteristics of the Restructuring plan

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

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

The Restructuring comprises two elements: (a) the amendment of the terms of the OCEANEs and (b) the completion of a capital increase, maintaining the pre-emptive subscription rights of existing shareholders, up to a maximum of approximately €100 million.

The first step in the Restructuring consists of amendments to the terms of the OCEANEs, which include in particular:

- the removal of the bondholders' option to request an early redemption on January 1, 2012;
- the extension of the scheduled maturity of the OCEANEs from January 1, 2014 to January 1, 2041;
- the creation of a new option for bondholders to request early redemption on January 1, 2015 at a buy-back price between 50% and 77.4% of the current redemption value (which is between €10.97 and €16.99 per OCEANE), which price will be determined by the amount of gross proceeds raised pursuant to the capital increase (as calculated under the formula provided below);
- the early redemption of a portion of the outstanding principal amount of the OCEANEs, up to €60 million (or up to €5.20 per OCEANE), the amount of which will be determined by the amount of gross proceeds raised pursuant to the capital increase;

- an increase in the interest rate from 2.0% to 2.7% of the new nominal amount of the OCEANEs (after payment of the aforementioned partial early redemption) until January 1, 2015, which will thereafter be reduced to 0.1% until January 1, 2041;
- an increase of the conversion ratio from one share per OCEANE to N1 shares per OCEANE until December 31, 2013, and then to N2 Shares per OCEANE from January 1, 2014 until December 31, 2014, in all cases subject to anti-dilution adjustments. The conversion factor N1 is defined as the amount of the equity capital increase actually completed (pursuant to the below chart), and the conversion factor N2 is equal to 80% of N1;
- the removal of the bondholders' rights to convert and/or exchange OCEANEs for shares after December 31, 2014;
- the continued effectiveness of change of control clause, provided that it allows each bondholder to request redemption of its OCEANEs at a price equal to the buy-back price on January 1, 2015 (described above), and that this clause will not apply in the event that the capital increase executed in connection with the Restructuring results in a change of control of the Company;
- the removal of the temporary mechanism for adjusting the conversion ratio in the event of a tender offer for the Company's shares; and
- a change in the ex-dividend date of the new shares to be issued on conversion of the OCEANEs, which will now be eligible for dividends immediately and will be fully ranked with existing shares when they are issued.

The second step of the Restructuring consists of a capital increase up to €100 million and completed under the following conditions:

- a capital increase reserved for the shareholders of the Company, conducted either through a bonus allotment of share subscription warrants to all shareholders of the Company, or through the issue of new shares, maintaining the pre-emptive subscription rights of the shareholders; in both case, the subscription price for the new shares will be one (1) euro per share;
- the first €40 million raised through the capital increase will be invested by the Company to finance the pipeline development of wind projects; and
- the balance (up to €60 million, depending on the number of share subscription warrants or subscription rights exercised) will be paid to the OCEANE bondholders as partial early redemption of the outstanding principal amount of the OCEANEs.

Details of the financial terms of the plan

(1) buy-back price

As described above, any holder of OCEANEs may request the partial early buy-back in cash of its OCEANEs by the Company on January 1, 2015, at an early buy-back price (the "Buy-back Price") equal, for each OCEANE, to the result of the following formula:

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

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

$$\frac{Xt}{XtMax}$$

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

and "p" is between 0.45 and 1;

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

Examples of the buy-back price (illustration):

Gross proceeds from the capital increase in € million (Xt)	**45,0**	**60,0**	**75,0**	**90,0**	**99,7**
Buy-back price in € per OCEANE	16,99	15,34	13,69	12,04	10,97

(2) New conversion ratio applicable until December 31, 2013 (N1)

The new conversion ratio for the OCEANEs applicable until December 31, 2013 (N1) will be determined on the basis of the gross proceeds from the capital increase in accordance with the table below.

Gross proceeds from the capital increase (in €million) ("Xt")

X_t	N1	X_t	N1	X_t	N1	X_t	N1	X_t	N1	X_t	N1
45.00	9.05	**54.61**	8.87	**64.33**	8.46	**74.06**	8.00	**83.78**	7.50	**93.50**	6.95
45.13	9.05	**54.86**	8.86	**64.58**	8.45	**74.30**	7.99	**84.03**	7.48	**93.75**	6.94
45.38	9.05	**55.11**	8.85	**64.83**	8.44	**74.55**	7.98	**84.28**	7.47	**94.00**	6.92
45.63	9.05	**55.35**	8.84	**65.08**	8.43	**74.80**	7.97	**84.53**	7.46	**94.25**	6.91
45.88	9.06	**55.60**	8.83	**65.33**	8.42	**75.05**	7.95	**84.78**	7.44	**94.50**	6.89
46.13	9.06	**55.85**	8.82	**65.58**	8.41	**75.30**	7.94	**85.03**	7.43	**94.75**	6.88
46.38	9.06	**56.10**	8.81	**65.83**	8.40	**75.55**	7.93	**85.28**	7.42	**95.00**	6.87
46.63	9.06	**56.35**	8.80	**66.08**	8.39	**75.80**	7.92	**85.53**	7.40	**95.25**	6.85
46.88	9.06	**56.60**	8.79	**66.33**	8.37	**76.05**	7.90	**85.77**	7.39	**95.50**	6.84
47.13	9.06	**56.85**	8.78	**66.58**	8.36	**76.30**	7.89	**86.02**	7.37	**95.75**	6.82
47.38	9.06	**57.10**	8.77	**66.82**	8.35	**76.55**	7.88	**86.27**	7.36	**96.00**	6.81
47.62	9.05	**57.35**	8.76	**67.07**	8.34	**76.80**	7.87	**86.52**	7.35	**96.25**	6.79
47.87	9.05	**57.60**	8.75	**67.32**	8.33	**77.05**	7.85	**86.77**	7.33	**96.50**	6.78
48.12	9.05	**57.85**	8.74	**67.57**	8.32	**77.30**	7.84	**87.02**	7.32	**96.75**	6.76
48.37	9.05	**58.10**	8.73	**67.82**	8.30	**77.55**	7.83	**87.27**	7.31	**97.00**	6.75
48.62	9.05	**58.35**	8.72	**68.07**	8.29	**77.80**	7.81	**87.52**	7.29	**97.24**	6.73
48.87	9.05	**58.60**	8.71	**68.32**	8.28	**78.04**	7.80	**87.77**	7.28	**97.49**	6.72
49.12	9.05	**58.85**	8.70	**68.57**	8.27	**78.29**	7.79	**88.02**	7.26	**97.74**	6.70
49.37	9.05	**59.09**	8.69	**68.82**	8.26	**78.54**	7.78	**88.27**	7.25	**97.99**	6.69
49.62	9.05	**59.34**	8.68	**69.07**	8.25	**78.79**	7.76	**88.52**	7.24	**98.24**	6.67
49.87	9.04	**59.59**	8.67	**69.32**	8.23	**79.04**	7.75	**88.77**	7.22	**98.49**	6.66
49.87	9.04	**59.84**	8.66	**69.57**	8.22	**79.29**	7.74	**89.02**	7.21	**98.74**	6.64
50.12	9.03	**59.84**	8.66	**69.82**	8.21	**79.54**	7.72	**89.27**	7.19	**98.99**	6.63
50.37	9.02	**60.09**	8.65	**69.82**	8.21	**79.79**	7.71	**89.51**	7.18	**99.24**	6.61
50.62	9.01	**60.34**	8.64	**70.07**	8.20	**79.79**	7.71	**89.76**	7.17	**99.49**	6.60
50.87	9.00	**60.59**	8.63	**70.32**	8.19	**80.04**	7.70	**89.76**	7.17	**99.74**	6.59
51.12	8.99	**60.84**	8.62	**70.56**	8.18	**80.29**	7.68	**90.01**	7.15		
51.37	8.98	**61.09**	8.60	**70.81**	8.16	**80.54**	7.67	**90.26**	7.14		
51.61	8.98	**61.34**	8.59	**71.06**	8.15	**80.79**	7.66	**90.51**	7.12		
51.86	8.97	**61.59**	8.58	**71.31**	8.14	**81.04**	7.64	**90.76**	7.11		
52.11	8.96	**61.84**	8.57	**71.56**	8.13	**81.29**	7.63	**91.01**	7.10		
52.36	8.95	**62.09**	8.56	**71.81**	8.11	**81.54**	7.62	**91.26**	7.08		

X_t	N1	X_t	N1	X_t	N1	X_t	N1	X_t	N1	X_t	N1
52.61	8.94	**62.34**	8.55	**72.06**	8.10	**81.79**	7.60	**91.51**	7.07		
52.86	8.93	**62.59**	8.54	**72.31**	8.09	**82.03**	7.59	**91.76**	7.05		
53.11	8.92	**62.83**	8.53	**72.56**	8.08	**82.28**	7.58	**92.01**	7.04		
53.36	8.91	**63.08**	8.52	**72.81**	8.07	**82.53**	7.56	**92.26**	7.02		
53.61	8.90	**63.33**	8.51	**73.06**	8.05	**82.78**	7.55	**92.51**	7.01		
53.86	8.89	**63.58**	8.50	**73.31**	8.04	**83.03**	7.54	**92.76**	7.00		
54.11	8.88	**63.83**	8.49	**73.56**	8.03	**83.28**	7.52	**93.01**	6.98		
54.36	8.88	**64.08**	8.47	**73.81**	8.02	**83.53**	7.51	**93.26**	6.97		

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

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

Conditions precedent

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

- the approval of the proposed amendments to the terms of the OCEANEs at a meeting of the bondholders;
- the approval by the extraordinary shareholders' meeting of the Company of the proposed amendments to the terms of the OCEANEs and delegation of authority to the Board of Directors to decide upon and execute the capital increase, no later than May 31, 2010;
- the completion no later than August 31, 2010, of a capital increase for a total of up to €99.74 million (which amount may be decreased to €60 million under certain circumstances) which in no circumstance may be less than the minimum gross product of €45 million; and
- the absence of transactions on the Company's share capital, except on identified dilutive instruments before the completion of the capital increase.

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

The Company, together with its advisers, is preparing to commence the capital increase, as the second step of the Restructuring.

Excluding potential underwriting fees, the Group expects to spend approximately €8 million for all the fees and expenses relating to the execution of the transaction (payment and fees of financial and legal advisors, special purpose trustee, independent expert, statutory auditors and other external advisors) under the restructuring plan in the event that the capital increase would be approximately €100 million.

3.2 Presentation of financial information

3.2.1 Restatements and adjustments

A Application of IFRS 5

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

The primary effects of the application of IFRS 5 are summarized below:

- The Group recorded transactions for the relevant financial period which relate to the Group's environment division and other non-wind assets in the income statement line item "Net income from assets held for sale".
- The assets and liabilities of the Group's environmental unit and other non-wind companies were reported in the balance sheet line item "Assets/Liabilities on discontinued activities". The asset values were impaired on the basis of probable sale prices.
- The Group's consolidated income statement for the year ended December 31, 2007 was restated in the Group's consolidated financial statements as of and for the year ended December 31, 2008, in order to present comparative information as required by IFRS 5. As restated, revenue for the year ended December 31, 2007 was €288.1 million, as compared to reported revenue of €306.5 million. For further details, please see note 2 ("Basis for the preparation of financial statements") and note 18 to the Group's consolidated financial statements as of and for the year ended December 31, 2009, and note 2 ("Basis for the preparation of financial statements"), note 18 and note 26 to the Group's consolidated financial statements as of and for the year ended December 31, 2008.
- The accounts as of December 31, 2009, maintain the method available at the sale of the non-wind activities that had already been classified as such at the end of 2008 and that had not yet been sold. The Group did not succeed in selling, as it anticipated, all its non-wind activities in 2009 given the economic climate. The Group still intends to sell all its activities and expects these sales will be finalised during the financial year 2010.

B Application of IFRS 3

IFRS 3 allows a 12-month time period to allocate goodwill noted during an acquisition. If a closing takes place during this allocation time period, this standard imposes the restatement of the closing figures of the acquisition. Thus, in relation to the acquisition of wind farms from General Electric (note 2 of the 2008 consolidated accounts in 2008 Reference Document), the 2007 accounts were restated following the final allocation of goodwill. There was no context in which to apply this norm in 2009.

C Application of IAS 8

Adjustments concerning the accounts as of and for the year ended December 31, 2007

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

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

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

These adjustments did not impact on the income statement.

- The issuance of the OCEANEs in October 2007 gave rise to a partially erroneous adjustment, such that shareholders' equity in the Group's consolidated financial statements as of and for the year ended December 31, 2007 was decreased by €1.129 million, and non-current financial liabilities were increased accordingly. The effect of the adjustment is summarized as follows:

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

These adjustments did not impact on the income statement.

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

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

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

Adjustments concerning the accounts as of and for the year ended December 31, 2008

In application of IAS 8, an error in Corseol subsidiary's accounts (wind farm) as of December 31, 2008 gave rise to an adjustment in 2009 of these accounts. A provision for contingent liabilities of €1,111 thousand was recorded in the balance sheet line item "amortizations and provisions" and reported in the corporate accounts after the closing of the Group's consolidated financial statements. The correction of the error had a negative impact on the 2008 net result of (-€1,111) thousand and has no impact neither on the net opening net worth nor on the financial year 2007.

3.2.2 Application of IAS 16

On September 1, 2009, the management of THEOLIA confirmed the adoption of the Group's new strategy. Since that date, the Group's activities focus on developing, building, operating and selling wind farms. All wind farms are intended to be sold.

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

Pursuant to IAS 8.16, the implementation of this accounting method does not represent a change of method because it applies to transactions which are substantially different from those which have arisen previously. The change prospectively applies to the Group as from September 1, 2009.

Consequently, amortization plans have to reflect:

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

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

The accounting treatment applicable to wind farms in operation in accordance with their life cycle is described below:

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

3.2.3 Key performance indicators

In accordance with its management and internal reporting structure, the Group's activities are organized by business segments. From January 1, 2009, the Group ceased reporting by geographical segments, as described more fully in paragraph 3.2 of this Report and in notes 2.22 and 25 of the Group's audited consolidated financial statements for the year ended December 31, 2009.

A Business segments

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

- Sale of electricity – the sale of electricity produced by wind farms owned and operated by the Group for own account;
- Development, construction, sale – the development, construction and sale of wind farms and projects to third parties;
- Operation – operating and maintaining wind farms for third parties pursuant to service agreements and the sale of electricity produced from such wind farms to third parties;
- Non-wind activities – non core assets held for sale, in accordance with the Group's decision to focus on wind energy; and
- Corporate – functions of the parent company and intermediate holding companies.

B Geographical segments

The Group is active in the key European markets (Germany, France and Italy) and seeks to increase its presence in selected emerging markets, namely Morocco, India and Brazil. Since January 1, 2009 and pursuant to IFRS 8, the Group's financial statements are described by business segments. However, the Group's consolidated financial statements with regard to segmental information are as far as turnover is concerned, also presented by geographical segments. These geographical segments correspond to places where assets are located. These areas are the following:

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

3.2.4 Other key performance indicators

The following paragraphs present certain unaudited supplementary measures of financial information, which are used by the management in monitoring the Group's business and evaluating its performance and liquidity.

A EBITDA

The Group calculates EBITDA (earnings before interest, taxes, depreciation and amortization) by adding to current operating results:

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

in each case determined in accordance with IFRS.

EBITDA, which is not prepared in accordance with IFRS, is a supplementary measure of the Group's performance, profitability and liquidity. As a non-IFRS measure, EBITDA should not be considered as an alternative to current operating results or any other performance measures derived in accordance with IFRS, nor should EBITDA be considered as an alternative to "cash flow from operating activities" as a measure of the Group's liquidity. EBITDA may not be indicative of the Group's historical operating results, nor is it meant to be predictive of future results.

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

A quantitative reconciliation illustrating how EBITDA has been derived from the Group's consolidated financial statements prepared in accordance with IFRS is set forth in paragraph 3.3.3 below.

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

B Cash

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

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

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

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

The cash figures for the years ended December 31, 2009 and 2008 have been derived from the historical financial information of the Group as it appears in the consolidated financial statements as of and for the year ended December 31, 2009 included in the annual financial report 2009 and in paragraph 20 of the 2008 Reference Document. It has been calculated by adding together or subtracting figures that are extracted without material adjustment from the Group's consolidated statements of cash flow for years ended December 31, 2009 and2008.

A summary statement of consolidated cash flows is presented under paragraph 3.4.5 and the table below displays the detail of the cash position:

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

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

(2) Gaps against figures made available to the market on January 19, 2010 are explained (i) by the restatement in the line "other receivables" of a deposit of €2.4 million related to the sale of a wind park before a notary in Germany and previously recorded as pledged cash, subject to a reversal depreciation in the financial statement for the year ended December 31, 2009 in proportion of the principal amount of the receivable, interest excluded, i.e. €2.2 million, and (ii) by the restatement as "reserved" cash of a portion of the cash coming from wind farms in operation in France recorded on January 19, 2010 as pledged cash (amount approximately equal to €8 million).

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

3.2.5 Critical accounting policies

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

The preparation of financial statements requires senior management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities and contingencies as of the date of the Group's financial statements, and the reported amounts of revenue and expenses for the relevant accounting periods. Management bases these estimates on historical experience and assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenue and expenses that are not readily apparent from other sources. Management evaluates these estimates on an ongoing basis and has discussed their selection, development and disclosure with the audit committee of the Board of Directors.

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:

- impairment of goodwill and of non-recurring assets in relation to the depreciation tests (IAS 36);
- residual value of wind farms in operation; and
- qualitative analysis (definition of the level of risk, success probability of the commissioning of various wind projects and obtaining of the necessary authorizations for operation) of inventory.

For further details in this respect, please refer to notes 2.8 and 3 to the Group's consolidated financial statements as of and for the year ended December 31, 2009.

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

3.2.6 Significant factors affecting results of operations and financial condition

The Group believes the following factors have had and will continue to have a material effect on its results of operations and financial condition.

A Project financing

The Group's strategy is to develop wind projects into commissioned wind farms in order to generate electricity for own account until their sale.

To finance project development, a PSC is formed to act as the primary obligor of the debt financing. Historically, debt financing has generally provided between 65% and 90% of the value of the total investment in a project, the remainder having been financed by equity. As of December 31, 2009, debt financing for wind projects accounted for €238.7 million, or 60.3% of the Group's total net debt. Consequently, any increase in project financing increases the Group's finance expenses.

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

PSCs typically enter into debt financing arrangements with lending banks which are generally non-recourse or of limited recourse to the Company. In certain cases however, the Company or other Group companies may guarantee the liabilities of the PSCs. For further details (see paragraphs 3.4.3C and 3.5.1 below).

B Sale of wind farms

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

These broad-based sales initiatives were undertaken as short-term measures to improve the Group's liquidity. Although the Group intends to continue the implementation of its "Develop, Operate and Sell" strategy in France and Italy and its ordinary wind farm trading activities in Germany, it is expected that future sales of wind farms in the ordinary course of business will not match the rate or volume of sales in 2009. Having addressed short-term liquidity needs through earlier sales, THEOLIA decided to focus on pipeline development and any future sales would have to be consistent with the Group's overall portfolio management strategy.

As a result, the sales and revenue trends prevailing in 2009 and 2008 may not be comparable to trends in future periods.

C Rate of commissioning of wind farms

The development and construction of wind farms follow a production cycle extending, on average, from 3 to 10 years from prospecting to commissioning. The rate of commissioning has a material impact on the Group's ability to generate revenue from the sale of electricity or the sale of operational wind farms. The Group generally begins to receive revenue (operational and then sale) from its wind projects once the construction phase has been completed and commissioning has occurred, marking the beginning of the production phase. However, it will make substantial capital expenditures and incur a significant amount of expenses early in the production cycle, without any assurance of a return on investment.

During the construction phase, assets are created and recorded in the balance sheet as fixed assets. The construction phase may be prolonged, as the Group must obtain building permits and authorizations to operate. The application process with different national and local authorities is often long and complex. In certain cases, third parties may initiate proceedings against certain building permits or applications for authorizations. If the Group were to fail to obtain a building permit or an authorization to operate, or if proceedings were initiated, the value of the assets reported on the Group's balance sheet could be subject to significant depreciation. At every closing of accounts, the Group conducts a review of its projects and provisions for depreciation are recognised as necessary.

Other events that may delay the commissioning of a wind farm include adverse weather conditions, difficulties in connection to the local electricity grid, construction defects, or delays in supply or lack of supply by the suppliers. As a result, the Group's development expenses would continue to rise while its ability to generate revenue from the wind project is deferred.

Commissioning occurs when the construction is completed and the test period is considered to be satisfactory. It should be noted that a wind farm may start production at year-end but it is only from the following year that the revenues generated by it will be recorded for the whole year. The timing of commissioning consequently affects the comparability of financial years.

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

D Implementation of the Group's "Develop, Operate and Sell" strategy in France and Italy

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

- any sale of a wind farm or wind project, formerly classified as a non recurring asset is recorded as revenue generated from ordinary activity. Previously, any such sale used to be analyzed as a capital gain or loss; and,
- depreciation of wind farms is now accounted for in a shorter time period, after the definition of a new residual value corresponding to the estimated value of the sale of the farm. The observation of a significant residual value and a shorter period of depreciation result in a decrease in depreciation expenses. The period of depreciation of wind farms located in France and in Italy now lasts from 2 to 4 years, to be compared to the duration of the sale agreement used before. It results in a decrease in depreciation expenses.

E Fluctuations in wind turbine prices

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

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

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

The higher cost basis for the project also requires the Group to incur a higher level of debt to finance the project and therefore a higher interest expense, which has had an impact on the Group's results (see in paragraph 5.1.12 below).

In countries such as France and Germany, where the Group is bound by a system of fixed tariffs and purchase obligations for the wind farms it operates for own account, the Group cannot pass on higher wind turbine prices to its own customers in the form of higher prices under electricity purchase contracts.

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

F Weather conditions

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

G Wind power pricing terms, regulatory and tax support

The sale of electricity generated by wind power in the Group's key European markets has benefited from a number of regulatory and tax measures which provide support for pricing terms. The Group's revenue from the Sale of Electricity account business segment is thus significantly influenced by different tariffs for the purchase of wind power set by national governments in France and Germany. As the Group's wind projects are commissioned in other markets, differences in the regulatory frameworks in Italy, Morocco, India, Brazil, or any other markets the Group may target in the future, will also have an impact on the Group's profitability. In particular, the Group's financial performance may vary depending on direct and indirect subsidies, tax incentives, contract adjustment and renewal clauses and the time necessary to obtain permits and authorizations for projects.

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

H Depreciation

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

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

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

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

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

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

The Group considered that fair value could not be determined by reference to market prices in an inactive market characterized by a lack of debt financing and insufficient comparable transactions from late 2008 onwards, in contrast to 2007 and early 2008.

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

However, any future economic or financial declines could give rise to additional depreciation tests, which could lead the Group to recognize depreciation losses having a material adverse effect on the Group's results of operations.

3.3 Operating results

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

Income statement data (Selected consolidated)	**Year ended December 31 (in thousands of €)**				
	2009 (published)	**2008 (restated)**	**2007 (restated)**	**2008 (published)**	**2007 (published)**
Revenue (sales)	**328,593**	**69,956**[1]	**288,134**	**69,956**	**306,481**
Purchases and changes in inventories	(255,366)	(25,945)	(225,685)	(25,945)	(230,784)
External expenses	(33,613)	(36,540)	(29,008)	(36,540)	(34,746)
Taxes	(1,215)	(1,240)	(986)	(1,240)	(1,139)
Personnel expenses	(11,714)	(20,838)	(18,132)	(20,838)	(23,413)
Other operating income and expenses	(319)	3,656	(1,572)	3,656,	(1,267)
Operating provisions	23,247	(26,869)	(555)	(26,869)	(495)
EBITDA[2]	**49,612**	**(37,821)**	**12,196**	**(37,821)**	**14,636**
Depreciation and amortization	(21,801)	(30,589)	(11,758)	(29,478)	(17,887)
Current operating income	**27,811**	**(68,411)**	**438**	**(67,299)**	**(3,250)**
Other non-current income and expenses	(140)	(22,584)	22,791	(22,934)	21,014
Impairment	4,509	(106,577)	(60,746)	(106,577)	(56,490)
Operating income	**32,180**	**(197,572)**	**(37,517)**	**(196,460)**	**(38,726)**
Cost of net financial debt	(28,530)	(26,625)	(9,515)	(26,625)	(10,086)
Other financial income and expenses	(2,279)	(12,457)	2,526	(12,457),	2,145
Financial income	**(30,809)**	**(39,082)**	**(6,989)**	**(39,082)**	**-**
Share in earnings (loss) in associated companies	(13,470)	(3,842)	(85)	(3,842)	589
Tax expenses	437	11,936	(2,777)	11,936	(2,729)
Net income from ongoing activities	**(11,662)**	**(228,556)**	**(47,368)**	**(227,448)**	**(48,807)**
Income net of tax on discontinued or held for sale activities	(9,439)	(16,650)	(1,257)	(16,650)-	-
Net income (loss)	**(21,101)**	**(245,210)**	**(48,625)**	**(244,098)**	**(48,807)**
Of which, Group share	(20,765)	(244,454)	(48,262)	(243,342)	(48,262)
Of which, minority interests	(335)	(755)	(364)	(755)	(546)
Earnings per share	(0,52)	(6,15)	(1,41)	(6,12)	(1,41)
Diluted earnings per share	(0,49)	(4,33)	(0,94)	(4,33)	(0,94)

(1) i.e., €102,592 before the two sales reducing the revenue by €32,636.

(2) Unaudited non IFRS Performance indicator

Except as otherwise indicated, for 2007 and 2008 financial years, the analyses found below are based on the restated accounts (which were audited by the Group's Auditors and are further detailed in paragraph 3.2.1)

3.3.1 Revenue

A Historical analysis

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

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

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

Sales decreased by €218.2 million, or (76) %, from €69.9 million for the year ended December 31, 2008, compared to €288.1 million for the year ended December 31, 2007. This decrease was primarily attributable to the absence of sales of wind farms in Germany, resulting from the change in strategy announced in September 2008 (preservation of farms for operation). Moreover, the cancellation in 2008 of two sales reflected in the 2007 accounts, representing a total of approximately €32.6 million (due to the purchasers' inability to obtain financing) also contributed to this decrease.

B Analysis of consolidated revenue by business segment

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

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

(1) the Corporate segment does not generate any revenue and is thus not included in this table.
(2) This negative revenue is explained by the cancellation of sales made in 2008 to the benefit of purchasers who did not obtain their financing, reducing the revenue by €32,636 thousand. Regardless of these cancellations, the Group's revenue for 2008 is €102.592, €43.454 of which for the Development, construction, sale activity and €3.598 for the non-wind activity (revenue of other segments was not impaired).

Revenue - Sale of electricity for own account

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

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

Revenue from the sale of electricity for own account accounted for 79.4% of total revenue for the year ended December 31, 2008. Revenue from the sale of electricity for own account amounted to €55.5 million in the year ended December 31, 2008, or 106.6%, compared to €26.8 million for the year ended December 31, 2007. This increase is primarily attributable to the acquisitions completed in 2008 (wind farms in France and Morocco), the consolidation of the acquisitions in 2008 and the commissioning in 2007.

Revenue - Development, construction, sale

Revenue from development, construction and sale comprises payments to the Group from third parties who purchase operational wind farms developed by the Group, in order to generate electricity for the purchasers' own accounts. THEOLIA proposes the sale of its assets to potential purchasers. The purchase price of the asset is determined upon criteria chosen by the purchasers (e.g. TRI, VAN, tax capacity). The direct costs resulting from the sale vary depending on a case-by-case basis, depending in particular on the intervention of intermediaries such as banks or advisors.

In 2009, revenue corresponding to development, construction and sale activities represents €236.4 million (or 72% of financial year's global revenue) as compared with €18.2 million in 2008. This increase was primarily attributable to the resurgence in Germany of sales of wind farms: wind farms of a total capacity of 145.7 MW, of which 137 MW was installed capacity, were sold in 2009. The revenue corresponding to the sales in Germany amounts to €166 million. It is noted that the revenue related to the sale of a wind farms and projects portfolio of 100.6 MW in RheinEnergie has not been entirely accounted for in 2009: the balance of €10 million will be accounted for in 2010. In France, 88 MW were sold, of which 7 MW was installed capacity.

Moreover, since September 1, 2009, all the sales by THEOLIA of wind projects and operating assets are considered as revenue, according to amended IFRS 16 (in this respect, please also see paragraph 3.2.6D of this Report). The implementation of this standard, as a result of the implementation of a new strategy by the Group, has had a positive impact of €65 million on the revenue for 2009. The application of this standard in 2007 (except for trading activities) and 2008, respectively, would have had no effect on the revenue due to the absence of wind farms and projects sales during these financial years. However, if this standard had been applicable as of January 1, 2009, it would have resulted in additional revenue of €3.2 million for the financial year ended 2009.

In 2008, the decrease in revenue of the Group relating to development, construction and sale activities was negative ((€18.2) million) primarily attributable to the absence of wind farm sales by the Group in 2008 and the cancellation of sales entered into in 2007 with purchasers who did not obtain the required financing.

In 2007, the revenue of the Group attributable to the development, construction, sale activity amounted to €218.4 million, attributable to the trading activity in Germany recorded as revenue and mainly representing sale of wind farms for a total of 133 MW.

Revenue - Operation

Revenue from Operation comprises the management of wind farms for the account of third parties and the sale of electricity produced by wind farms that are managed but not owned by the Group pursuant to the services agreements.

The breakdown of the revenue from the Operation business for year ended December 31, 2009, 2008 and 2007 is as follows:

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

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

Pursuant to services agreements entered into by the Group, in some instances (as of today, only in Germany), the entire revenue generated by the wind farm operated for the account of the third party is included in the Group revenue; the table above shows the revenue on the line "Incomes from the sale of electricity".

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

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

During the financial year 2009, the number of MW operated for third party's account increased from 311 MW to 458 MW on December 31. However, certain new operations and maintenance contracts ("O&M") signed in 2009 and in particular the portfolio of 100.6 MW sold to RheinEnergie in August 2009, the Group only records as revenue, a management fee (and not the revenue deriving from the sale of electricity) produced by these wind farms . As a result, the increase of MW operated for third parties only led to a limited increase of the revenue. This increase was more than compensated by the impact of unfavourable wind conditions during most of 2009.

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

Revenue -Non-wind activities

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

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

In 2008, the revenue from non-wind activities amounted to (€10.8) million, which is explained by the cancellation in Q4 2008 of the sale of a solar plant that had been reflected in the 2007 accounts (because of the failure of the purchasers to obtain financing) in the amount of to €14.4 million (which explains the negative revenue for 2008);

Revenue from non-wind activities amounted to €15.8 million for the year ended December 2007.

The implementation of IFRS 5 in relation to discontinued operations or assets held for sale led the Group to restate the revenue from some non-wind entities (Seres, Ecoval 30, SAEE, SAPE and Thenergo) in 2007 for a total amount of €18.3 million, and not to recognize revenue from these entities in 2008.

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

C Analysis of consolidated revenue by geographical segment

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

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

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

France

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

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

Revenue from France accounted for 23.2% of total revenue for the year ended December 31, 2008. Revenue from France for the Group's own account decreased by €8.6 million, or (47)%, to €16.3 million in the year ended December 31, 2008, compared to €24.9million for the year ended December 31, 2007. This decrease was primarily attributable to the fall in sales of development and construction services to third parties (in particular due to the decrease in the development, construction, sale activity).

Germany

In 2009, the revenue from the Group's activities in Germany is principally derived from the sale of wind farms.

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

Revenue from Germany accounted for 72% of total revenue for the year ended December 31, 2009. Revenue from Germany decreased by €212.8 million, or 80%, to €50.3 million in the year ended December 31, 2008, compared to €263.2 million for the year ended December 31, 2007. This decrease was primarily attributable to the change of strategy decided during the 2008 financial year, when no wind farm sales were carried out by Naturenergien GmbH (formerly Natenco GmbH) in contrast to 2007.

Rest of the world

Revenue for the Rest of the world is concentrated in Morocco. Such revenue is principally derived from the sale of electricity to the national electricity supplier, the purchase price of which is contractually specified for a period of several financial years. In addition, the Group has some projects under development in Italy.

Revenue for the Rest of the world accounts for 1.9% of total revenue for the year ended December 31, 2009. Revenue from Rest of the world decreased by €2.61 million, or 29%, to €6.38 million for the year ended December 31, 2009, compared to €8.99 million for the year ended December 31, 2008. This decrease was primarily attributable to the sale of the company Biocarb (a non-wind asset) during the second quarter of 2009.

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

3.3.2 Other expenses and incomes

A Purchases and changes in inventories

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

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

B External expenses

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

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

C Taxes

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

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

D Personnel expenses

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

- redundancies which occurred in THEOLIA SA and in some overseas subsidiaries;
- significant decreases in expenses related to the implementation of free shares allocation plans which totalled €0.9 million for the financial year ended December 31, 2009 as compared to €8.2 million for the financial year ended December 31, 2008;
  - the allocation in 2008 of free shares without the condition of presence, which have thus been immediately reflected in their entirety in the 2008 accounts; and
  - the allocation at the end of 2009 of free shares with the condition of presence (thereby spreading the expenses over the 2 year acquisition period, with a minor portion reflected in the 2009 accounts owing to the allocation of shares at the end of that financial year).

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

E Other current operating income and expenses

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

- a significant decrease in profits related to normal activity (€3.0 million in 2009 versus €6.0 million in 2008) due to non recurring elements in 2008, and
- the increase in operational expenses related mainly to the recognition of a loss in 2009 on the sales of wind farms projects made during the first half of 2009 (an expense of 2.9 million in 2009).

In addition, the expense related to the payments in share subscription warrants (BSA) granted to directors of THEOLIA SA decreased significantly between 2008 and 2009 going from €1.6 million in 2008 to €55,000 in 2009, no BSA being allocated in 2009.

Between 2007 and 2008, other current operating income and expenses went from a net expense of €1.6 million for the financial year ended December 31, 2007 to net income of €3.6 million for the financial year ended December 31, 2008, i.e. an increase of €5.2 million. This change reflects a significant decrease in expenses related to the payment of BSAs allocated to THEOLIA SA's directors (an expense of €4.8 million in 2007 versus €1.6 million in 2008).

3.3.3 Consolidated EBITDA

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

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

(1) non IFRS and non audited indicator

A Method of calculation

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

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

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

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

(in thousands of €)	12/31/2009	12/31/2008
EBITDA	49,612	(37,821)
Provisions and reversal provisions	(21,801)	(30,590)
Current operating income	27,811	(68,411)
Other non-current income and expenses	(140)	(22,584)
Impairment	4,509	(106,577)
Operating income	32,180	(197,572)

B Analysis of the consolidated EBITDA

As indicated above, the Group's consolidated EBITDA shows a positive result of €49.6 million at December 31, 2009, of which €35.2 million comes from the Sales of electricity for own account.

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

- The reversal of operating provisions recorded in 2008, amounting to €25 million, including the debt held on the HESTIUN company (€15 million) and the deposit for turbines (€10 million);
    - In December 2008, the Group sold its interest in Thenergo to HESTIUN. As of April 28, 2009, the date of publication of the financial statements, this claim had not been received by the Group, which decided to depreciate the value of the entire claim in the amount of €15 million. As of May 2009, sales income was collected by the Group in its entirety. The depreciation previously recorded in the accounts was reversed, thereby generating an income of €15 million.
    - The entire advance paid by the Group for the reservation of turbines related to a project then abandoned had been provisioned at the closing of the 2008 accounts. Due to negotiation for the reallocation of these turbines to another project, the prior depreciation had been entirely reversed, resulting in income of €10 million.
- The resumption of sales of projects and wind farms in Germany and in France allowed the Group to generate sufficient margins to absorb the majority of fixed costs, which had not been the case during the previous financial period;
- The sharp decrease in expenses resulting from the implementation of free share allocation plans and share subscription warrants (IFRS 2) (€8.7 million).

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

C Analysis of the EBITDA by business segment

Sale of electricity for own account

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

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

Development, construction and sale

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

This variation is related to:

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

- An increase of €6 million in the "Development, Construction" activity, of which €3.1 million related to depreciation on turbines stored at THEOLIA SA in 2008 and €3.1 million related to the on development for sales of wind farms in 2009.

In 2008, the Group had decided to end the trading activity of its German subsidiary THEOLIA Naturenergien GmbH (formerly named Natenco GmbH), and, therefore, had not recorded any sales of wind farms. Because the margin realized was nil, fixed fees could not be absorbed.

Operations

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

The Operation segment was adversely affected by two main elements:

- In 2009, an atypical fall in the production and, therefore revenue due to bad wind conditions during the first three quarters, which prevented the Group from achieving its typical margin (depending in large part on the revenue from sales of electricity generated by wind farms) and from absorbing the operating costs of this segment; and
- An increase in costs arising from this segment because of an increase in volume of MW managed for the account of third parties (which increased from 311 MW on December 31, 2008 to 458 MW on December 31, 2009).

Corporate

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

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

- The reversal of operating provisions allocated in 2008 for a total of €25 million, including the debt held on the HESTIUN company (€15 million) and the deposit for turbines (€10 million);
- A significant decrease in expenses resulting from the implementation of free share and BSA allocation plans (IFRS 2); and
- Savings achieved with regard to fixed costs (see paragraph 1.10.3).

3.3.4 Non operating amortizations and provisions

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

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

- The impact of the new "Develop, Operate and Sell" strategy: in fact, because from this point on wind farms have been sold following an operating period of 2 to 4 years, it is necessary to determine a residual value close to the estimated sale price, which leads to a reduction in both the basis for amortization and the duration of amortization and, consequently, lower provisioning. In addition, as from September 1, 2009, the date of implementation of the new strategy, the majority of wind farms owned by the Group showed net book values inferior to the estimated sale price, resulting in leading the absence of amortizations between September 1 and December 31, 2009;
- Provisions totalling i.e. €3.7 million, for non-operating risks.

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

Provisions for depreciation and amortization increased by €18.8 million rising from €11.8 million for the financial year ended December 31, 2007 to €30.6 million for the financial year ended December 31, 2008. This increase is attributable, to the extent of €15.2 million, to the effects of consolidation for the year of amortization on wind farms acquired (165 MW) in mid-2007, the effects of acquisitions of wind farms in 2008, and the recognition in 2008 of the depreciation on debts in the accounts of THEOLIA SA. The balance, i.e. €3.6 million, reflects provisions taken in 2008 on non-operating risks.

3.3.5 Current operating income

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

3.3.6 Other non-current operating income and expenses

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

In 2007, the net income was primarily attributable to dilution income of €22 million following the listing of Thenergo at a price superior to the net book value of the Group's stake in Thenergo which was based on the average purchase price paid by the Group for such stake.

In 2008, net expense was primarily attributable to the sale capital loss arising from the sale to a third party of the Group's stake in Thenergo.

3.3.7 Impairment

The Company states that according to IAS 36, the recoverable amount of an asset, which is used to calculate any impairment or depreciation of an asset, corresponds to the higher of:

- the fair value of the asset (the amount obtainable from the sale of an asset in an arm's length transaction on an active market) less costs to sell; and
- its value in use, i.e., the present value of future cash flows expected to be derived from the asset during the period of its use.

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

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

In 2007, the impairment recorded was principally attributable to impairment in goodwill linked to the contribution of wind farms by GE Energy Financial Services to THEOLIA. In accordance with their agreement, THEOLIA was to give GE Energy Financial Services, as consideration for the 7 wind farms with a total installed capacity of 165 MW, 5.25 million THEOLIA shares, a figure based on the current market price of €16.50 per share. However, between the signing of the agreement in February 2007 and its completion (during the Extraordinary General Meeting approving the issuance of the new shares) in July 2007, the THEOLIA share price increased by 65% bringing the price from €16.50 to €27.26 whilst the number of shares by THEOLIA and GE Financial Services did not change. According to the IFRS 3 norms, in case of contribution, the asset value is recorded on the basis of the price of the shares on the day they are issued; consequently, the wind farms were accounted for using the share price of €27.26 (and not €16.59), which resulted in an accounting overvaluation of €56.49 million in July 2007. This overvaluation resulted in an observation of the loss of an equivalent amount at year-end.

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

In 2009, the net income is principally explained by the reversal of impairment in 2008.

For further details, see paragraph 3.2.6H of this Report.

3.3.8 Operating income

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

3.3.9 Financial income

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

Financial income represented a net expense of €30.8 million as of December 31, 2009 compared to a net expense of €39.1 as of December 31, 2008. This variation was principally attributable to:

- the impact of variations in the mark-to-market of derivative instruments related to interest rate risks – which were very significant in 2008 as a result of the financial crisis (charge of €8.9 million) and were more limited in 2009 (expense of €0.891 million);
- the impact in consolidation of the interest rate SWAPs in connection with the sale of CERON and CELGC (purely speculative swap agreements because they were concluded with a view to the realisation of projects that were not yet complete) led to record a financial charge of €1.5 million;
- a decrease in interest expense of €5 million linked to the reduction of debt resulting from sales of projects and wind farms during the course of the financial year;
- a decline in financial income, which amounted to €6.4 million in 2008 compared to only €1 million in 2009 due to a decrease in cash yielded by financial income.

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

Financial income represented a net expense of €39.1 million for the 2008 financial year compared to a net expense of €7 million for the 2009 financial year. This variation is attributable to:

- the effect of consolidation for the year of the interest expense on wind farms (165 MW) purchased in mid-2007;
- the consolidation for the 2008 year of financing costs linked to the OCEANEs issued in October 2007 throughout the entire year 2008;
- the impact of variation in mark-to-market of the derivative instruments for hedging interest rates in the context of the financial crisis (expense of €8.9 million); and
- the depreciation of debts granted to clients (for an amount of €2.7 million) in 2008.

3.3.10 Net income from associated companies

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

This item includes the loss in value incurred under equity accounting by the companies in Spain in 2008 and in Germany (Ecolutions) in 2009. For further details seen note 12 of the Group's consolidated accounts.

3.3.11 Taxes

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

The line "Taxes" went from a net income of €11.9 million for the financial year ended December 31, 2008 to a net income of €0.4 million for the financial year ended December 31, 2009, i.e. a variation of €11.5 million (representing a decrease of 96%). This decrease was primarily attributable to the lower incidence of tax losses in 2009 and to deferred taxes linked to depreciations for impairments of value accounted for in 2008.

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

The line "Taxes" went from a net income of €2.7 million for the financial year ended December 31, 2007 to a net income of €11.9 million for the financial year ended December 31, 2008, i.e. an increase of €14.7 million. This increase was primarily attributable to the incidence of tax losses in 2008 and to deffered taxes linked to depreciation of value accounted for in 2007.

3.3.12 Net income from continuing activities

Net income from continuing activities, considered strategically important in the context of the Group's reorganization and renewed focus on wind activities, shows a loss of €11.66 million in 2009 compared to a loss of €228.56 million in 2008 and a loss of €47.4 million in 2007. This sharp increase between 2008 and 2009 is due to the following factors:

- The level of positive EBITDA, which amounts to €49.6 million at December, 31 2009, of which €35 million derives from the sale of electricity for own account;
- The reactivation of sales of wind farms and other assets in 2009 enabling the Group to absorb fixed costs. By comparison, in 2008, the Group did not register any sales of wind farms;
- The recovery of depreciation in certain assets from 2008 following tests of fair value of goodwill and fixed assets; and
- The decrease of financing costs.

3.3.13 Net income of the activities held for sale

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

The line "Net result from operations discontinued or in the course of being sold ", compromising non-wind companies impacted by the IFRS 5 for operations in the course of being sold, reflects a loss of €9.44 million for financial year 2009, compared with a loss of €16.65 million for financial year.

The sale of such assets has been accounted for in the financial statements ended December 31, 2008 in accordance with IFRS 5, "Non-current assets held for sale and discontinued operations". Thus, for the financial year 2008 consolidated transactions relating to such assets have been grouped in the line of the income statement titled "Net income of activities held for sale". The relevant assets and liabilities have been grouped under the line on the balance sheet titled "Assets/liabilities linked to discontinued activities". These activities having been discontinued and the income statement for the financial year ended December 31, 2007 was restated in order to present comparative information in this respect.

Income from operations held for sale increased by €7.3 million between the financial years ended December 31, 2008 and 2009, respectively. This increase was primarily attributable to a minor depreciation of such assets recognised in the financial year 2009, as compared to depreciation recognised in the financial year 2008.

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

Income from operations held for sale decreased by €15.4 million between the financial years ended December 31, 2007 and 2008, with net loss increasing from €1.26 million in 2007 to €16.65 million in 2008. This decrease was principally attributable to significant depreciation of assets linked to operations discontinued or held for sale (in the amount of €14.6 million) and to net losses recorded in the course of the financial year for these activities (in an amount of €2 million).

For more information, please refer to note 18 of the group's consolidated accounts.

3.3.14 Net income

The net income for the consolidated accounts as of December 31, 2009 shows a loss of €21.1 million against a loss of €245.2 million for 2008.

The principal factors explaining this variation are set out in paragraph 3.3.12.

3.4 Financial structure

3.4.1 Overview

The Group operates in the capital-intensive renewable energy industry. To compete in this industry, the Group must invest a significant amount of cash to:

- create or acquire wind farms;
- develop wind projects until they are ready for commissioning; operate wind farms, with the aim of realizing strategic sales in accordance with the "Develop, Operate and Sell" strategy or producing electricity for the Group's own account or the account its customers; and
- selectively fund strategic acquisition opportunities as they arise.

Historically, the Group's principal sources of liquidity have been its operating activities, project financing secured by cash flow generated by wind farms, the issuance of OCEANEs and corporate banking debt to finance working capital requirements related to the construction of wind farms in Germany.

Since 2008, the Group has experienced a severe contraction in its liquidity as a result of internal and external factors. The internal factors stem from the "Build and hold" strategy implemented by former management (April 2006-September 2008) before September 3, 2008, which required substantial expenditures as a result of an ambitious expansion, while halting sales of operational wind farms in Germany in order to focus on electricity production for the Group's own account. The external factors are attributable to the lack of liquidity in international credit markets and deteriorating conditions in the global and euro zone economies from late 2008. As a result, the Group experienced high investments in pursuit of acquisition-led growth, at the same time that its cash inflows from sales of operational wind farms ceased and financial markets became unable, or unwilling, to provide sufficient credit or equity.

The adverse impact of these internal and external factors on the Group's liquidity has been magnified by the risk of early redemption of the OCEANEs on January 1, 2012 and, ultimately, the inability to meet its obligations as they come due if the Restructuring, described in paragraph 3.1.4 is not completed. The original terms of the OCEANEs allow any bondholder, at its sole option, to request on January 1, 2012 early redemption in cash of all or a portion of the OCEANEs held by it. Under the original terms of the OCEANEs, the Company would be required to redeem them at the applicable early redemption price plus accrued interest, which would effectively represent a redemption price of €21.94 for each OCEAN, compared to a nominal value of €20.80 each. If the market price of the Group's ordinary shares continues to trade at a significant discount to the redemption price, the Company believes that it is highly probable that bondholders would opt for early redemption of the OCEANEs. In that event, the Company would face repayment obligations of up to €253.2 million, assuming early redemption of all the OCEANEs outstanding.

If Bondholders were to request early redemption on January 1, 2012, the Company currently believes that it would be unable to satisfy the full amount of the €253.2 million aggregate early redemption price. As a result, it would have to consider to be placed under insolvency proceedings, and any resulting liquidation of the Group's assets would lead to significant losses for shareholders.

The firm Ricol Lasteyrie, the independent expert appointed by the Board of Directors to assess the terms of the Restructuring and its impact on both Bondholders and Shareholders stated in the conclusion of his report that "*THEOLIA holds assets that are relatively liquid, the sale of such assets would enable it to reimburse a significant part, but probably not the totality, of its OCEANE debt" and that "a cash approach would most probably result in no surplus being available for the shareholders*". The restructuring of the Bonds is contingent upon the completion of the Restructuring described under paragraph 3.1.4 of this Report.

In this context, it is the Group's policy to maintain a solid balance sheet, and management continuously assesses the Group's liquidity position and financing strategy to meet its objectives. As part of its liquidity management, it seeks to:

- safeguard the Group's ability to continue as a going concern;
- ensure sufficient access to financing for both long-term growth and seasonal working capital requirements;
- deploy capital efficiently in the implementation of its business strategy; and
- meet the Group's obligations as they come due.

In considering the Group's liquidity risk and capital requirements over the medium-to-long-term, management's aims are to:

- avoid early redemption obligations of up to €253.2 million on the OCEANEs on January 1, 2012 by completing the Restructuring; and
- secure the Group's access to project financing and financing of its working capital requirements by reducing indebtedness, thereby addressing counterparty concerns about the Group's cash position.

To manage the Group's short-term liquidity risk and capital requirements, the Group has actively focused on cash generation following the change in management announced on September 29, 2008. In particular, the prior management (September 2008 – February 2010) has generated cash by:

- initiating a program to sell more than 200 MW of wind assets and projects in 2009, in particular by resuming sales of operational wind farms in Germany; and

- divesting subsidiaries and assets involved in non-wind activities.

As a complementary measure, management has also imposed strict cost controls and cash conservation measures. As a result of these controls, the Group realized savings of €5.4 million during the year ended December 31, 2009 (see paragraph 1.10.3 of this Report).

By increasing cash generation and reducing costs, management has enabled the Group to increase its free cash position going from €90.8 million as of December 31, 2008 to €94.2 million as of December 31, 2009. Free cash and "reserved" cash represent €69.3 million as of December 31, 2009 compared to €44.6 million as of December 31, 2008, i.e. an increase of €24.7 million (55.4%), compared to December 31, 2008. These comprised, as of December 31, 2009, €52.8 million available at the level of the Group's holding companies and €16.5 million available for the operating activities of projects and subject to limitations with regard to transfers upstream to the holding level.

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

- lending on the basis of stricter financial ratios;
- setting lower margins to compensate for exposure to credit risk;
- bringing forward the maturity of loans and anticipated allocation of cash to the debt pursuant to cash sweep clauses;
- requiring borrowers to devote certain cash flows to debt service, pursuant to cash sweep clauses;
- requiring the Company or subsidiaries to provide more guarantees or security; and
- imposing additional events of default, or eliminating flexibility or cure periods which could otherwise preclude the occurrence of an event of default.

Despite the liquidity support provided by central banks in Europe and the United States, as well as preliminary signs which may be suggestive of recovery, international credit markets remain constrained compared to periods prior to 2008. Management therefore believes that completion of the Offering and the Restructuring are critical to the Group’s ability to continue to access debt financing necessary for the development of its pipeline and long-term growth.

3.4.2 Equity capital – Group's portion

The Group's portion of equity capital amounts to €150.5 million as of December 31, 2009, compared to €170.1 million as of December 31, 2008. This evolution is directly linked to the result incurred in financial year 2009 (loss of €20.7 million).

3.4.3 Net financial debt

Since the reorganisation of the former management announced on September 29, 2008, the Group has focused on reducing debt in order to strengthen its balance sheet.

Net debt is calculated as the sum of the current and non-current interest bearing liabilities presented in the Group’s consolidated balance sheet, less current financial assets and cash and cash equivalents.

As of December 31, 2009, the Group had a cash situation of €94.2 million, representing an increase of €3.4 million (i.e 3.7%) compared to €90.8 million as of December 31, 2008. This cash position as of December 31, 2008 represented a decrease of €235.4 million (i.e 72.2 %), from €326.2 million as of December 31, 2007.

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

Banking loans	**Year ended 31 December**				
	2009	**2008**	**2007**	**2008**	**2007**
	(published)	**(restated)**	**(restated)**	**(published)**	**(published)**
Project/Assets financing	238,688	337,091	312,508	337,091	315,107
Loan guaranteed by letter of credit	0	5,255	0	5,255	0
Working capital lines of credit	28,523	34,340	33,753	34,340	33,753
Total	**267,211**	**376,686**	**346,261**	**376,686**	**348,860**

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

Net debt	**Year ended 31 December**				
	2009	**2008**	**2007**	**2008**	**2007**
	(published)	**(restated)**	**(restated)**	**(published)**	**(published)**
Banking loans	267,211	376,686	346,261	376,686	348,860
Convertible OCEANEs	218,729	204,223	195,953	204,223	197,011
Other financial liabilities	4,540	8,338	377	8,338	3,524
Current financial assets	(236)	(296)	(1,127)	(296)	(798)
Cash and cash equivalents	(94,187)	(90,823)	(326,197)	(90,823)	(65,509)
Total	**396,057**	**498,128**	**215,267**	**498,128**	**222,069**

None of the Group's indebtedness is subject to financial rating by a credit rating agency.

A OCEANEs

On October 23, 2007, the Group issued €240.0 million aggregate principal amount of OCEANEs convertible into and/or exchangeable for shares, with a nominal value of €20.80 each, including an issue premium of approximately 30% above the reference price of one share as of the date of issue, being (€16.00). The gross proceeds of the issue and subscription of the OCEANEs were €240.0 million, representing 11,538,462 OCEANEs (after exercise of the applicable extension clause and over-allotment option), and the net proceeds (after deducting expenses relating to the offering) were €233.6 million.

As of December 31, 2008, the Group invested the totality of the net proceeds of the issuance and subscription of the OCEANEs in:

Net proceed on the OCEANE - convertible bond(€ in million)	233
Acquisition of CED	42
Acquisition of Ecolutions	25
Investment in Italy, (including the acquisition of Maestrale)	27
Investment in power plants in France	20
Support BFR THEOLIA Naturenergien GmbH (formerly named Natenco)	80
Support subsidiaries in development	11
Pledged cash (for the issuance of a credit letter India)	10
Holding fees	18
Others	9
Financial instruments	(9)

Interest on the OCEANEs accrues at the rate of 2% per annum and is payable annually on January 1 of each year to the holders of record. The OCEANEs represent unsubordinated and unsecured obligations of the Company, ranking equally with all other unsecured debts of the Company (except for those which benefit from preferential ranking pursuant to law).

The OCEANEs are scheduled to mature on January 1, 2014 at a price of €22.54 each, or approximately 108.4% of the nominal value. Assuming no conversion into and/or exchange for Shares and no early redemption (mandatory or optional) occurs, the OCEANEs represent a yield to maturity of 3.25%.

The OCEANEs may be converted into or exchanged for shares at an initial ratio of 1:1, at any time until the seventh business day preceding the redemption date or the relevant early redemption date. The initial ratio at which OCEANEs may be converted into or exchanged for shares is subject to adjustment upon certain events, to protect bondholders from dilution.

Under their original terms, the Bonds are subject to early redemption upon an event of default as defined in such terms, or at the option of either the Company as from or the Bondholders on January 1, 2012. The agreement also contains a cross-default provision: in case of default of payment or an early redemption of a debt of at least €1 million of the Company or of a "Material Subsidiary" (defined as a subsidiary in which the Company holds more than 50% of the authorized share capital and that accounts for at least 10% of the sales or consolidated assets), the early redemption of the OCEANEs will be triggered.

If the market price of the shares continues to trade at a significant discount to the redemption price, the Company believes that it is highly probable that bondholders would opt for early redemption of the OCEANEs on January 1, 2012.

In that event, the Company would face repayment obligations of up to €253.2 million, which would effectively represent a redemption price of €21.94 per Bond, assuming early redemption of all the OCEANEs outstanding. If bondholders were to request early redemption on January 1, 2012, the Company currently believes that it would be unable to satisfy the full amount of the €253.2 million aggregate early redemption price. As a result, it would have to seek creditor protection under French law and any resulting liquidation of the Group’s assets could lead to significant value destruction for shareholders.

For more information concerning OCEANEs and the restructuring plan, see paragraph 3.1.4 of this Report.

B Project financing

When the Group establishes a new wind project, it typically forms a PSC to hold the assets and liabilities specific to the project. The PSC acts as the primary obligor of the debt financing for the project. As of December 31, 2009, project financing accounted for €238.7 million, or 60.3 %, of the Group’s net debt.

Financing documentation

PSCs typically enter into debt financing arrangements with lending banks which are non-recourse or with limited recourse to the parent company (see paragraph 3.5.1). In certain cases however, the Company or other Group companies, such as intermediate holding companies, may be required to guarantee the liabilities of PSCs. These undertaking are in the form of letters of comfort or support. In certain cases, for the purpose of renewable credits for the financing of the VAT pertaining to the construction, the Company can act as its subsidiary's guarantor for a wind farm project. Those undertakings generally result from comfort or support undertakings. In some cases, for the needs of renewable credit financing of construction related TVA, the Company may act as joint guarantee on behalf of its subsidiary in charge of the wind farm project. At the date of this Report, the Company is not subject to any such guarantee. For further details, see paragraph 3.5.1 below. These long-term financing arrangements are designed to correspond to the relevant tariff guarantee period for a project or the green certificate issuance period, typically for a term of 13 to 15 years.

Debt financing has generally provided between 65% and 90% of the value of the total investment in a project, the remainder having been financed by equity.

Project financing generally bears interest either at fixed rates (Germany and Morocco) or at floating rates (France and Italy). When the rate is variable, the debt is always subject to a coverage rate via an exchange agreement with an interest rate of 75% to 100% of the ongoing. As of December 31, 2009, almost the totality of the Group's project financing liabilities was hedged against adverse movements in interest rates. The Group's hedging policy and the terms of the hedge instruments are described more fully in paragraph 5.1.22 of this Report.

Project financing are typically secured by first priority liens on the underlying assets of the projects. The shares of PSCs are also pledged to the lending banks. In addition, the Group's project financing techniques provide for the opening of reserve accounts and in particular a reserve account of the service debt representing generally 6 months of debt service.

Project financing agreements generally contain representations, warranties, undertakings of the project support and of other entities of the Group (including the Company) and events of default that are customary for the type of project.

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 or below a certain threshold, as applicable, the relevant project PSC will be prohibited from making distributions to its shareholders. If ratios are not maintained above a second (lower) level, the lenders may redeem the debt. Cross-default clauses are present in certain contracts and amplify the impact of a default on the debt of the Group. If a cross default clause is triggered, the Company could face a significant liquidity problem (see paragraph 5.1.3). These financial ratios are calculated by the Group and are subject to certification by the auditors if required by the financial requirements.

It is the Group's policy to monitor covenant compliance on an ongoing basis, in particular towards financial ratios.

Non compliance with ratios/ covenants

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

In 2008:

- In France, the Group was not in compliance with the debt coverage ratio required to be maintained under the €6.8 million project financing arrangements for an operational wind farm as of December 31, 2008 and subsequently restructured the terms of the project financing; and
- In Germany, the Group was not in compliance with the debt-equity ratio required to be maintained pursuant to €10 million line of credit issued to Natenco GmbH (now THEOLIA Naturenergien GmbH) as of December 31, 2008, due to a significant decline in revenue arising from the suspension of sales of wind farms in 2008. The lenders granted a waiver of the breach in exchange for a temporary increase in the credit margin and the application of a supplementary finance covenant (debt / EBITDA < 3.00x).

As of June 30, 2009, the Group breached the following financial covenants required to be maintained under project financing arrangements for two wind farms located in France and in Morocco:

- In France, the operational wind farm operated by Centrale Eolienne des Sablons ("CESA"), which had a debt of approximately €9.6 million did not maintain its debt service coverage ratio as of June 30, 2009, due primarily to weak wind conditions. At year end, CESA now maintains its ratio. THEOLIA carefully monitors this ratio.
- In Morocco, the wind farms in operation which had a debt of approximately €4,9 million did not maintain its debt service coverage ratio as of June 30, 2009, due primarily to a discrepancy in cash flows between the first and second semester. This ratio is now complied with for the second semester.

For each of the two wind farms above, no formal waivers were obtained from the lending banks (which could in theory claim a case of defaults resulting from non compliance with these ratios).

In addition, the terms of certain project financing agreements provide that the actions recently taken in connection with the Restructuring constitute events of default. The Group has obtained temporary waivers to address these events of default from the lenders concerned. Thus, for the following wind farms, which ongoing debts amount to €59.9 million as of December 31, 2009, the temporary waivers obtained by the Group are as follows:

- Pursuant to the financing agreement for Centrale Eolienne des Sablons (CESA), Centrale Éolienne des Plos ("CEPLO"), the Centrale Éolienne du Moulin de Froidure ("CEMDF") and the Centrale Éolienne de Sallen ("CESAL"), the Company obtained a waiver which is effective until the earliest of: (i) July 30, 2010 (ii) the date where the Company does not comply with the announced timeline for the Restructuring (iii) 15 days following the payment-delivery of the capital increase to be completed in respect of the Restructuring and (iv) the end of the special purpose trustee described in paragraph 3.1.4 of this Report; and.
- Pursuant to the financing agreement for Centrale Eolienne de Seglien Ar Tri Milin ("CESAM") and for Centrale Eolienne de Fonds de Fresnes ("CEFF"), the Company obtained a waiver which is effective until July 31, 2010.

If the Company is unable to complete the Restructuring before July 31, 2010 and/or the special purpose trustee remains in function after this date, the lenders could request a repayment of their credits which could lead to a material adverse effect on the Group (in this respect, please refer to 5.1.3

Finally on December 31, 2009, the Company reorganized its activities in France. The Company sold to THEOLIA France 100% of Ventura's shares and following this sale, Ventura and Natenco SAS were wound up triggering a universal transfer of their capital to THEOLIA France, without liquidation of these entities. This transaction constitutes an event of default under the terms of certain financing agreements. The Company has obtained or is obtaining waivers on which to rely in order to prevent a lender calling an event of default:

- pursuant to the financing agreement for Centrale Eolienne de Seglien Ar Tri Milin ("CESAM") and for Centrale Eolienne de Fonds de Fresnes ("CEFF"), the Company obtained a waiver; and
- pursuant to the financing agreement for Centrale Eolienne des Sablons ("CESA"), Centrale Éolienne des Plos ("CEPLO"), the Centrale Éolienne du Moulin de Froidure ("CEMDF") and the Centrale Éolienne de Sallen ("CESAL"), the Company is being granted a waiver by the lenders and its entry into force is conditional upon the borrowers undertaking to disclose information post-merger and to transfer the agreement and obtain the requisite authorization for use of the public highway.

As of the date of this Report, no support project company of the Group was subject to any early redemption due to a default declared by lenders.

Accounting impact of non compliance with ratios/ covenants

In accordance with the IFRS norms (IAS 1), the Group proceeded, for the consolidated accounts of the financial year ended December 31, 2009, to the reclassification of the financial debt for which the Group defaulted during the financial year 2009 and that led to the granting of temporary waivers or which did not lead to the granting of waivers by the banks concerned, to ordinary income (reclassification up to the amount of the financial debts that had not yet been accounted for as ordinary income).

The financial debts concerned are those of the financing of the company projects CESA, CEPLO, CEMDF and CESAL, in France, and of the company CED in Morocco.

The table that follows explains the variation of the current debt of the item "loans from banks" as between December 31, 2008 and 31, December 2009 and thus reveals the amount of reclassified debt as of December 31, 2009 :

Loans from lending institutions	Current part
Value as of the opening 01/01/2009	**138,339**
Change in lines of credit (THEOLIA Naturenergien)	(12,509)
Reimbursements- operating wind farms	(27,916)
Reimbursements- operating wind farms sold in 2009	(41,277)
Change in current part of long term loans (not including the loans related to the default clauses in the covenants)	2,255
Refinancing of CED	(5,261)
Loans being refinanced in 2008	(13,655)
Loans being refinanced in2009	8,400
Bank debt Wind Farms France (default event)	**59,941**
Current part (according to maturity)	*4,855*
Re-posting of the non current part due to default event related to covenants	*55,086*
Bank debt Wind farms Morocco (default event)	**3,982**
Current part (according to maturity)	*1,927*
Re-posting of the non current part due to default event related to covenants	2,055
Other movements	2,662
Value at close as of 12/31/2009	**114,961**

For more information equally see note 21 of the Annex to the Group's consolidated accounts as of December 31, 2009.

C Other borrowings

As part of its activities in the construction and sale of wind farms in Germany, the working capital requirements related to the construction cycle are funded by the Group's equity and short-term corporate short-term bank loans or revolving facilities. These loans are contracted by THEOLIA Naturenergien GmbH (formerly Natenco GmbH) and some of them benefit from a partial guarantee given by the Company. At December 31, 2009, the total drawn under these corporate loans amounted to €28.5 million. To date, such loans represent a credit facility of €31.5 million composed of one term credit of €10 million and three revolving credit lines totaling €21.5 million, on which a total of €18.5 million has been drawn (€15 million of which benefited from a guarantee given by the Company); €3 million remaining available at December 31, 2009

At December 31, 2009, the financial covenants on German corporate indebtedness are all respected.

Since the financial year ended 2009, following the receipt of proceeds of the sale of wind farms, the amounts drawn on the revolving credit facilities have been partially repaid.

At the date of this Report, two banks providing corporate financing to THEOLIA Naturenergien GmbH (formerly named Natenco GmbH) decided to reduce their exposure and each lowered the maximum amount of their revolving credit of €10 million to €3 million, which corresponds to amounts drawn by THEOLIA Naturenergien GmbH.

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

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

In February 2010 Südwestbank stated in a letter that it would continue to extend the €3 million line of credit granted to THEOLIA Naturenergien until June 30, 2010 under the condition in particular that the Restructuring is approved at the shareholders' meeting (which took place during the shareholders' meeting of March 19, 2010). Also, Südwestbank indicated that its decision would be influenced by whether relations between THEOLIA and its other banking partners remain stable and Südwestbank is able to meet the new management of THEOLIA Naturenergien in April 2010.

On March 22, 2010 Südwestbank and Vorarlberger orally indicated that they would consider the restoring of the lines of credit granted to THEOLIA Naturenergien to their initial amount (of €10 million for each facility) contingent upon completion of the equity capital raise related to the Restructuring and the appointment of new executive management to THEOLIA Naturenergien.

Pursuant to the terms of the Südwestbank financing agreement, Südwestbank has the dicretionary right to terminate this facility and request its repayment at any time. Pursuant to the terms of the Vorarlberger financing agreement, Vorarlberger has the right to accelerate repayment of the €3 million drawn under this facility if the bank concludes that that THEOLIA Naturenergien remains in a state of substantial financial deterioration.

If Südwestbank and/or Vorarlberger accelerate repayment of the amounts drawn under their respective credit facilities, this could have a material adverse effect on the Group (see paragraph 5.1.3 below).

3.4.4 Working capital

A Working capital requirement

The Group faces a difficult environment and expects that the uncertainty and volatility will continue to unfold 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. Because the Group is already heavily indebted, there can be no guarantee that it will be able to obtain additional financing on acceptable terms – or even find potential lenders at all.

The table hereafter presents the variation of the Group's working capital for the indicated periods:

Variation of the working capital *(in thousands of €)*	**Year ended December 31**			
	2009	**2008 (published)**	**2007 (restated)**	**2007 (published)**
Inventories	90,561	(137,229)	1,366	1,366
Clients	(5,092)	58,227	(47,766)	(47,766)
Suppliers	(39,066)	(24,095)	57,162	56,183
Other receivables and payables	7,878	(26,096)	(8,123)	(7,987)
Total	**54,280**	**(129,193)**	**2,639**	**1,795**

The working capital decreased by €54.28 million during the financial year ended 2009, against an increase of €129.2 million in 2008. This evolution is primarily due to the following:

- Inventories had increased significantly in 2008 because of the decision to suspend wind farm sales and by contrast, decreased significantly (by €118 million) following the restoration of the "Develop, Operate and Sale" strategy;
- Trade receivables had decreased by €58.2 million in 2008 owing to the payment of receivables related to the sale of wind farms in 2007 and the absence of sales in 2008. The reactivation of sales in 2009 generated a limited increase (of €8 million) of trade receivables as most of the sales were completed and payment had been received before December 31, 2009.
- In 2008 and 2009, trade payables decreased by €39.07 million. This decrease was due to the payment in 2008 and in 2009 for acquisitions made previously in 2007 and 2008;
- Other receivables and payables decreased by €8.7 million, due to deductible VAT related to the projects retained and sold. In Germany, the reclassification of turbine deposits caused a decrease of €10.6 million in this respect.

B Warning procedure

By letter dated January 30, 2009, the auditors of the Company (Deloitte & Associés and Jean Jouve) stated that its capacity to maintain sufficient liquidity in order to continue operations was conditional on two significant items:

- Receipt by the Company of the sale price of the Thenergo shares expected early January 2009 in the amount of €15 million from HESTIUN; and
- implementation and receipt, during January 2009, of cash flows from asset sales, including €81 million in Germany for the sale of a wind farm totaling 54 MW, for which cash receipt has been progressively delayed (the Alsleben wind farm).

On January 30, 2009, the auditors observed that no cash receipt had been made and that it appeared that it was unlikely, in the short term, that the Company could maintain the liquidity necessary to continue as a going concern. The auditors concluded that the weakness of the Company's cash position was a factor likely to jeopardize the continuation of its business and decided to initiate a warning procedure ("*procédure d'alerte*") pursuant to article L. 234-1 of the Commercial Code.

By letter dated February 18, 2009, the Chairman of the Board of Directors, Mr. Eric Peugeot, stated that the Company had implemented a strategy to reduce costs, associated with cash inflows from

French and German subsidiaries between the end of December 2008 and February 2009 (€6.7 million) and a program of sale of asset sales currently in progress.

The Chairman of the Board of Directors also reiterated in this letter that the 2009 budget of the Group was built on the basis of a limited recourse to external financing together with investment and costs control.

The Chairman of the Board of Directors also reiterated in this letter the status of various ongoing sales undertaken by the Company in order to attain a sufficient level of liquidity, in particular the launch of the sale of wind farms representing a total of 46.9 MW in France and 100 MW in Germany, together with the sale of the environmental business unit.

In addition, in the same letter, the Chairman of the Board of Directors indicated to the auditors that the Company had decided to take further measures to improve cash flow, including:

- The sale of a wind farm in Germany of 30 MW to the company Windreich AG (which had agreed to provide financial support to THEOLIA Naturalenergien GmbH (formerly Natenco GmbH), enabling it to meet the financing needs of the wind farms in development);
- Available cash inflows from Morocco, France and Germany; and
- The Search for new investors by HSBC in order to find new sources of finance.

Finally, the Chairman of the Board of Directors answered the questions raised by auditors. He emphasised that, liquidity analysis were carried out in a permanent fashion in order to optimize the cash inflows from subsidiaries, liquidity forecasts were regularly reviewed at management committee level of the holding company and communicated to the Board of directors and that the forecasts and achievement from August 2008 to the end of January 2009 demonstrated THEOLIA's capacity to appreciate the liquidity forecasts available at holding level.

He concluded that, in total and subject to the achievement of the divestment program implemented as of that date, the global liquidity budget available revealed the possibility for THEOLIA to self-finance its 2009 budget and he believed that it had responded to the auditors' interrogations as regards the durability of the Group's operation.

At this point, the auditors brought the warning procedure to an end.

The sale of assets and wind farms plan has since been completed as expected during the 2009 financial year and the Group collected €15 million with the sale of its interest in Thenergo to the HESTIUN's group. The cash position of the Group is subject to a frequent analysis carried out by the management and the Board of Directors of the Group.

3.4.5 Cash flow and cash flow equivalents

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

Selected consolidated statement of cash flow data (in thousands of €)	**Year ended December 31**				
	2009 (published)	2008 (restated)	2007 (restated)	2008 (published)	2007 (published)
Cash flow from operating activities	109 233	(147 725)	30 093	(147 725)	28 885
Net cash flow generated by investment activities	(18 139)	(73 727)	(136 663)	(73 727)	(134 658)
Net cash flow generated by financing activities	(87 724)	(12 184)	369 459	(12 184)	368 663
Effect of interest rate movements	(8)	70	(111)	70	(111)
Change in cash and cash equivalents	3 361	(233 567)	262 778	(233 567)	262 779
Cash and net cash equivalents at beginning of period	90 819	325 920	63 142	325 920	63 142
Cash and net cash equivalents from discontinued operations at end of period	-	1 533	-	1 533	-

Cash and net cash equivalents at end of period	94 180	90 819	325 920	90 819	325 921

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

Cash flow from operating activities

The cash flow from operating activities amounts to €109.2 million in the financial year ended December 31, 2009, compared to a negative cash flow of (€147.7) million in the financial year ended December 31, 2008. This positive evolution reflects the resumption of sales which has generated operating cash.

Net cash flow generated by investment activities

The net cash flow generated by investment activities amounts to (€18.14) million in the financial year ended December 31, 2009, compared to a negative cash flow (€73.72) million in the financial year ended December 31 2008.

In 2009, this flow includes €23 million used for investments in construction of wind farms and an amount of €4.6 million invested for the advancement of the development of wind projects. The variation in loans and advances is positive by a factor of €26.7 million and is principally due to the reimbursement of the cash flow advances made to the PSCs in connection with the transfer of wind farms in France. Finally, the effects on cash flow of the acquisition and assignment of companies amount to €19.9 million, and are primarily due to the assignment of Thenergo 's securities (+€15 million), payment of additional prices for Italian projects (€24.3 million) and the acquisitions of minority shares (€4.5 million).

Net cash flow generated by financing activities

Net cash flow generated by the financing activities amounts to (€87.7) million in the financial year ended December 31, 2009, compared to (€12.2) million in the financial year ended December 31, 2008.

This negative balance was primarily due to:

- The obtaining of loans and other debts for an amount of (€37.5) million;
- The repayment of loans, amounting to (€110.3) million; and
- The payment of interests, amounting to (€15.3) million.

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

Cash flow from operating activities

Cash flow from operating activities amounts to (€147.7) million in the financial year ended December 31, 2008, compared to €30 million in the financial year ended December, 31 2007. This evolution is primarily due to the lack of wind farm sales during the 2008 financial period resulting in the build-up of multiple projects acquired and not sold during the period and the cancellation of the sales of a wind farm and a solar farm in Germany agreed in 2007, resulting in the further retention of these projects.

The variation of working capital related to the operating activities is negative in the amount of (€129.2) million.

Net cash flow generated by investment activities

Net cash flow generated by the financing activities amounts to (€73.7) million in the financial year ended December 31, 2008, compared to (€136.7) million in the financial year ended December 31, 2007.

It is distributed as follows:

- (€46.4)million used for the acquisition of tangible assets (investments in the construction of wind farms) and intangible assets (related to the progress of wind projects);
- (€36.5) million of positive variation of the loans and advances, primarily due to the cancellation of the sales of the German subsidiary THEOLIA Naturenergien GmbH (formerly named Natenco GmbH) in 2007; and
- (€64.6) million of implications of cash flows of variations of perimeter, mainly due to the acquisition of the Compagnie Eolienne du Détroit (CED) in Morocco in January 2008.

Net cash flow generated by financing activities

Net cash flow generated by the financing activities amounts to a negative flow of (€12.2) million in the financial year ended December 31, 2008, compared to €369.4 million in the financial year ended December 31, 2007. This decrease is primarily due to:

- The obtaining of loans and other debts for an amount of €102.3 million,
- The repayment of loans, amounting to (€91) million, and
- The payment of interests, amounting to (€24.5) million.

Note that in 2007, the cash flows from financing activities benefited from the issuance of the OCEANEs.

3.4.6 Investments

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

Investments	**Year ended December 31**			
	2009	**2008**	**2007**	**2007**
	(published)		**(restated)**	**(published)**
Intangible assets				
Project currently under development	4,753	4,637	3,548	3,548
Development cost	72	588	473	473
Software and similar rights	69	156	60	60
Other intangible assets	9	4,081	2	2
subtotal	*4,903*	*9,462*	*4,083*	*4,083*
Tangible assets				
Sites	20	37	271	271
Fixtures and fittings	36	617	499	499
Projects currently under construction	25,020	27,015	40,421	40,421
Technical installations	970	6,543	3,588	3,588
Assets placed in concession	-	328	-	-
Other tangible assets	149	1,028	2,044	2,044
subtotal	*26,195*	*35,568*	*46,823*	*46,823*
Total	**31,098**	**45,030**	**50,906**	**50,906**

Because of the costs to THEOLIA of establishing itself in Italy (cost of equipment and earn-out related to the acquisition of Maestrale as described in paragraph 1.2.2 of this Report) and the progress of projects under development in this country, the majority of investments by the Group were made in Italy during the financial year 2010.

3.5 Off-balance sheet arrangements

In the ordinary course of its business, the Group will typically form a subsidiary in each jurisdiction in which it operates. When the Group develops a wind farm project in a jurisdiction, the relevant subsidiary may form a PSC to hold the assets and liabilities specific to the project. This subsidiary acts as the main debtor for the financing of the project (see paragraphs 3.4.3C and 3.5.1 below). These PSCs may be direct subsidiaries of the Company for a particular jurisdiction, or they may be held indirectly through intermediate holding companies.

The Group may not consolidate the assets and liabilities, or revenues and expenses, of these subsidiaries in its consolidated financial statements if there is an absence of control within the meaning of IFRS norms.

However, as the ultimate holding company for the Group, however, the Company may be required by lenders, suppliers and customers to provide credit, liquidity or other market risk support to its direct and indirect subsidiaries in the form of guarantees and other commitments. Where a subsidiary is not consolidated in the Group's financial statements for purposes of IFRS, these forms of credit, liquidity or other market risk support do not appear on the Group's consolidated balance sheets.

These off-balance sheet arrangements comprise:

- Letters of credit guaranteeing the working capital of subsidiaries;
- Guarantees in favor of wind turbine suppliers;
- Guarantees of subsidiaries' financing for the development of wind projects;
- Guarantees of purchase price refund obligations in favor of customers; and
- Other commitments.

In addition, in certain cases unconsolidated entities may also provide various forms of credit, liquidity or other market risk support to the Group, which are also off-balance sheet arrangements.

3.5.1 Commitments by the Company or other Group companies

The following table shows a summary of accountable off-balance sheet arrangements as of December 31, 2009:

Nature of the contract	Committed subsidiaries	Beneficiaries	Object	Date of expiration	Amount (in Millions euros)
Guarantee	THEOLIA Naturenergien GmbH (formerly Natenco GmbH)	Südwestbank	Initial guarantee for a maximum amount of €7,5 million to guarantee a line of credit of €10 million aimed at financing the working capital of THEOLIA Naturenergien GmbH	1 year renewable	7.5
Guarantee	THEOLIA Naturenergien GmbH	Vorarlberger Bank	Initial guarantee for a maximum amount of €7,5 million to guarantee a line of credit of €10 million aimed at financing the working capital of THEOLIA Naturenergien GmbH	1 year renewable	7.5
Comfort letter	THEOLIA Deutschland	Banks	THEOLIA has granted a comfort letter to the banks of this company	variable	2.0
Joint Guarantee	Aero-Chetto Srl	Vesta Italia Srl	Joint guarantee dated September 24, 2008 guaranteeing the undertakings made by the subsidiary of Maestrale Green Energy, Aero-Chetto Srl, pursuant to a sale agreement of 35 wind turbines dated August 8, 2008.	December 31, 2011	36.4
Joint guarantee	CESAM CEFF	Banks	Granting of two separate joint guarantees to Royal Bank of Scotland for the benefit of SAS SEGLIEN and SAS CEFF	variable	17.2
Pledge of PSC's shares	PSCs	Banks	Some Group companies – detailed information on these companies are included in note 34 of the Schedule to the consolidated accounts for financial year 2009 – may have to grant guarantees	Depending on the term of the loan	74.7

Nature of the contract	Committed subsidiaries	Beneficiaries	Object	Date of expiration	Amount (in Millions euros)
			within the context of projects or wind farms financing to Banks or in relation to the disassembly of the wind turbine.		
Pledge of Companie Eolienne du Détroit (CED) shares	CED	BMCI	Share pledge over the shares of CED granted to BMCI as of 9 June 2008 following the acquisition of the Compagnie Eolienne du Detroit (CED) in Morocco on January 6, 2008 and within the frame of the refinancing of CED's debt by BMCI.	March 15, 2012	5.9
Pledge of opened accounts	THEOLIA Naturenergien GmbH	Banks	Pledge of accounts opened in several banks in order to guarantee the costs that could rise at the dismantling of some farms in Germany.	Varying	7.9
Registered office lease contract	THEOLIA SA	LA HALTE DE SAINT PONS SAS	Contractual commitment dated January 28, 2008 to rent the premises of its registered office for a nine-year term (starting on March 1, 2008) without possibility of anticipated termination.	February 28, 2017	4.4
Joint guarantee	ECOVAL 30	SOCIETE GENERALE	Joint guarantee of the loan granted on June 27, 2005 to Ecoval 30 by Société Générale maturing on June 14, 2012. Pursuant to this guarantee, the latter remains effective in the event that Ecoval 30 would be sold to third parties.	June 14, 2012	2
Guarantee	ECOVAL Technology	BFCC	Guarantee granted in 2005 for a maximum aggregate amount of €140.000. This guarantee is currently blocked for a sum amounting to €111,086 within the context of the dispute with the water purification plant in Cabries.	N/A	0.1
Guarantee	Ventura SA	Vol-V	Joint guarantee granted by the Company for amounts owed by Ventura SA and THEOLIA France to VOL-V.	January 31, 2012	1
Guarantee	THEOLIA SA	Alcolock France	Guarantee granted to the acquirer of the Group breathalysers business	1 year as from the date of disposal	0.1
Total					**166.7**

The commitments for the year ended December 31, 2007 and 2008 are described in note 35 to the Schedule of the accounts shown in the *Document de Référence* 2008 for each of the financial years.

3.5.2 Commitments by unconsolidated entities for the benefit of THEOLIA

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

Finally, on December 24, 2008, THEOLIA SA announced the sale of 4,716,480 shares, representing its entire interest in Thenergo, to HESTIUN Limited for consideration of €15 million. THEOLIA maintained an option to buy back the shares of Thenergo, at its sole discretion, at the agreed price of 110% of the sale price within 12 months and 120% of the sale price within an additional 12 months.

3.6 Continuity of operation

At the end of 2008, in a difficult economic environment that led to a loss of €245 million, the Group established a 2009 budget on equity and decided to put a program in place to sell wind assets for which the proceeds were aimed to provide the necessary financing to meet its commitments.

During the 2009 financial year, the sale plan was implemented as expected.

Moreover, and independently of the foregoing, a new strategy was implemented by the Group, as of September 2009, focusing no longer on the production of electricity but rather on the development and operation of wind farms.

It is emphasised that the Group is currently restructuring its convertible OCEANEs ("Restructuring") and that this restructuring is contingent upon the completion of an equity capital raising for a minimum amount of €45 million prior to the end of the month of August 2010 (see paragraph 3.1.4). On the basis of the business plan expected and the assumption that this capital increase is achieved, the Group considers itself to be able to ensure the continuity of its operations for the next twelve months and concluded in this context that it was appropriate to apply the principle of continuity of operations for the preparation of its consolidated accounts.

However, if the capital increase does not reach this minimum amount or is not completed in the predetermined time constraints, the Restructuring will not be completed and the bondholders could request the early redemption of their OCEANEs as of January 1, 2010 for an amount equal to €253 million. The Group considers that at present it would be impossible for it to meet such a deadline.

Moreover, the Group believes that the failure of the Restructuring would increase the risk of a lack of financing for wind farm projects under development or the termination of other short-term credit facilities.

In addition, in the event that the Company does not complete the Restructuring before July 31, 2010 and/or if the special purpose trustee was to remain in function beyond such date, the banks could request the repayment of their credit as explained in paragraph 3.4.3C

Consequently, there is uncertainty as regards the Group's ability to sell its assets and relieve itself of its debts in the normal course of its business. A failure in the Restructuring could restrain the company from contemplating to apply for French insolvency proceedings, which could lead to an important loss of value. None of the adjustments that could prove to be necessary in this case have been stated in the accounts.

3.7 Prospects

During the course of financial year 2009, new management team, carried out a full reorganization of the Group, including a thorough revision of its strategy, its geographical positioning and its operations.

The Group has chosen to concentrate exclusively on the wind sector, within which it is positioned as a major developer of wind projects, across the entire wind power value chain. Its current market markets include Italy, France and Germany. Due to their significant growth potential, the Group has identified Morroco, India and Brazil as potential areas for future development.

This decision involves the sale or closure of all non-wind subsidiaries or activities. As of the date of this Report, this divestment is at various stages of maturity and the Group will be focusing on completing the process in 2010.

Positioned in a growing market, supported by a long-term tendency towards the strengthening of policies aiming at environmental protection and the promotion of green energy, the Group has a significant portfolio of wind projects under development, totaling 2,013 MW distributed across 5 countries selected, enabling it to support its future ambitions.

Currently restricted by a constrained financial environment, the Group has selected the strategy most suited to its situation and its expertise, in order to create the maximum value for its shareholders. This global strategy combines a new strategy called “Develop, Operate and Sell” applied in France and in Italy, with the continuation of the Group's traditional trading activities in recenlty-installed wind capacity in Germany.

THEOLIA aims to be a major independent developer of wind projects with the possibility of growth outside Europe in certain countries with significant potential.

The Group is attaching particular importance to the introduction of good governance in order to support the Company’s development under the optimal conditions. The Company has already implemented numerous measures to strengthen its governance and is continuing its efforts in this respect.

THEOLIA’s financial situation, which has clearly improved over the course of the financial year 2009, remains fragile, however. The Group is continuing to optimize its cash management and to reduce its costs. Considerable progress has been made and the year 2009 will incorporate the impact of the optimization efforts undertaken since the end of 2008. The Group is continuing to implement its plan regarding the divestment of non-strategic activities, and the program commenced at the beginning of 2009 to sell over 200 MW of wind farms and projects has been accomplished with the sale of 234 MW.

The Group has announced the Restructuring of its corporate debt (described in paragraph 3.1.4), which could enable THEOLIA to expand its current activities and to finance its future development.

The achievement of these disposal plans, the consition of the financial markets and the possible Restructuring of the Company's debt and equity capital are each decisive factors in the financial condition, business and profitability of the Group.

3.8 Research and development

The Group is a developer, manufacturer and producer of renewable energy from wind turbines. Its technical expertise, and quality of developers (engineers or academics), financial experts and lawyers allows it to control all the various stages of the life cycle of a wind farm: development, construction, turnkey, financing and operations in countries where the Group is active, and in complex environments. Group activity does not imply research and development activities or possession of any specific patent and license.

The Seres Environment company, belonging to the pole THEOLIA Environment, specializes in the design and marketing of devices for measuring the quality of water and air.

At as December 31, 2009, the research and development costs incurred by this subsidiary totalled €474,742 compared to €588,000 as at December 31, 2008. Such costs relate principally to the design of new devices, particularly breathalyzers and instruments to measure the quality of water and air.

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

3.9 Developments since the beginning of financial year 2010

3.9.1 Composition of the general management

At the Board of Directors' meeting of 9 February 2010, Eric Peugeot, Chairman of the Board of Directors, was appointed CEO of THEOLIA. At the same meeting, two chief officers: Jean-François Azam, COO and Francis Rivière, CFO, were also appointed.

Mr. Eric Peugeot replaces Marc van't Noordende who took office in September 2008, and was involved in the implementation of the first phase of strategic reorientation of the company.

These appointments follow the dismissal by the Company's Board of Directors of Marc van't Noordende, the former CEO, and Olivier Dubois, the former CFO. The Board believed that a number of actions that could be attributed to these former managers and had led to an irremediable loss of trust by the directors the managers rendering their replacement necessary. These alleged actions include:

- Failure to transmit financial information to the Audit Committee and the lack of consultation and information of the Audit Committee on certain issues despite the committee's requests; and

- Failure to provide the Board with reliable, accurate and detailed information on the Group's cash position and more generally deficiencies in financial reporting made to the Council.

Further, the Board of Directors believed that the two former leaders no longer had the support of all parties concerned and that the appointment of Eric Peugeot as CEO was likely to promote the emergence of a majority of shareholders and bondholders that would be in favor of the financial Restructuring plan.

Mr van't Noordende and Mr Dubois have disputed the legitimacy of the allegations made by the Board of Directors.

3.9.2 Management priorities

The priorities of the new management are described in paragraph 1.9 of this Report.

3.9.3 Actions to position the Group for recovery

The plan of action for the recovery of the Group is described in paragraph 1.10 of this Report.

4 RESULTS OF THE PARENT COMPANY THEOLIA SA

The accounts of THEOLIA SA have been approved by the Board of Directors at its meeting on April 20, 2010.

4.1 Analysis of income statement

4.1.1 Revenue and other income

THEOLIA SA's revenue amounts to €6.1 million for the 2009 financial period, compared to €7.4 million for the previous financial year.

This revenue corresponds to management fees charged by THEOLIA SA to its subsidiaries. The decrease in this item is explained by the fact that THEOLIA has stopped charging its subsidiaries management fees, and by the reduction of billable costs amounting to €1.3 million by THEOLIA SA as part of assistance to the subsidiaries.

The line item "Other income" amounts to €231 thousand for the 2009 financial year, as compared to €4.6 million for that of 2008 financial year. This siginificant variation is principally linked to the intergroup reinvoicing of Neoanemos (subsidiary of the group in charge of the Martignano project in Italy) which took place in 2008, for an amount of €4.5 million.

In 2009, this line item comprises the following elements (in thousands of €).

Re-invoicing of a subsidiary for works paid on its behalf	227
Others	4

The line item "Reversal of provisions and charges" amounted to €26.4 million for the financial year 2009, contrasted to 2.2 million euros in 2008. In 2009, this item is composed of the following elements (in thousands of euros):

Roll-over of provisions	26 340
Others	21

This line item has manifested a significant decline compared to the 2008 financial period, primarily due to the significant increase in recovery of operating provisions, corresponding in particular to:

- the disappearance of the risk on the collection of the debt owed by HESTIUN (sale of Thenergo's securities for €15 million); and
- the renegociation of a contract for the purchase of wind turbines, i.e. €10 million.

4.1.2 Operating profit

Operating profit reflects a positive result of €18.9 million for the 2009 financial year, compared to a loss of €46.1 million in 2008. This sharp increase is due to:

- The siginificant increase of the operating revenue line, as described in the preceding paragraph; and
- the significant decrease of the operating costs, primarily due to:
    - the decrease highlighted in the "Other purchases and external expenses" line and linked to the implementation of the cost-cutting plan announced in late 2008, resulting in an internalization of competencies and therefore a decrease in assistance from external providers such as sub-contractors, auditors, lawyers and communication personnel, and
    - the elimination of advertising and sponsorship contracts.

The "Wages and salaries" line item amounts to €3.15 millions in 2009, as compared to €3.08 million in 2008. This minimal variation is explained by the following factors:

- the sharp contraction of the Company's work force following the redundancy plan implemented in late 2008; and
- conversely, the significant increase in this line item due to the integration of the remuneration of the executives in 2009, whereas in 2008, almost the entire remuneration of the CEO was paid as fees and therefore accounted for in the "Other purchases and external expenses" line.

The "Payroll" line item amounts to €1.61 million in 2009, compared to €1.98 million in 2008: it includes expenses related to the allocation of free shares in the amount of €300 000.

The "Provison allowances" line totaling €2.1 million in 2009 has significantly decreased, compared to €31.9 million for the 2008 financial year. This decrease is principally due to the roll-over of provision charges in 2008 relating to the debt owed by HESTIUN and to a deposit paid in consideration of the reservation of wind turbines, provisions relating to the depreciation of debts owed to the Group were in rolled-over in 2009.

4.1.3 Financial income

The turnover for the 2009 financial year increased by €0.2 million, despite having decreased by €125.6 million in 2008. Financial instruments amount to €47.6 million, compared to €15.4 million in 2008. Financial expenses amount to €47.5 million, compared to €141 million in 2008.

This mildly positive result can principally be explained by the following factors:

- an increase in financial instruments by approximately €32 million. This increase is due to a roll-over provision for depreciation of the shares of the German subsidiary THEOLIA Naturenergien GmbH Holding's (formerly Natenco GmbH) amounting to €28 million, and to the allocation of dividends for €3 million; and
- financial expenses for the financial year 2008 included large depreciations related to certain holdingd. In 2009, financial expenses due to such losses in value decreased, leading to more balanced results of financing.

It is noted that the interest on the convertible OCEANE bond totaled to €4.8 million in 2009, and the non-conversion premium linked to these obligations totaled €3.3 million.

4.1.4 Extraordinary income

The extraordinary income for the 2009 financial year reflects a revenue of €17.2 million, compared to a revenue of €3.9 million in 2008.

Two significant factors are to be noted:

- The extraordinary income amounts to €28.7 million and relates mainly to the sale of the Ventura securities for €28 million, thereby generating a capital gain of €20 million, and
- The extraordinary expenses amount to €11.5 million. They include the net value of the Biocarb securities sold for €1.8 million; the €496,000 of derogatory depreciation allowances and the financial penalty imposed by the AMF amounting to €300,000 (see paragraph **Error! Reference source not found.** on this sanction).

4.1.5 Net income

The net income for the financial year ended December, 31 2009 amounts to €36.7 million, compared to a loss of €163 million for the financial year ended December 31, 2008. This material variation is mainly due to the important roll-over of operating provisions undertaken during the financial year, (about €26 million), the sale of Ventura securities which generated a capital gain of €19.8 million and the reduction in consecutive costs to the internal Restructuring combined with the decrease in interventions of external providers.

4.2 Cash flows Statement

The following table presents the variation of cash flow registered during the financial year and the nature of cash flows.

In thousands of €	12/31/2009	12/31/2008
Gross margin of auto financing	28,174	(14,131)
Variation of working capital related to the activity	(32,615)	(20,186)
Cash flows of operating activities	(4,441)	(34,286)
Cash flows of investment activities	16,484	(119,938)
Cash flows of financing activities	4,370	(4,200)
CASH FLOW AND NET CASH FLOW EQUIVALENTS AT THE OPENING	13,738	172,162
CASH FLOW AND NET CASH FLOW EQUIVALENTS AT THE CLOSING	30,151	13,738

As of December 31, 2009, the Company's net cash amounted to €30.1 million, compared to €13.7 million as of December 31, 2008.

Cash flows form operating activities

The gross margin of auto-financing has increased to €28.1 million as of December 31, 2009.

The working capital's variation related to the activity has decreased by €32.6 million. This decrease is mainly due to the increase of customer receivables, following the billing of the Group's fees for 2009 at the end of the financial year, due to the negociations conducted with a turbine supplier following the abandonning of a project in 2008, and due to the decrease in interventions by external providers.

Overall, cash flows from operating activities decreased to (€4.4) million as of December 31, 2009. This flow decreased to €34.3 million at December 31, 2008.

Cash flows from investing activities

The net flow used for investments shows increased to €16.5 million at December 31, 2009, compared to a decrease of €119.9 million as of December 31, 2008. In 2009, this flow primarly includes revenue from the sale of Ventura and Thenergo securities (sale procceeds received from HESTIUN in May 2009 following the sale completed in 2008) the transfer of an additional amount of €10.6 million for the acquisition of Maestrale Green Energy and the acquisition of securities, in particular those of THEOLIA Emerging Markets.

The variation of the loans decreased to €21.7 million due to the increase in advances to subsidiaries granted in order to provide for the financing of their activity.

Cash flows from financing activities

The net flow used for financing activities decreased to (€4.4) million at December 31, 2009 and includes the increase of an intergroup debt. It is specified that the annual interests on the convertible bond loan subscribed in late 2007 will be paid in 2010.

4.3 Indebtedness and cash flows

The financial indebtedness of the Company amounts to €252.5 million as of December 31, 2009, compared to €245.2 million as of December 31, 2008. In addition to the convertible loan subscribed late 2007 for an amount of €240 million, there is an intergroup debt amounting to €7.6 million.

The Company's net cash flow at the closing amounts to €30.1 million.

4.4 Information on suppliers

Pursuant to the provisions of articles L.441-6-1 and D. 441-4 of the French Commercial Code, the breakdown of the balance of debts owed by the Group's suppliers, as of the closing date, sorted by expiry date for the two previous financial years is as follows:

€ in millions	12/31/2009	12/31/2008
Outstanding suppliers debts	**0.35**	**1.9**
Of which :	**3.58**	**9.37**
• *Up to 180 days*	0.71	9.1
• *Beyond 180 days*	2.87 (*)	0.27

(*) Mainly intragroup debt (mainly due to THEOLIA Naturenergien, THEOLIA France and THEOLIA Emerging Markets) that have been the subject of discussions between the Company and its subsidiary companies concerned and that are being regularised as of the date of this Report.

4.5 Table of the results of the last five years

French standards	*06/30/2005* *12 months*	*12/31/2006* *18 months*	*12/31/2007* *12 months*	*12/31/2008* *12 months*	*12/31/2009* *12 months*
Total equity	**28,641,654**	**168,349,952**	**350,035,018**	**189,106,745**	**236,899,000**
Balance sheet total	**45,814,079**	**214,304,936**	**604,525,432**	**454,935,459**	**501,590,000**
Capital at the end of the period					
Share capital	9,723,226	25,403,531	38,681,671	39,746,992	39,895,207
Number of ordinary shares	9,723,226	25,403,531	38,681,671	39,746,992	39,895,207
Preferred shares without voting right	-	-	-	-	
Maximum number of shares to be created					
By shares allocation		423,500	575,715	561,715	2,070,611
By conversion of bonds	53,468		11,538,462	11,538,462	11,538,462
By subscription rights	5,209,063	2,955,277	4,917,447	4,415,450	3,997,450
Operations and results					
Turnover Net of Tax	3,543,002	4,859,762	5,968,734	7,414,503	6,118,146

French standards	*06/30/2005* *12 months*	*12/31/2006* *18 months*	*12/31/2007* *12 months*	*12/31/2008* *12 months*	*12/31/2009* *12 months*
Result before tax, participation, depreciation and provision net allowances	-108,008	-1,678,550	3,235,425	828,527	20,485,280
Income tax	-	-2,737,985	-608,719	-240,050	-422,000
Employees shareholdings	-	-	-	-	-
Result after tax, participation, depreciation and provision net allowances	1,062	413,710	-1,151,491	-163,010,876	36,668,169
Distributed result	-	-	-	-	
Result per share (non-diluted)					
Result before tax, participation but before depreciation and provision allowances	-0.01	-0,07	0.08	0.02	0.51
Result after tax, participation, depreciation and provision allowances	0.00	0.02	-0.03	-4.10	0.92
Distributed dividends	-	-	-	-	
Result per share (diluted)					
Result before tax, participation but before depreciation and provision allowances	-0.01	-0,06	0.06	0.01	0.36
Result after tax, participation, depreciation and provision allowances	0.00	0.01	-0.02	-2.90	0.64
Distributed dividends	-	-	-	-	
Staff					
Average number of employees	12	16	20	38	30
Amount of salaried body	840,992	2,514,329	3,575,161	3,081,088	3,147,000
Amounts paid in social benefits	363,211	920,103	1,236,154	1,979,021	1,607,000

5 MAIN RISK FACTORS OF THE GROUP

5.1 RISKS LINKED TO THE GROUP'S ACTIVITIES

5.1.1 The Group experienced a severe contraction in its liquidity and risks a further contraction if holders of its OCEANE convertible bonds request an early redemption, the full amount of which the Group believes it would be unable to satisfy, requiring the Group to seek creditor protection under French law or even to cease its activities, if the Restructuring of the OCEANE convertible bonds is not successfully completed

Since 2008, the Group has experienced a severe contraction in its liquidity due to former management's (April 2006- September 2008) simultaneous aggressive expansion strategy and suspension of asset sales and the lack of liquidity in international credit markets from late 2008. Under the previous strategy the Group experienced high cash outflow in pursuit of acquisition led growth at the same time that cash inflows from sales of operational wind farms ceased and financial markets became unable, or unwilling, to provide sufficient credit.

The statutory auditors of the Group, Deloitte & Associés and Jean JOUVE, (the "**Auditors**") questioned, in a cautionary letter dated 30 January 2009, whether the Group had sufficient liquidity to continue as a going concern, launching a warning procedure ("*procédure d'alerte*") in accordance with article L.234-1 of the French Commercial Code ("*code de commerce*"). The Group then provided a detailed letter dated February 18, 2009 on measures taken to improve its cash position and estimated that it had replied to the interrogations relating to the Group's durability (see paragraph 3.4.4B)). On the basis of the expected business plan and the achievement of the planned capital increase as part of the Restructuring, the Group considers that it is able to ensure continuity of its operations over the next twelve months and considers that in this context that it was appropriate to apply the principle of continuity of operations for the preparation of its consolidated accounts.

There is a risk of early redemption of its OCEANE convertible bonds (the "OCEANE Bonds") on January 1, 2012 which would make it difficult or impossible for the Company to meet its obligations as they come due if the proposed Restructuring described in paragraph 3.1.4 is not completed. The current terms of the OCEANE Bonds allow bondholders ("Bondholders") to request early redemption in cash of the bonds on January 1, 2012. If the market price of the Group's ordinary shares continues to trade at a significant discount to the redemption price, the Company believes it is likely Bondholders will opt for early redemption. If Bondholders were to request an early redemption on January 1, 2012, the Company believes it would be unable to satisfy the full amount of the €253,200,000 aggregate early redemption price and would have to consider creditor protection under French law.

Although the Company announced on December 29, 2009 that it had reached agreement with holders of 65.5% of the OCEANE Bonds to effect a Restructuring plan and obtained the approval from the Bondholders and its shareholders for the Restructuring plan on February 18, 2010 and March 19, 2010, respectively, the Restructuring is contingent upon the successful completion, on or before August 31, 2010 of a rights issue which shall be launched for a minimum amount of €60 million, with subscription or underwriting commitments representing at least €45 million. There can be no assurance that the Restructuring will complete. For further details of the Restructuring see paragraph 3.1.4.

The schedules to the Group's consolidated accounts for 2009 financial year, reviewed by the Auditors, confirms that:

- In order to keep on developing, the Group is currently undergoing a Restructuring of its convertible bond loan. This Restructuring is contingent upon the completion of a n equity capital raising for a minimum of €45 before the end of the month of August 2010;
- A failure to the Restructuring of the bond loan would increase the risk of non obtaining the wing projects financing in course of development and could force the Company to consider an insolvency proceeding pursuant to French law, which would lead to a significant loss in value;
- On the basis of the expected business plan and the structuring hypothesis of the Restructuring completion as described above, the Group believes it is able to pursue its operation over 12 months (see note 2.1 of the 2009 consolidated accounts).

In this context and to improve its cash position, the Group undertook the disposal of its non-strategic assets. Several non-wind assets have been disposed of at or since the end of 2008 (Thenergo in December 2008, Biocarb in April 2009, the hydraulic development business in Canada and two plants capable of being dispatched to France in July 2009) and the remaining non-wind assets are in the course of disposal (the environmental subsidiary in France, Ecolutions, and a solar energy plant in

Germany). The Group cannot give any assurance that this program to sell non strategic assets will be completed 2010.

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

In line with its strategy, the Group continues to focus on the realization of planned asset disposals and the management of costs, thereby contributing to the restoration of its cash position. In parallel, the Group must also enter into new wind development projects in order to ensure its future as a business and to provide a return on the equity invested by its shareholders. However the Group cannot guarantee that it will be able to carry out wind farm sales in 2010 within the timeframes envisaged and under adequate financial terms, or at all; nor can the Group exclude the possibility that it will fail to complete the capital increase required for the Restructuring. In such events, the Group could face a significant liquidity crisis and its financing capacity could be questioned, which would have a material adverse effect on the Group's financial situation and could require the Group to seek creditor protection under French law or even to cease its activities. Even if the Restructuring is successful, the Group may be forced to conduct additional capital increases in order to finance its development as a business.

5.1.2 The Group’s financial and operational flexibility has been restricted and may in the future be further restricted by its indebtedness. If the Group is unable to generate sufficient cash flow to satisfy its obligations to service its indebtedness or is unable to obtain further financing as needed, it may be required to alter its strategic plans and reduce its investment activity, or to seek creditor protection under French law or even to cease its activities.

As of December 31, 2009, the Group's net indebtedness was approximately of €396 million.

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, capital expenditures, acquisitions and developments or debt service obligations, 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 make loans within the Group, sell assets, borrow additional funds, issue equity or engage in transactions with affiliates;
- placing the Group at a disadvantage compared to its competitors that may be less leveraged and subject to less restrictive financial covenants;
- increasing the Group's vulnerability to general adverse economic and industry conditions, including increases in interest rates and credit spreads;
- 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 financial covenants are renegotiated.

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

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

Certain of the Group's financing agreements contain debt covenants requiring the Group to maintain financial ratios relating to, among other things, its leverage and debt service coverage. Failure to comply with these and other debt covenants could result in borrowings becoming immediately due and repayable. In addition, cross-default and cross-acceleration provisions could magnify the effect of a single default. There can be no assurance the Group will be able to obtain waivers for such defaults or restructure its borrowings. Acceleration of borrowings would have a material adverse effect on the Group's liquidity, financial condition and results of operations and could force the Group to sell assets at unfavorable prices, seek creditor protection or otherwise cease its operations.

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

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

In February 2010 Südwestbank stated in a letter that it would continue to extend the €3 million line of credit granted to THEOLIA Naturenergien until June 30, 2010 under the condition in particular that the Restructuring is approved at the shareholders' meeting (which took place during the shareholders' meeting on March 19, 2010). Also, Südwestbank indicated that its decision would be influenced by whether relations between THEOLIA and its other banking partners remain stable and Südwestbank is able to meet the new management of THEOLIA Naturenergien in April 2010. On March 22, 2010 Südwestbank and Vorarlberger orally indicated that they would reconsider the conditions of the lines of credit granted to THEOLIA Naturenergien to their initial amount of €10 million for each facility contingent upon completion of the equity capital raise related to the Restructuring and the appointment of new executive management to THEOLIA Naturenergien.

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

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

The Group has failed to comply with financial covenants in the past. In particular, in 2008 and 2009 Group companies in Germany, France and Morocco breached their leverage or interest coverage ratios, and as a consequence were in certain cases required to restructure their debt or obtain temporary waivers (see paragraph 3.4.3C).

As of June 30, 2009, the Group breached the financial covenants required to be maintained under project financing arrangements for two wind farms located in France and in Morocco, i.e. for the first semester 2009 the minimum debt service coverage ratio as provided in the financing documentation (see paragraph 3.4.3C). For each of these projects no formal waivers were obtained from the lending banks and the Group was in compliance with the relevant ratios as of December 31, 2009.

5.1.4 The terms of certain project financing agreements of Group companies provide that action taken in connection with the Restructuring of the OCEANE bonds constitute events of default.

The terms of certain project financing agreements of Group companies provide that actions taken in connection with the Restructuring of the OCEANE bonds, including the appointment of a special purpose trustee and commencement of Restructuring negotiations with Bondholders, constitute events of default. Consequently, the Group obtained temporary waivers from lending banks in connection with outstanding debts totaling € 59.9 million as of 31 December 2009:

- Pursuant to the financing agreement of € 17 million for Centrale Eolienne de Seglien Ar Tri Milin (CESAM) and for Centrale Eolienne de Fonds de Fresnes (CEFF), the Company obtained a waiver which is effective July 31, 2010; and
- Pursuant to the financing agreement of € 33 million for Centrale Eolienne des Sablons (CESA), Centrale Éolienne des Plos (CEPLO), the Centrale Éolienne du Moulin de Froidure (CEMDF) and the Centrale Éolienne de Sallen (CESAL), the Company obtained a waiver which is effective until the earliest of: (i) July 31, 2010; (ii) the date at which the Company breaches the timetable applicable to the ongoing Restructuring of the OCEANE Bonds; (iii) 15 days following the settlement-delivery of the capital increase to be completed in the framework of the Restructuring of the OCEANE Bonds and (iv) the end of the special purpose trustee's mandate described in paragraph 3.1.4.

If the Group is unable to complete the Restructuring of the OCEANE Bonds by July 31, 2010 and/or if the special purpose trustee remains appointed beyond such date, the lending banks could accelerate repayment under the relevant financing agreements. Acceleration of repayment under such agreements would require the Group to devote substantial cash flows to satisfy its obligations to lenders, which would have a negative impact on its liquidity and financial condition and impair its ability to meet its other obligations as they come due which, in turn, could lead to the declaration of cross-defaults in other financing agreements. See paragraph 5.1.3. A financing event of this type could have a material adverse effect on a Group company's liquidity and financial condition and could prevent the Group from developing or acquiring wind farms, could force it to sell its assets under unfavorable financial terms, to apply for an insolvency proceeding or even cease its activities.

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

The Group has restated certain items in its financial statements for past periods, including the 2005, 2006, 2007 and 2008 financial years (see paragraph 3.2.1C for further details) and these restatements reflected difficulties regarding the accuracy of the Group's financial reporting.

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

In addition, the Group received a letter from Deloitte & Associés ("Deloitte"), one of its Auditors, dated February 2, 2010, stating that it had not received from the prior management (in function from September 2008 and February 9, 2010) the necessary accounting information to establish its cash position.

Subsequent to the previously described letter from Deloitte, the Board of Directors commissioned an independent report by Grant Thornton LLP ("Grant Thornton") to evaluate the Group's cash reporting procedures and audit its cash position as of December 31, 2009. This report, dated March 31, 2010, concluded that there are material weaknesses in the Group's internal control over financial reporting as regards liquidity. These weaknesses include, without limitation:

- insufficient procedures at the level of the Company for the collection of financial information from the foreign subsidiaries of the Group and, in particular, from THEOLIA Deutschland, rendering it difficult to reconstruct and verify financial data provided by subsidiaries and, therefore, to obtain reliable estimates of their cash position;
- the difficulty of obtaining in advance a relevant estimate of the cash situation due to weaknesses in the cash projection process of the subsidiaries in the very near term;
- erroneous character of financial information provided to the Board of Directors with regard to disposable cash (both projected and real) on several occasions; and
- lack of processes to optimize the cash position of the Group.

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

The Company is in the process of defining measures aimed at rectifying these weaknesses. If the Group does not implement such measures and in the event that it decided no to renew such aforementioned measures mentioned in the preceding paragraphs, this could have a significant disadvantageous effect on the Group's ability to assure the monitoring of its short term cash flow and its liquidity risk; this could have a negative effect on the management of its activities.

5.1.6 The Group has been subject to sanctions imposed by the AMF, as a result of material weaknesses in the Group's internal control over assessment of assets depreciation. If the Group fails to address these difficulties, the relevance of the Group's reported financial results could be adversely affected.

The Group has been subject to a sanction procedure initiated by the AMF. This procedure resulted in a fine of €300,000 against the Company (for more detail see paragraph 8.1), the AMF imposed sanctions on the Group, as a result of the following misstatements in its public communications:

- misstatements of the Group's potential wind power generation capacity contained in the prospectus for the transfer of its listing from Alternext to Euronext dated July 26, 2006, which incorrectly accounted for a building permit under review on the Assérac project site;
- misstatements in the Group's consolidated income statements for the period ended June 30, 2005, the year ended December 31, 2006 and the year ended June 30, 2007 due to the failure to properly account for depreciation on the assets of certain wind projects;
- misstatements in respect of the amount of the purchase price to be paid to the Company in connection with the sale by the Company of its environmental activities to Granit SA as set out in the prospectus for transfer of listing from Alternext to Euronext dated July 26, 2006 and a press release dated 8 March 2006;
- delayed communication by the Group of information concerning the cancellation of the sale by the Company of its environmental activities to Granit SA; and
- misleading information in respect of the sale by the Company of its environmental activities to Granit SA in its press release dated December 27, 2006.

In addition to the changes made to the management, the Group implemented a specific policies and procedures for the validation of its wind power potential and its projects under development. If the the Group would decide not to implement these procedures any longer, it may be unable to assess the depreciation related to the wind projects to be made and therefore provide periodic information and reliable financial statements . In this case, it could be subject to AMF sanctions or could experience a loss of confidence by investors and analysts, any one of which would be likely to affect its business and financial situation.

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

As part of the Board’s review of the business, the Company identified conduct by Mr. Santander which the Board believes did not comply with its corporate interest, particularly with regard to the Moroccan subsidiary THEOLIA Emerging Markets ("TEM"). The Company and TEM initiated civil proceedings in France and in Morocco and criminal proceedings in France against Mr. Santander and certain related parties, as described below and in paragraph 8 below.

On March 13, 2009, the Company filed a civil claim with the Commercial Court of Marseille against Mr. Santander and the companies Athanor Equities and Global Ecopower. The claim alleges that Mr. Santander (a) established and operated a competing group while he was still managing the Company, (b) used Company employees to further his personal interests and recruited Company employees, (c) traded on the image and reputation of the Company while pursuing non-Company projects, (d) engaged in competitive acts in the wind sector, with the complicity of Global Ecopower and (e) committed acts that resulted in the AMF imposing a fine on October 1, 2009 (see paragraph 8.1 below). In addition, on April 22, 2009 TEM initiated civil legal proceedings at the Commercial Court of Casablanca against Mr. Santander for the repayment of 1,300,000 MAD (1 MAD = €0.0898 as of April

8, 2010), which corresponds to the compensation the Company considers to have been wrongfully received by Mr. Santander when he was chairman and CEO of TEM. TEM also requested Mr. Santander reimburse 2,000,000 MAD (i.e. €183.013.47) excluding taxes, paid to Faracha (a Luxembourg company of which Mr Santander is the sole director) given the absence of a tangible service provided by Faracha to TEM.

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

On April 21, 2009 Mr. Santander disputed the complaints mentioned above and, acting as a shareholder of the Company, initiated a claim on behalf of the Company (claim *ut singuli*) against certain directors of the Company (Mssrs. Eric Peugeot, Stéphane Garino, Georgius Hersbach, Louis Ferran and the company Sofinan Sprl) and the CEO at that time (Mr. Marc van't Noordende). This claim seeks to hold the named directors jointly and severally liable:

- to reimburse the Company for any sums the Commercial Court of Marseille may order it to pay as damages: to Mr. Santander, Athanor Equities and Global Ecopower as a result of the proceedings engaged by the Company, and to Mr. Santander as a result of the non allocation by the board of directors of certain free shares, which are evaluated at €574,714; and
- to indemnify in favor of the Company for the damage alleged to have been caused by "the brutal eviction of Jean-Marie Santander and by the catastrophic management of the Company that resulted therefrom" the removal of Mr. Santander, which Mr. Santander alleges to be €520 million—an amount corresponding to the decrease in the Company's market capitalization from September 2008 to the time of filing of the counterclaim.

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

5.1.8 In February 2010 the Board of Directors dismissed the then CEO and CFO of the Group from their positions, the circumstances of which may lead these former managers to bring legal action against the Company and the Board.

On February, 2010, the Board of Directors dismissed CEO Marc van't Noordende and CFO Olivier Dubois from their management positions, and on March 19, 2010 the shareholders' general meeting dismissed Mr. Van't Noordende from his position on the Board of Directors. For further details see paragraph 3.9.1.

No legal action has been initiated as of the date of this Report. However there is a risk that these individuals may bring legal claims with regard to the circumstances and financial and other consequences of their dismissal, which could lead to the payment of damages by the Company and compensation under certain non compete agreements (see paragraph 6.4.7).

In addition, the agreements for offices of Messrs. Marc van't Noordende and Olivier Dubois provide that the 998,278 free shares allocated to them subject to certain presence and performance conditions will be considered as definitively allocated in case the their dismissals will be decided by the Company, although the Company reserves the right to contest such allocation. As a consequence, pursuant to applicable accounting standards, the Company may be forced to pursuant to applicable accounting standards, to enter in the 2010 consolidated accounts an expense of an amount up to €3.4 million, before taking into account the anti-dilution mechanism applying to free shares (see paragraph 6.4.5 of this Report) which could be increased following the implementation of this mechanism. For instance, a capital increase of 100 million (as planned within the Restructuring) shares could trigger the issuance of 3 million additional shares pursuant to this anti-dilution mechanism.

Such litigation between the Company and its former managers may affect the reputation or the image of the Group (see paragraph 5.1.9)

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

5.1.9 The Group may suffer reputational damage as a result of actual or alleged conduct including publicity relating to the Group's financial position and changes in management.

The Group may suffer reputational damage as a result of actual or alleged conduct including publicity relating to the Group's financial position and changes in management. Since 2008, the Group has run by three different CEOs. The Group has filed civil claims against one former CEO, Mr. Santander, who has filed a claim against certain members of the board and another former CEO (see paragraph 5.1.5) and it is possible that former managers dismissed in February 2010 may initiate legal action against the Company (see paragraph 5.1.8).

In addition, the Group has disclosed the significant contraction in its liquidity and the inability of the Company to meet potential demand as regards the redemption of OCEANEs Bonds in 2012. In this respect see paragraph 5.1.11 above.

These negative public statements could undermine the public's confidence in the Group's business and damage to the Group's reputation could have a detrimental impact on the terms under which some customers and suppliers are willing to continue to do business with the Group, and on the terms under which banks are willing to extend additional financing to the Group. Reputational damage could also adversely affect the expectations of investors and the recommendations of analysts who cover the Group's business and industry, thereby contributing to declines in the price of the Group's ordinary shares.

5.1.10 The Group has entered and will continue to enter into related party transactions with a significant shareholder and one of its Directors in connection with sale of wind farms.

The Group has entered into, and may in the future enter into related-party transactions with Willi Balz, a shareholder who directly and indirectly owns approximately 9% of THEOLIA, and who has substantial interests in the German wind power market apart from his transactions with the Group. In October 2006, the Group purchased THEOLIA Naturenergien GmbH (formerly named Natenco GmbH),("THEOLIA Naturenergien") from Willi Balz's company Windreich AG GmbH. Since 2007, THEOLIA Naturenergien has been party to a non-exclusive service agreement with Windreich AG for the acquisition and sale of wind farms by THEOLIA Naturenergien (except that this agreement was subject to an amendment providing exclusivity to Windreich AG for financial year 2008). In financial years 2007, 2008 and 2009, respectively, Windreich AG received approximately€ 6.3 million, €2.2 million and €0.2 million in commissions. Also, in 2009, Windreich AG acquired a wind farm located in Germany from the Group for €43.9 million. There have been disagreements in the past between the Group and Mr. Balz, leading Mr. Balz to threaten legal action (alleging, in particular, that there were agreements between him and the Group in terms of exclusivity) on the issue of exclusivity apart from those described in paragraph 6.10). There can be no assurance that there will not be disputes leading to the threat of litigation in the future between the Group and Mr. Balz.

The Group has also entered into, and may in the future enter into related-party transactions with Heartstream Corporate Finance B.V. ("Heartstream"), a company controlled and managed by Mr. Georgius Hersbach, who is a Director of the Company. In 2009, the Company entered into a non exclusive service agreement pursuant to which Heartstream receives commissions in exchange for acting as an intermediary in the sale of a wind farm in Germany. At the date of this Report, the sale of this farm to investors who were not developed by Heartstream has been formalized in a signed agreement, but has not yet been fully completed, and Heartstream has not received any commissions. However, the Company intends to pay Heartstream a fee, of which the method of calculation is described in paragraph 6.10, as consideration for its activities in the organization and implementation of this sale, although Heartstream did not develop the investors and therefore such fee is not required under the service agreement.

As a result of its relationship with Mr. Balz and Mr. Hersbach, the Group may have conflicts of interest with respect to corporate opportunities. Although the Group has established internal control policies and governance procedures with regard to approval of related party transactions, there can be no guarantee that these policies or procedures will be adhered to or will function effectively, which could have a material adverse effect on the Group's business, operations and financial condition.

5.1.11 Certain significant shareholders whose interests may not align with other shareholders have taken an activist role in order to influence the direction of the Group.

In December 2009 the Company announced a planned Restructuring, in order to avoid the OCEANE Bonds' early redemption and a resulting severe liquidity contraction. See paragraph 5.1.1 above).

On January 29, 2010 a group of shareholders including Willi Balz and controlling approximately 18% of the Company's shares declared that they were acting in concert (the " Initial Concert") with the intention, among others, of supporting "the promotion of new strategies for the Company with the management, its Board of Directors, the shareholders and the public". On February 24, 2010, a shareholder Mr. Michel Meeus (member of the Initial Concert) representing approximately 3% of the share capital requested resolutions calling for the removal of four sitting Directors and the appointment of three new Directors (Messrs. Fady Khallouf, Gérard Creuzet and Michel Meeus) be submitted to the shareholders' meeting scheduled for March 19, 2010. This action was taken by one member of the Initial Concert acting alone (and not on behalf of all members of the Initial Concert).

Mr. Balz subsequently withdrew from the Concert and following discussions with representatives of the Company, the remaining members of the Concert, controlling approximately 9% of the Company's shares (the "New Concert"), decided to support the Restructuring on March 11, 2010. The New Concert also withdrew from the agenda of the March 19, 2010 shareholders' meeting the draft resolutions calling for the removal of four Directors. As a result, the Board of Directors agreed to support the appointment of the three additional Directors proposed by Mr. Michel Meeus (Messrs. Fady Khallouf, Gérard Creuzet and Michel Meeus) and the idea of enlarging the Board to include three new members representing the largest shareholders in the Company (other than the members of the New Concert) when the ordinary general shareholder meeting is held to approve the accounts of the financial year ending December 31, 2009.

The New Concert and/or its members may have interests that differ from the interests of other shareholders and the New Concert and/or its members may seek to influence the direction of the Group in a way with which other shareholders disagree and which may be adverse to the Group's or other shareholders' interests. See paragraph 5.1.10 above.

5.1.12 The Group's businesses may continue to be adversely affected by dislocation in the global credit markets and market uncertainty.

The recent disruption in the global credit markets, the re-pricing of credit risk and the deterioration of the financial and real estate markets generally, particularly in the United States and Europe, have all contributed to a reduction in consumer spending and a contraction in global economic growth. Although initially impacting the housing, financial and insurance sectors, this deterioration further expanded into a significant recession affecting the general economy, including throughout Europe, and other sectors, including wind power. The recession has had negative effects on demand for alternative sources of energy and consequently for electricity produced and wind farms developed by the Group. Although there is a growing confidence that the global economies have resumed growth, there remains risk that the recovery may be short-lived, such recovery may not include the industries or markets in which Group conducts its business or the downturn may resume. Any deterioration in economic conditions could have a material adverse effect on the Group's business in a number of ways, including lower sales of electricity, lower sales of commissioned wind farms and diminished access to financing for wind projects, and could have a material adverse effect on the Group's liquidity, financial condition and results of operations.

5.1.13 The limited number of manufacturers of technical equipment used in the construction of wind farms, particularly wind turbines and masts, and rapid industry growth may result in high demand and sharp increases in prices. Because it does not have a long-term supply agreement for turbines in place, the Group's exposure to price risk is significantly higher than its competitors with such agreements.

The construction of a wind farm requires the delivery and assembly of technical equipment, such as wind turbines and masts, which only a limited number of suppliers are able to supply to the Group. In 2009, for example, ten major suppliers of wind turbines represented a total of 78.7% of the world market share (Source: BTM Consult APS March 2010). The major suppliers of turbines are described in paragraph 1.4 of this Report.

Due to the expansion in the worldwide energy market, stronger demand from operators and a limited number of suppliers, the prices of the technical equipment required for the construction of a wind farm, particularly wind turbines, have increased significantly.

Producers of wind turbines have in recent years struggled to meet growing demand from operators and the Group does not have a long-term supply agreement in place for its wind turbines which significantly increases both its price and supply risk. In the future, certain suppliers may no longer be able to supply the Group with the wind turbines it requires or may prioritize their relationships with other market participants, including the Group's direct competitors. Owing in particular to a significant shift in the wind power industry towards bigger, utility-owned projects, the Group may be forced to compete for key technical equipment such as wind turbines with large utility companies, which tend to have significantly greater financial resources for project investment.

The Group estimates approximately 75% of the construction costs of a wind project are attributable to wind turbines. Accordingly, any increase in wind turbine prices would have a direct impact, and could have a material adverse effect, on the Group's operating expenses. Rising prices for wind turbines also translate into a higher cost basis of assets, requiring the Group to incur a higher level of debt to finance the project, which could have a material adverse effect on the Group's business, financial condition and results of operations. In addition, in countries where the Group is bound by a system of fixed tariffs and purchase obligations for the wind farms it operates for own account, such as France and Germany, the Group cannot pass on higher wind turbine prices to its own customers in the form of higher prices under electricity purchase contracts. In sum, increases in the price of technical equipment could have a material adverse effect on the Group's operating expenses and levels of debt financing, and scarcity of supply for such equipment and the inability or failure of suppliers to meet their obligations could have a material adverse effect on the timetable for completion of the Group's projects.

For the development of its wind projects, the Group favors a case by case approach. It selects the manufacturer depending on the turbine model most appropriate for the site, so as to optimize the performance and depending on the ability of the supplier to take on the maintenance of the installations. As of December 31, 2009, purchases from the ten largest suppliers of the Group (in purchase monetary value) amounted to €56.3 million for the whole Group, representing 43.5% of all purchases made during the year. The largest supplier represents €12.7 million of purchases and 9.9% of all purchases made. The five largest suppliers represent €41.4 million of purchases and 32.1% of all purchases made. The Company does not have any framework agreement in place for its turbines supplies and, therefore, is not constrained by significant commercial and financial commitments over the long term in this respect. The Group therefore has great latitude in the selection of its suppliers for each of its development projects. This approach favors a wide range of suppliers and reduces the risk of dependence on any one supplier. It does, however, expose the Group to two main risks:

- The risk linked to increased prices for the supply of turbines: in terms of the rising demand linked to market growth and taking into account the limited number of suppliers, the price of the equipment needed for the construction of a wind farm has increased significantly over the last few years. Depending on the future evolution of the market, a risk of price inflation for these elements persists. An increase in the price of turbines would be likely to harm the profitability of certain wind projects under development;
- The risk linked to the availability of equipment: depending on the demand encountered in the market, some suppliers may no longer be able to meet the needs of the Group or may prioritize their relationships with larger market participants. No guarantee can be given that the main suppliers of the Group will be able to meet their commitments within the periods agreed or that the Company will not experience delays in the delivery of supplies.

An increase in the cost of supplies or the intensification of the risk linked to the availability of the equipment needed for the construction of wind farms or any inability of a supplier to fulfil its obligations, particularly with regard to maintenance, for all projects and wind farms of the Group, could adversely impact the economic profitability of a project and could have a material adverse effect on the business, financial condition and results of operations of the Group, or on its ability to achieve its objectives (in particular in respect of financing in place, for which such events could lead to acceleration).

5.1.14 The growth strategy of the Group requires substantial capital investments. The Group may have difficulty raising project financing and other types of investment capital when needed or on acceptable terms, and there can be no guarantee that Group operations will generate cash flows in an amount sufficient to repay its indebtedness.

The wind power industry is characterized by a high demand for investment. The Group's future success depends, to a large extent, on its ability to expand its portfolio of commissioned wind farms (for sale) and operating wind farms (for the generation of electricity). This growth strategy requires substantial investments. In the course of its activities the Group initiates investments (especially as regards the purchase of wind turbines) despite not having yet secured financing.

Historically, debt financing has provided between 65% and 90% of the value of the total investment in a project. Recently, however, dislocation in the global financial markets has significantly reduced the availability of credit and increased its cost.

The Group has been significantly impacted by the contraction of global credit markets, less favorable financing terms, the increased length of time for assembling project financing and the need to use "club deal" structures which take more time to implement. In addition, the uncertainty linked to a possible early redemption by bondholders of the OCEANE bonds, from January 1, 2012, in the eventuality of a failure of the Restructuring (see paragraph 3.1.4 above), has placed a further constraint on the Group to maintain its project financing. Given the continuing global economic turmoil and the Group's financial situation, the Group cannot guarantee that it will be in a position to raise the financing necessary for its development and allowing it to meet its commitment as regards the purchase of wind turbines.

This may force the Group to continue its capital expenditures for non-financial projects, to suspend or stop the development on the construction of its projects or sell them to third parties or to keep in stock its wind turbines. This may have a material adverse effect on the business, financial condition and the results of operations of the Group, or on its capacity to attain its objectives. The Company could also be forced to apply for creditor protection under French law.

For a further discussion of the Group's existing indebtedness, see paragraph 3.4.3.

5.1.15 The revenue of the Group resulting from sales of commissioned wind farms and the sale of electricity have fluctuated and will continue to fluctuate, and the Group's results for any financial period are not indicative of its future results.

In the countries where it is active, the revenue of the Group fluctuates from one financial year to another, particularly in relation to the commissioning and sale of wind farms. Yet, the Group cannot guarantee that it will be able to sell the entirety of the wind farms that it intends to sell in accordance with its "Development, construction, Sale" strategy in the planned timelines and budgetary constraints. Moreover, the Group's strategy is likely to evolve as has been the case in the past.

Thus, the Group's revenue in 2009 totalled €328 million, as opposed to €70 million in 2008 and €288 million in 2007.

Consequently, the Group's revenue and result for a particular financial period may significantly vary from one financial year to another. As a result the Group's revenue for a given financial year will not necessarily reflect the evolution of its long-term business and cannot be relied upon as indicative of its future results. There can be no assurance the Group's future earnings will be consistent with investors' forecasts and expectations.

5.1.16 The Group has experienced and may continue to experience difficulties in carrying out planned asset disposals within the time period envisaged and in accordance with its cash requirements and strategic objectives and may have to face similar difficulties in the future.

The revenue from commissioned wind farms represents 71% of the Group's total revenues for the year ended December 31, 2009. In addition, the Group is in the process of disposing of its non-wind assets. The Group's profitability and liquidity depends to a significant extent on its ability to complete such sales. The Group may be unable to identify buyers for its assets, to agree terms acceptable to the Group with prospective buyers or to complete any proposed sales. In addition, a recent trend toward depressed asset values in the wind power sector has been observed and may continue into the future.

The sale of a wind farm may be subject to conditions requiring the buyer to confirm its ability to obtain necessary financing or to have financing already in place. Since the onset of the financial crisis, prospective buyers' ability to meet these financing conditions has been significantly impaired by the lack of readily available credit, the higher cost of credit and more stringent lending terms imposed by banks. In 2008, the Group cancelled two sales recorded at the end of 2007 due to the inability of the buyers to obtain the necessary financing. If the financial market dislocation is prolonged, the Group may continue to experience difficulties in carrying out planned asset disposals within the time period envisaged, and under price and guarantee conditions that meet the Group's liquidity needs and strategic objectives.

The Group may experience other difficulties in carrying out planned asset disposals of commissioned wind farms, wind projects and non-wind assets. Differences in the valuation of a wind farm and its power generation capacity, competition with other wind farm developers (including certain of the Group's significant shareholders) for buyers, difficulties in the completion of the buyer's due diligence and other factors could cause delays in the completion of sales or result in their failure to complete. The cancellation of planned asset disposals could have a material adverse effect on the the Group's business, financial condition and cash flows of the Group, and on its free cash available to finance working capital requirements and future development.

5.1.17 *Various setbacks during the construction phase for wind farms could result in substantial delays the development and commissioning of wind farms.*

The Group may encounter various setbacks during the development and commissioning of wind its wind farms, including adverse weather conditions, difficultly in finding or obtaining appropriate sites, difficulty in connecting to the grid, construction defects, delays or delivery failures by suppliers, unexpected delays in obtaining permits and authorizations, unforeseen technical delays, or legal proceedings initiated by third parties.

Such events could result in substantial delays to the development and commissioning of wind farms that could result in budget overruns, delays to the operational start up date of a wind project, delays to the booking of sales or delays to the sale of the wind project as a commissioned wind farm or other potentially materially adverse events. Any one of these risks could have a material adverse effect on the business, operations and financial condition of the Group.

The Group frequently uses turnkey contracts, leaving the cost and timing risks with the supplier. As a consequence, to a certain degree, any extra costs are allocated to and delays in implementation are compensated by the supplier. In cases where a turnkey structure is not possible, the Group has substantial experience in drawing up construction contracts and seeks to allocate each risk to the party most capable of dealing with it. However, the Group cannot guarantee that these measures are sufficient to compensate for significant delays. In particular, if a delay is due to the fault of a supplier, the indemnity which the latter could be forced to pay would take effect only after the occurrence of very substantial delays.

5.1.18 *The installation of a wind farm requires a connection to the national power grid in order to transmit and deliver electricity. The Group cannot guarantee that it will obtain sufficient network connections for future projects within planned timetables and budgetary constraints.*

The installation of a wind farm requires a connection to the national power grid in order to transmit and deliver electricity. Because the sites available for wind projects are sometimes located at a significant distance away from these networks, the Group cannot guarantee that it will obtain network connection for future projects within planned timetables and budgetary constraints. Delays in the connection of projects to transmission and distribution networks could delay the operational start-up dates and, therefore, sales of new wind farms, which could have a material adverse effect on the Group's cash flows and results of operations. Also, transmission and distribution networks may experience congestion, outages or technical incidents and operators of these networks may fail to meet their contractual transmission and distribution obligations or terminate the contracts involved. Such events could have a material adverse effect on cash flows and operating results for the Group's electricity generating wind farms.

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

The Group carries out and may in the future carry out acquisitions or financial investments in pursuit of its "Develop, Operate, Sell" strategy. For further details see paragraph 3.1.1.The Group may also carry out acquisitions or investments in pursuit of expansion opportunities. Some of these acquisitions or investments may be paid for in shares, which could have a diluting effect on the interests of existing equity holders.

Such transactions carry risks related to the integration of businesses and personnel, inability to achieve projected synergies, difficulty of maintaining uniform standards and controls, recognition of unexpected liabilities or costs, and compliance with new regulations. Also, the terms and conditions of financing for such acquisitions or investments could adversely affect the Group's financial condition, particularly if debt financing is used. Any one of these risks could have a material adverse effect on the Group's business, operations or financial condition, or on its ability to achieve its objectives.

In addition, in Germany, the Group generally acquires wind projects toward the end of the development phase. The Group may be unable to successfully complete the construction and operational stages of these projects, resulting in the failure to realize anticipated cash flows from these acquisitions and, possibly, substantial losses. This could have a material adverse effect on the Group's liquidity, financial situation and business.

5.1.20 In several countries, the Group conducts its business in cooperation with a local partner. If a disagreement were to occur, or if one or more these partnerships were to be terminated, the Group could be deprived of a significant driver of its development, which could have a material adverse effect on its business, financial condition and results of operations, or on its ability to achieve objectives for future growth.

In emerging markets, particularly in India and Brazil, the Group conducts its business in cooperation with a local partner who knows the local wind power market. The partner is in charge in particular of the identification and development of new projects, and the conduct of relations with local authorities. When these partnerships are implemented by the creation of joint entities, the Group does not necessarily exercise full legal or economic control.

In addition, in Germany and in Italy, the Group co-develops certain projects in partnership with local developers. A disagreement with one or several local partners of the Group could have an adverse impact on the Group's projects and could also have a material adverse effect on its business, financial condition and results of operations, or on its ability to achieve its objectives.

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

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

Pursuant to the agreement with the ONE, the ONE has at anytime from August 30, 2010 the contractual right to terminate this sale agreement at any time by means of payment of a contractually established indemnity in the amount of US$17 million (if the termination occurs in 2010). This contractual indemnity is substantially lower than the acquisition price of €45 million paid by the Group for the Tangier wind farm. Such termination would render the Tangier farm unable to distribute and sell the electricity it generates, which would have a material adverse effect on cash flows and results of operations for the Group's Moroccan subsidiary. In particular, the termination of the agreement with ONE in 2010 would result in a net loss of €9.2 million (on the basis of the euro/dollar conversion rate as of April 12, 2010) in the consolidated accounts as of December 31, 2010.

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

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

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

5.1.22 The Group faces competition from industry participants who may have greater resources than it does.

The Group faces competition from new or existing industry participants that may have substantially greater financial, technical and human resources, and more established relationships in the industry than the Group does. In the renewable energy industry, the competition focuses mainly on among other factors, access to available sites, productivity of operational sites, quality of the technologies involved and prices. Certain competitors that seek to expand into the renewable energies sector, including established energy producers in Europe and large international energy groups, have substantially greater financial resources than THEOLIA, which enables them to acquire new projects at higher prices and increase their market shares in this sector. This risk is increased by the financial fragility of the Group.

5.1.23 Fluctuations in interest rates could significantly increase the Group's finance costs and hedging interest rate risk could expose the Group to new losses, which could material adverse effect the Group's business, financial condition and results of operations.

As of December 31, 2009, the Group had indebtedness of €490 million, of which 26.5% comprised variable rate borrowings. For the year ended December 31, 2009, the Group paid interest expenses totaling €14.9 million. The Group is subject to the risk that fluctuations in interest rates could increase its interest expenses, and this risk is magnified by its level of indebtedness, which is higher than that of other companies in the same industry. If increases in interest expenses are significant, the Group may be unable to generate sufficient cash flows to service its financing obligations to holders of the OCEANE Bonds or to other lenders.

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

The Group's expansion strategy focuses on the development of wind projects in Brazil, India and Morocco. The Group's current operations are concentrated in Germany, France and Italy, which are highly regulated in comparison to these emerging markets.

As the Group increases its presence in Brazil, India and Morocco, it will be exposed to a greater range and degree of risks than those associated with more developed markets, including, in some cases, increased political, economic and legal risks.

- Difficulties or delays in obtaining licenses, authorizations and permits;
- Deficiencies in infrastructure, which could have a negative impact the on construction of wind farms, the transmission and distribution of wind power, and telecommunications with the Group's operations in other countries;
- Challenges in staffing and managing operations in these different countries;
- Political, social and economic instability, terrorism, and acts of warfare;
- Inadequate protection or enforcement of the Group's contractual and other rights;
- State intervention and arbitrary or inconsistent governmental or judicial action;
- Differences in culture which could affect the Group's ability to compete with local companies or multinational corporations with greater experience than the Group in emerging markets;
- Foreign exchange translation and transaction risks in respect of assets and liabilities denominated in currencies other than the euro, as well as revenues generated and losses incurred in other currencies;

- Legal and/or tax constraints for repatriating earnings generated in other jurisdictions;
- Longer payment cycles and difficulties in collecting accounts receivable; and
- The risk that accounting standards, audit and financial information do not always comply with IFRS standards and are not equivalent to the ones applicable in most developed market economies.

Emerging market economies are more dynamic and generally experience greater volatility than more developed markets. The Moroccan, Indian and Brazilian markets may grow at rates slower than the Group anticipates, or not at all. The Group's success depends, in part, upon its ability to succeed in these differing and sometimes fast changing economic, regulatory, social, cultural and political environments. If the Group is unable to manage the risks associated with an expansion into emerging markets, its business, financial condition and results of operations could be materially adversely affected.

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

The Group is exposed to the risk of litigation with its customers, suppliers, employees and other third parties alleging injury, health, environmental, safety or operational concerns, nuisance, negligence, breach of contract or failure to comply with a contractual, legal or regulatory obligation, any of which could materially adversely affect the Group's business, financial situation and revenues.

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

These and other risk associated with litigation could have a material adverse effect on the business, financial condition and results of operations of the Group.

5.1.26 If the Group's subsidiaries were to default on obligations guaranteed by the Company under off-balance sheet arrangements, counterparties could enforce them against the Company.

As of December 31, 2009, the Group had accountable off-balance sheet arrangements totaling €166.7 million.

In the ordinary course of its business, the Group uses certain off-balance sheet arrangements to provide credit, liquidity or other risk support to its direct and indirect subsidiaries. The Group's off-balance sheet arrangements are described in further detail in paragraph 3.5. By granting pledges and guarantees to support its direct and indirect subsidiaries' activities, the Group is exposed to the risk that it will have to make payments to lenders under project financing arrangements, to trade creditors (such as suppliers of equipment) and to customers if a wind project were to fail to complete or a wind farm were to become insolvent. If such an event were to occur, counterparties in the Group's off-balance sheet arrangements could seek to enforce the pledges and guarantees granted by the Group. As a result, the Group would be required to make payments under the terms of such pledges or guarantees, and these amounts could be significant, which could have a material adverse effect on the Group's liquidity, financial condition and results of operations.

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

Considering its current projects pipeline, and particularly the segment of its projects in advanced stages of development (permits obtained), the Group has incurred and may continue to incur a substantial proportion of capital expenditures in Italy (see paragraph 1.2). As a result, the Group's neat-term development plan could lead to an increase in the activities carried out in Italy – a country which presents uncertainties with regard to the level of renewable energy repurchase tariffs and the risk of litigation, as set out in paragraphs 5.2.7 and 5.2.4, respectively, of this Report. In order to limit the weight of its investments in Italy, the Group intends to sell its minority stakes in certain of its projects and companies in Italy. The concentration of the Group's activities in Italy could have a material adverse effect on the liquidity, financial condition and results of operations of the Group.

5.1.28 The Group's newly appointed CEO and CFO may be unfamiliar with certain aspects of the Group's business.

Mr. Eric Peugeot was appointed CEO on February 9, 2010; he has been Chairman of the Board of Directors of the Company since September 29, 2008. He was European merchandising manager and Sponsoring and Partnerships Director for Peugeot automobiles. He holds many positions both within the group Peugeot and outside this group.

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

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

5.1.29 The Group may not be able to retain senior managers or attract or retain other key employees.

The Group's success depends, to a significant extent, on the continued services of its CEO and COO, the CEO of the Italian subsidiary Maestrale (see paragraph 1.2.2 for further details regarding the Maestrale acquisition) and certain other senior managers who have substantial experience in the wind power industry. There is no guarantee that any of the senior managers will remain employed with the Group. If members of the senior management or other key personnel depart, the Group may not be able to hire or retain experienced replacements in a timely manner with experienced people. For example, the individual in charge of the Group's activities in Germany left the German subsidiary on March 31, 2010 without a successor having been appointed at the date of his departure. This successor, now identified, is expected to join the German subsidiary in the coming weeks. In the meantime, COO, Mr. Jean François Azam has responsibility for the management of this subsidiary.

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

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

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

The Group carries civil liability insurance with AIG Europe (Chartis) for losses arising during the construction of its wind farms. For Group companies in France, it carries professional civil liability insurance for bodily injury, property damage and consequential losses arising from these companies' activities. This cover functions particularly in the event of losses caused to others due to the activities of the covered or due to the actions of persons or things in their care.

The Group has a directors' and officers' liability insurance policy with the company CNA.

The Group carries insurance for losses arising from the construction and the operation, respectively, of its wind farms.

For purposes of the construction of wind projects, the Group carries insurance for the following types of risk:

- Onsite construction risks, including fire, machine breakdown and explosions, and losses arising from material damage or breakdowns on a project;
- Transport risk, including the transport of goods which are of strategic importance to the construction of a project, and losses arising from the unavailability of such goods due to a transport event; and
- "Damage to works" risks.

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

The Group benefits from the contractual guarantees provided by its sub-contractors with regard to any interruptions and damage incurred during construction for which the builders are liable.

In addition, the Group is protected by contractual guarantees provided by the turbines suppliers, with regard to damages suffered in case of defective functioning of such turbines (including operating losses related to equipment malfunction and to the replacement of defective components).

However, these insurances policies of the Group may have high deductibles, and there can be no guarantee that they are or will be sufficient to cover any losses resulting from certain events. In addition, the Group's insurance policies are subject to annual review by the Group's insurers and the Group may be unable to renew them or maintain them at all a reasonable cost. Also the contractual guarantees granted by sub contractors and suppliers may be difficult to enforce or ineffective in the event that such guarantors refuses or are unable to honor their guarantees. If the Group were to incur a significant uninsured loss or a loss significantly exceeding the limits of its insurance policies, the resulting costs could have a material adverse effect on its cash flows, financial condition or its results of operation.

5.1.31 The Group may not be able to protect its intellectual property.

The Group owns or validly holds user intellectual and industrial property rights, in particular brands and domain names which it uses in its business. The Group maintains a systematic policy of defending its intellectual and industrial property rights but there can be no assurance that the measures that have been taken to protect its rights will be effective or that third parties will not counterfeit or misappropriate its intellectual property rights.

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

5.1.32 The IFRS standards implementation related to recoverable value of the Company's assets is complex and likely to induce to a certain variation of the result.

In its financial reporting, the Company applies the IFRS standards (IAS 36) which require that certain of the Group's assets are accounted for at their fair market value for purposes of estimating returns.

Such valuations may involve accounting methods that are complex and partly subjective, which could result in significant variations in asset values and operating results from period to period.

Although these valuations are subject to review by the audit committee and the Board of Directors, there can be no assurance that estimated returns are reliable or that such returns will be realized in practice.

5.2 RISKS LINKED TO THE WIND POWER INDUSTRY

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

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

The profitability of a wind farm depends not only on observed wind conditions at the site, but also on whether observed wind conditions are consistent with assumptions made during the project development phase. Prior to 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, such as selection of sites and positioning of wind turbines, are based on the findings of this report. The Group cannot guarantee observed weather conditions, particularly wind conditions, will conform to assumptions made when the wind projects were developed.

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

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

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

The Group is particularly exposed to this risk due to a relative lack of geographical diversification in its operational wind farms compared to its peer companies and its reliance on the wind markets in France and Germany particularly. For example, in the first quarter of 2009 poor wind conditions in France and Germany led to a decrease in sales of electricity for the Group's own account and for the account of third parties, which caused in France a breach of financial covenants (in this respect, see paragraph 5.1.3 above).

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

The development of renewable energy sources such as wind power is significantly dependent on government incentives aimed at greater use of wind power. In many countries in which the Group is currently, or intends to become, active, wind power would not be commercially viable without government incentives. Indeed the cost of generating electricity from wind power currently exceeds, and the Group believes will continue to exceed for the foreseeable future, the costs of generating electricity from conventional energy sources.

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

Although support for renewable energy sources has been constant in previous years, and although the European Union and certain member states regularly reaffirm their desire to continue and strengthen such support, the Group cannot guarantee that support will be maintained, nor that the electricity produced by future wind farms will be covered by statutory purchase obligations imposed on established power producers and distributors, or will benefit from tax incentives or other support measures for generation of electricity from renewable energy sources. The Group also cannot guarantee that such support will not be reduced in the future.

If international institutions (in particular, the European Union) and national governments (in particular, France and Germany) were to abandon or decrease their support for development of renewable energy sources – for example, owing to the cost of the support measures or in order not to harm the market for other energy sources – these actions could have a material adverse effect on the Group's cash flows from sales of electricity, the profitability of its operating wind farms, its ability to obtain financing for the development of wind projects, and its cash flows from sales of commissioned wind farms.

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

The selection of future sites for the installation of wind farms is subject to various constraints, including topographic constraints, various easements (particularly access easements), capacity for connection to the local electrical grid, and various environmental constraints (particularly proximity to housing and sensitive or protected sites). Moreover, wind farms may be located solely in regions benefiting from favorable climate conditions. Accordingly, the number of sites available for these projects is necessarily limited.

Specifically with regard to wind turbines, growth in the number of installed wind farms has a tendency to restrict the number of sites available for such projects, while growth in the number of operators in the wind power market intensifies competition for available sites. In Germany, which is one of the main markets for the Group's business, strong growth in the development of wind farms has reduced the number of available sites for new wind farms. In France, which is also one of the main markets for the Group's business, a wind farm must be located within a designated Wind Power

Development Zone in order to be eligible for purchase obligations with privileged tariffs for electricity generated from wind power.

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

5.2.4 The construction of a wind farm requires building permits and operating authorizations. The Group has failed and in the future may fail to obtain such permits and authorizations for projects under development, and third parties have initiated and in the future may initiate recourse proceedings against permits and authorizations already obtained.

In order to construct and operate a wind farm, the Group must obtain building permits and operating authorizations from various national and local authorities. The large number of administrative entities involved can make the process of obtaining these permits and authorizations long and complex. In certain cases, third parties have initiated and in the future may initiate recourse proceedings against certain building permits or applications for authorizations. The Group cannot guarantee that operating and building permits will be obtained for projects currently under development. In addition, for operating wind farms, the renewal or continuation of permits is subject to review and possible revocation, particularly if the Group does not comply with the conditions of such permits, its electricity sales contracts and applicable regulations. In certain jurisdictions, more particularly Italy, negotiations with local authorities in charge of granting the authorizations to operate or to develop the land on which the wind farms are located may be onerous and lengthy and may require the payment of financial compensations to such authorities.

In France, beginning in 2008 there has been a substantial rise in community opposition to wind farms and an increase in challenges to existing permits. To date, none of the building permits obtained by the Group in France are being challenged in administrative proceedings.

In 2008 and 2009, no building permit authorizing the construction of wind farms was granted by the Group in France, apart from one project which recourse partially succeeded for 11 out of 29 expected windmills. In Italy, environmental organizations and activists opposed to the development of wind farms may continue to dispute building permits once they are granted.

On the other hand, the Company has initiated various recourse proceedings against refusals to grant building permits to the Group). Besides in Italy, where recourse proceedings against certain building permits could be made by third parties even when expired (two months), two projects comprising 34 MW are subject to recourse proceedings by third parties and the litigation is as of the date of this Report undergoing. Continued difficulty obtaining building permits due to community opposition throughout France could materially adversely affect the Group's ability to develop and operate wind farms in France which may materially adversely affect the Company's business, operations and financial condition and may result in increased concentration of the Company's operations in Germany

In France, in this context, a report hostile to wind power from the parliament was presented to the National Assembly ("*Assemblée Nationale*") on March 30, 2010.

In addition in France the professional tax reform comprised in the law of finance for 2010 could reduce the attraction for wind farms towards elected members of some territorial communities.

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

If the Group were to fail to obtain building permits or receive authorizations to operate one or more of its wind projects, or if recourse proceedings were initiated, the values of the assets on the Group's balance sheet could be subject to significant depreciation, and the Group's ability to generate cash flows from the sale of commissioned wind farms or sales of electricity generated by its wind farms could be materially adversely impaired. Also in France, if adopted, the proposed amendments of the Grenelle II law project could significantly lengthen the timeframe for the installation and commissioning of wind farms because wind projects would be subject to the regime of Classified Installations for the Protections of the Environment, which would extend the timeframe for installation and increase the complexity of administrative procedures.

5.2.5 The Group could incur substantial costs to address violations of or liability under environmental, health, and safety laws and regulations.

The Group operates electricity generating wind farms, which may result in damages and nuisance to the surrounding human population, flora and fauna, and nature generally, or may be a source of bodily injury, industrial accidents, and environmental and health impacts. For example, a windmill blade may break off and fall on the ground. The Group cannot guarantee that its wind farms will not be a source of pollution, nuisance, environmental damage or bodily injury.

An act of malicious destruction, sabotage or terrorism committed on any of the Group’s wind farms could have consequences similar to those of one of the accidents described above: bodily injury and property damage, pollution or business interruption.

If such environmental pollution, nuisance or damage were to occur, the Group could be held liable for damages or legal violations, which could have a material adverse effect on the cash flows, financial situation, and reputation and public image of the Group.

5.2.6 Certain individuals, associations and groups of people oppose wind power projects. The wind power industry may become subject to further reduced acceptance by local populations, increases in the number of legal challenges to wind power projects, or unfavorable trends in the outcome of such challenges.

Certain individuals, associations and groups of people oppose wind power projects, on the basis that wind power causes degradation of the landscape, noise pollution, injuries to birds and, more generally, harm to the environment.

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

If a population actively opposes against the construction of a wind farm, it may be more difficult to obtain the required building permits and operating authorizations. In France and in Italy, fin particular, an increasing number of groups oppose to wind farms (in this respect see paragraph 5.2.4 of this Report). These challenges can result in the invalidation of the permit or, in certain cases, the dismantling of an existing wind farm. To date, the Group is not subject to any actions from third parties in Germany and France, while in Italy, third parties initiated recourses against granted building permits for two projects. This activism against wind energy is manifested in numerous administrative oppositions against permits already granted. In France, a decision from the Tribunal de Grande Instance of Montpellier dated February 4, 2010, noted the sound and visual nuisance of windmills and ordered the wind farm operator to demolish four aero generators out of twenty as well as a windmill and to pay €500,000 in damages to a resident considering their unusual proximity with the latter's residence.

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

In order to manage the risk, the Group takes various actions throughout the development process: presence close interaction with representative bodies of the population during the early stages of prospecting and research in order to control these dimensions, in parallel with technical studies, regular meetings with the population and government services in order to inform the residents concerned residents and to promote the acceptance of the project; strategic analysis and consultations during the development stage concerning the impact of the project on the environment; close relationships with local and national elected officials to promote their acceptation of new projects in their respective jurisdictions.

In Germany, this risk is less significant because the Group generally acquires projects with building permits free of any third party claims.

Opposition from local populations, an increase in the number of legal challenges, or an unfavorable trend in the outcome of such challenges could have a material adverse effect on the Group's legal and regulatory compliance costs, production of electricity generated from wind, and ability to develop and sell commissioned wind farms. Any of these effects could have a material adverse effect on the Group's business, financial condition and results of operation.

5.2.7 The Group's revenues from the sale of electricity significantly depend on the sale price of electricity generated from wind. Guaranteed tariffs set by regulatory authorities, market prices and/or prices of green certificates could fail to maintain levels sufficient to achieve forecasted profit margins for the Group's operating wind farms and could also affect completion of projects in development.

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

In France and in Germany, where the Group generates a substantial majority of its electricity sales, the Group has long-term contracts for the sale of electricity from its operational wind farms at tariffs fixed by the regulatory authorities. Any decision by these authorities to change such fixed tariffs could have a material adverse effect on cash flows and results of operations for the Group's existing wind farms, as well as the financial parameters and capacity for completion of its projects in development. Moreover, these tariffs of purchase fluctuate according to determined indexes. Thus, for example, the purchase price in €/MWh amounted to 86.1 in 2009 and to 81.6 in 2010 in France.

The Group cannot guarantee that regulated tariffs and market prices, as applicable, in any of the countries in which it operates or intends to operate, will maintain levels sufficient to ensure the achievement of forecast profit margins for the Group's operating wind farms or which have been initially forecast at the time a project is financed. Such fluctuations in electricity prices could have a material adverse effect on cash flows and results of operations for the Group's wind farms, the financial situation and capacity for completion of Group projects in development, and the Group's ability to meet its financing obligations.

In countries where the Group has or intends to develop projects benefiting from tariffs fixed by the local authorities (Italy, India and Brazil), a drop in market prices for electricity or for green certificates, as applicable, could have a material adverse effect on the financial parameters of wind projects in the course of development. In this respect, noting that the tariff of 18c€/kWh was fixed by the 2008 Financial law for a period of three years, tariffs in Italy are expected to be revised downwards for the 2012 financial year according to the market estimates.

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

The demand for power plants that generate electricity from renewable sources such as wind depends in part on the cost of producing power from renewable sources relative to the cost of generating it from conventional energy sources. The cost of electricity produced from renewable energy sources, such as wind, is determined primarily by the cost of constructing, financing and maintaining the power plant. For a wind farm, the cost also varies with wind conditions. While it is the case that the development prospects of renewable energy do not depend solely on their economic competitiveness relative to other energy sources, the terms under which supplies of petroleum, coal, natural gas and other fossil fuels, as well as uranium, can be obtained are key factors in determining the economic interest of using these energy sources rather than renewable sources. This is because the cost of generating electricity from wind power currently exceeds, and the Group believes will continue to exceed for the foreseeable future, the costs of generating electricity from conventional energy sources.

A decline in the competitiveness of electricity generated from renewable energy sources in terms of production costs, technological progress in harnessing other energy sources, the discovery of large new deposits of oil, gas or coal, or a decline in the prices of fossil fuels could weaken demand for electricity produced from renewable sources. A reduction in demand for renewable energy could have a material adverse effect on the Group's business, its financial condition, results of operations and on its ability to achieve its objectives.

5.2.9 The Group is subject to extensive international, national and local rules relating to the development and operation of wind farms, including environmental regulations. As a result, the Group incurs significant compliance costs.

The Group conducts its business in a highly regulated environment. The Group, its wind farms and its projects in development are subject to various laws and regulations that differ in each country in which the Group operates. In particular, the Group, its wind farms and its projects are subject to strict international, national and local rules relating to, among other things:

- Environmental protection (including landscape conservation and noise regulation);
- The development of wind projects into operational wind farms, which requires the Group to obtain rights or easements to land, construction permits and other authorizations to operate; and
- The operation of wind farms, which requires the Group to comply with rules governing power generating facilities and grid connections to distribution networks.

The Group incurs significant costs to obtain various permits and authorizations. In light of the growing importance of the renewable energy industry, legal and regulatory standards for wind farms may be strengthened. The Group may be subject to increased regulatory scrutiny and greater compliance costs and as a result, cash flows from operations could decrease and the Group could require a higher level of profitability in order to guarantee a return on its investments.

More restrictive regulations, or their interpretation or enforcement, could lead to new constraints on the Group's activities likely to increase its capital expenditures or its compliance costs (for example, through the implementation of additional inspection and monitoring procedures) or otherwise delay the expansion of the Group's development pipeline. Any changes to applicable regulations could have an adverse effect on the Group and there can be no assurance that it will be able to continue to comply with these new obligations. If the Group or its projects were to fail to comply with these obligations, the construction of projects or their connection to distribution networks could be interrupted. In addition, regulatory authorities could impose financial penalties or other penalties on the Group, which could affect the profitability of the Group or result in reputational harm. If any of these events were to be realized, it could have a material adverse effect on the business, financial situation and results of operations of the Group, or on its ability to achieve its objectives.

6 CORPORATE GOVERNANCE

6.1 Composition of corporate bodies

6.1.1 Board of Directors

As of the date of this Report, the THEOLIA Board of Directors comprised 9 members:

- Mr. Eric Peugeot, director and Chairman of the Board of Directors,
- Mr. Gérard Creuzet, director,
- Mr. Philippe Dominati, director,
- Mr. Louis Ferran, director,
- Mr. Fady Khallouf, director,
- Mr. Georgius J.M. Herbasch, director,
- Mr. Philippe Leroy, director,
- Mr. Jean-Pierre Mattei, director, and
- Mr. Michel Meeus, director.

6.1.2 Committees of the Board of Directors

During financial years 2009 and 2010, the Board of Directors assigned three specialized Committees for the preparation of its deliberations: the Audit Committee, the Strategy Committee and the Nominations and Remuneration Committee.

The composition and the missions and the activities of these Committees are detailed in the Internal Control Report of the Chairman of the Board of Directors in schedule 1 of this Report.

6.1.3 General management

The Board of Directors decided to end the separation of duties between the Chairman and the CEO by appointing Mr. Eric Peugeot, Chairman of the Board of Directors, to the position of CEO of THEOLIA on February 9, 2010.

Since this date, the CEO is assisted by two deputies: Jean-François Azam, the Chief Operating Officer, and François Rivière, the Chief Financial Officer.

6.2 AFEP-MEDEF recommendations

On a voluntary basis, THEOLIA refers to the recommendations of the AFEP-MEDEF corporate governance code dated October 6, 2008.

The THEOLIA Board of Directors believes that these recommendations are consistent with the Company's approach to corporate governance, particularly since many of these recommendations are already being applied within the Group.

THEOLIA thus applies these recommendations on a voluntary basis, with the exception of the following:

(a) THEOLIA has not applied the recommendation on the definition of performance conditions for the allocation of free shares for a portion of the free shares allocated to the Chief Executive Officer in 2009; at the end of the interim management period following the departure of former chief executive Jean Marie Santander, Marc van't Noordende accepted the role of Chief Executive Officer on a permanent basis and subsequently received, as a welcome package, 199,426 free shares with no performance conditions but which carried attendance conditions.

The corporate office agreements of Messrs. Marc van't Noordende and Olivier Dubois provide that the allocation of free shares will be considered as permanent in the event of their dismissal by the Company. Nevertheless, the Company reserves the right to use the legal resources at its disposal to contest the permanent allocation of these shares (see paragraph 6.4.5 on this matter).

Further, Eric Peugeot was allocated 80,000 free shares with no performance conditions but with attendance conditions for his duties as Chairman and CEO of the Company since February 9, 2010; these constitute his sole compensation as CEO of the Company, with the exception of the attendance fees he receives for his role as Chairman of the Board of Directors.

All other allocations of free shares to directors are subject to attendance and performance conditions pursuant to the provisions of the AFEP-MEDEF code.

(b) Although the AFEP MEDEF guidelines recommends to exclusively compensate directors with attendance fees (*jetons de* presence), three directors of the Company (Philippe Leroy, Jean-Pierre Mattei and Philippe Dominati) who undertook exceptional missions, received exceptional compensations. These compensations are allotted as a result of the missions undertook (described in paragraph 6.5.3) by these directors in the context of the financial restructuring plan. The three directors received an overall amount of €280,000 in consideration of their work until the general meeting of the Company dated March 19, 2010 and will receive an overall additional compensation of €150,000 for the work to be carried out between March, 19 and August, 31 2010. The Company considers that the payment of these compensations is necessary given the current restructuring of the Group. These exceptional missions have been authorized by the Board of Directors on March 19, 2010 and will be subject to auditors' review and shall be submitted for approval by the general meeting of shareholders pursuant to Articles L.225-38 *et seq*. of the French Commercial Code. For further details, please refer to paragraph 6.5.3.

(c) Insofar as the Company does not wish to increase the financial liabilities placed upon its new managers within the context of the financial restructuring of the Group and given that it requires its officers to retain a percentage of the free shares that have been allocated to them for the duration of their term of office**,** the Board of Directors decided that it would not be advisable to oblige the CEO and deputies to purchase a quantity of shares in the Company once the period during which they are required to retain their performance shares has expired.

(d) The directors of the Company (with the exception of Messrs Hersbach and Meeus) do not hold a significant proportion of the Company's shares on a personal basis and have not used their attendance fees to acquire any shares. However, a significant number of the directors were appointed recently (five of the nine directors have been appointed since September 2009). In addition, some of the directors were chosen for their professional and technical skills rather than their holdings in the Company, particularly in terms of accounting and financial matters (Philippe Leroy), restructuring (Jean-Pierre Mattéi) and strategy (Gérard Creuzet and Fady Khallouf). These appointments have the added bonus of allowing the Company to comply with the AFEP-MEDEF recommendations on independent directors.

(e) Although the Articles of Association of the Company provide that the directors are to be appointed for a term of 3 years (in line with the AFEP-MEDEF recommendations), the Company does not observe the rules on staggering appointments of directors for historical reasons. Accordingly, of the nine directors, six have a term of office ending at the general meeting to be held to approve the accounts of the financial year ending December 31, 2011 and the remaining three at the general meeting to be held to approve the accounts of the financial year ending December 31, 2012.

None of the officers or directors has entered into an employment contract with the Company and none benefit from a specific retirement plan. Mr. Jean-François Azam, COO, had an employment contract with THEOLIA France, subsidiary of the Company, before he was appointed as an officer. His employment contract was terminated on his appointment.

6.3 List of offices and roles of the officers

6.3.1 Directors

Name, surname address, age	Date of first appointment	Date of expiry of appointment	Role within the Company	Main appointments and roles within the Group	Main appointments and roles outside the Company	Main appointments and roles outside the Company over the last 5 years, now expired
Éric PEUGEOT Le Four à pain, 4 chemin des Palins 1273 Le Muids (Vd), Switzerland Age 54	GM of April 14, 2006	GM called to approve the accounts ending December 31, 2011	Chairman of the Board of Directors of THEOLIA since September 29, 2008 CEO since February 9, 2010	Chairman and CEO of THEOLIA Director of THEOLIA	Chairman and Director of Peugeot Belgique (1) Chairman of Peugeot Nederland NV (1) Chairman and Director of Peugeot Portugal Automoveis (1) Director of Peugeot Frères SA, La Française de Participations Financières SA, Immeubles et Participations de l'Est SA, SKF France SA and HESTIUN Group (1)	N/A

Name, surname address, age	Date of first appointment	Date of expiry of appointment	Role within the Company	Main appointments and roles within the Group	Main appointments and roles outside the Company	Main appointments and roles outside the Company over the last 5 years, now expired
Louis FERRAN * Chalet DIVA 5 – 32 Route de Sommets de Crans – Canton du Valais – 3963 Crans – Montana, Switzerland Age 64	GM of April 14, 2006	GM called to approve the accounts ending 31 December 2011	None	Vice Chairman of the Board of Directors of THEOLIA Director of THEOLIA Member of the Nomination and Compensation Committee	Director and managing director of Rocimmo SA (1) , Alfy SA (1), Mavirofe SA (1), Piasdi SA (1) and DBI Helvetia (1)	Director of Granit SA
Georgius J.M. HERSBACH Nieuw Loosdrechtsedijk 227 1231 KV Loosdrecht, Netherlands Age 57	GM of April 14, 2006	GM called to approve the accounts ending December 31, 2011	None	Director of THEOLIA Member of the Nomination and Compensation Committee Permanent representative of THEOLIA, member of the Supervisory Board of Ecolutions GmbH & Co. KGaA (1)	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. Member of the Board of Directors of NovaRay Medical, Inc. (1) Member of Stategic Board of UE CIP	Vice Chairman of the Supervisory Board of Global Interface SA
Philippe DOMINATI * (2) 15 rue Vaugirard, 75291 Paris Cedex 06, France Age 55	GM of June 11, 2009	GM called to approve the accounts ending December 31, 2011	None	Director of THEOLIA Member of the Audit Committee Member of the Strategy Committee	Vice Chairman of the Supervisory Board of Téléperformance SA, Member of the Compensation Committee of Téléperformance SA, Chairman of the Supervisory Board of Teleperformance	Director of SLE Caisse d'Epargne Ile de France

Name, surname address, age	Date of first appointment	Date of expiry of appointment	Role within the Company	Main appointments and roles within the Group	Main appointments and roles outside the Company	Main appointments and roles outside the Company over the last 5 years, now expired
					France, Manager (*gérant*) of Isado SARL	
Jean-Pierre MATTEI * (2) 34 avenue Montaigne, 75008 Paris, France Age 59	Board of Directors of September 22, 2009	GM called to approve the accounts ending December 31, 2011	None	Director of THEOLIA Member of the Audit Committee	Director of Groupe Eurotunnel SA, Groupe Floirat SA, Petites Affiches SA and of La Gazette du Palais Chairman of SAS Fimopar (Financière Immobilière Participations)	Director of Banque Palatine
Philippe LEROY* (2) 88, rue de l'Université 75007 Paris ,France Age 51	Board of Directors of November 6, 2009	GM called to approve the accounts ending December 31, 2011	None	Director of THEOLIA Chairman of the Audit Committee	Chairman and CEO of Détroyat & Associés Director of 1855 SA	None
Michel MEEUS 1, Escalier de l'Inzernia 83000 Monaco, Monaco Age 57	GM of March 19, 2010	GM called to approve the accounts ending December 31, 2012	None	Director of THEOLIA	Director of Alcofinance SA (1), Alcogroup SA (1), and S.A.D. SA (Société des Alcools Dénaturés) Deputy Director of Alcodis SA (1) (through Solis Mngt & Consulting SA (1))	N/A
Gérard CREUZET* 8, rue Duguay-Trouin 75006 Paris, France Age 57	GM of March 19, 2010	GM called to approve the accounts ending December 31, 2012	None	Director of THEOLIA Chairman of the Strategy Committee	Advisor to the Chairman of VEOLIA Environnement SA	Chairman of the Board of Directors of EDF Développement Environnement and EDF-Trading Director of EDF-International, EDF-Energy and Groupe Martec Member of the

Name, surname address, age	Date of first appointment	Date of expiry of appointment	Role within the Company	Main appointments and roles within the Group	Main appointments and roles outside the Company	Main appointments and roles outside the Company over the last 5 years, now expired
						Supervisory Board of Dalkia Chairman of the SAS des Polymères Barre Thomas
Fady KHALLOUF* 102, boulevard de Courcelles 75017 Paris, France Age 49	GM of March 19, 2010	GM called to approve the accounts ending December 31, 2012	None	Director of THEOLIA Member of the Strategy Committee	Restructuring and strategic consultant	Deputy director (CEO) of the Tecnimont Group (1) Strategy and Development Manager of the Edison Group (1) Director of Edipower (1), Edison Trading (1) and Edison Energia International Water Holdings(1)

Appointments of Messrs. Mattei and Leroy by the Board of Directors were ratified by the ordinary shareholders' meeting dated March 19, 2010 pursuant to Article L 225-24 of the French Commercial Code.
*independent directors
(1) Foreign companies
(2) The Board of Directors believes that the existence of a contract entered into by Messrs Dominati, Mattei and Leroy with a view to carry out an exceptional mission, does not question their independence, given that the amounts payable to them under such contract, do not qualify as remuneration and correspond to missions entrusted to them in an exceptional context that by its nature will not give rise to a conflict of interest but nonetheless falls within the ambit of a director's functions.

The following table shows the terms of office and roles occupied over the course of the last five years by those persons who have been officers of the Company over the course of the 2009 financial year but who were no longer in position as of the date of publication of this Report.

Name, surname address, age	Date of first appointment	Date of expiry of appointment	Role within the company	Main appointments and roles within the Group	Main appointments and roles outside the Company over the last 5 years
Stéphane GARINO 28, boulevard de Belgique 98000 Monaco, Monaco Age 36	GM of April 14, 2006	May 30, 2009	Chairman of the Audit Committee	Director of THEOLIA until May 30, 2009	Director of ACTIS SA Monégasque Director of Thenergo Director of GRE Holding

Name, surname address, age	Date of first appointment	Date of expiry of appointment	Role within the company	Main appointments and roles within the Group	Main appointments and roles outside the Company over the last 5 years
Arne LORENZEN 75 rue Denis Papin BP 80199 13795 Aix-en-Provence cedex 3, France Age 46	GM of April 14, 2006	February 11, 2009	COO	Director of THEOLIA until February 11, 2009 Manager of THEOLIA Deutschland GmbH Manager of THEOLIA Deutschland Verwaltungs GmbH Director of VENTURA SA Director of Ecolutions Director of Maestrale Green Energy Manager of Natural Energy Corporation GmbH Manager of Natenco Holding GmbH Administrateur de la Compagnie Eolienne du Détroit Director of THEOLIA Emerging Markets Director of THEOLIA Maroc Director of THEOLIA Maroc Services Director of Tanger Med Wind	None
Philippe PERRET 51 rue Arnould - Villa 23 13011 Marseille France Age 46	GM of April 14, 2006	January 21, 2009	CFO until September 30, 2008	Director of THEOLIA until January 21, 2009	Director of Mandarine Group Director of Global Eco Power
SPRL Sofinan Société de droit	GM of October 13, 2006	October 13, 2009	None	Director of THEOLIA until	Director of Thenergo, of

Name, surname address, age	Date of first appointment	Date of expiry of appointment	Role within the company	Main appointments and roles within the Group	Main appointments and roles outside the Company over the last 5 years
belge Leopoldlei 94 B2930 Brasschaat, Belgium Représented by Norbert Van LEUFFEL Age 65				October 13, 2009 Member of the Audit Committee	which the permanent representative is Mr. Norbert VAN LEUFFEL, until 24 March 2009 Chairman of the Board of Directors of Thenergo, of which the permanent representative is Mr. Norbert VAN LEUFFEL, since 24 March 2009
Willi BALZ Friedrichstr. 16/1 - 72649 Wolfschlugen - Germany Age 49	GM of June 11, 2009	October 17, 2009	None	None	Manager of Natenco-Natural Energy Corporation GmbH, Financial Consulting GmbH, Windreich AG GmbH and Wetfeet Windenergy Holding GmbH Director of Führländer AG
Marc VAN'T **NOORDENDE**	GM of June 11, 2009	March 19, 2010	CEO until February 9, 2010 and Director until March 19, 2010	CEO and director of THEOLIA Permanent representative of THEOLIA (Chairman) in Ecoval Technologie SAS Chairman of Maestrale Green Energy Director of THEOLIA Emerging Markets, THEOLIA Maroc, Tenger Med Wind and	CEO Operations (COO) and member of the Executive Committee of Essent N.V. Member of the Supervisory Board of SWB A.G. Member of the Supervisory Board of Endex N.V. Member of the Board of Directors of VNO/NCW Chairman of

Name, surname address, age	Date of first appointment	Date of expiry of appointment	Role within the company	Main appointments and roles within the Group	Main appointments and roles outside the Company over the last 5 years
				THEOLIA Maroc Services Manager of THEOLIA Holding GmbH and THEOLIA Naturenergien GmbH Permanent representative of THEOLIA (member of the supervisory board) in Ecolutions GmbH & Co (as of the date of this Report, M. Van't Noordende is no longer in office)	WENB Chairman of CAIW Director of STT

6.3.2 CEO, COO and CFO

Name, surname address, age	Date of first appointment	Date of expiry of appointment	Role within the company	Main appointments and roles within the Group	Main appointments and roles outside the Company	Main appointments and roles outside the Company over the last 5 years, now expired
Eric PEUGEOT	See paragraph 6.3.1 above					
Jean-François AZAM 75 rue Denis Papin, 13100 Aix en Provence, France Age 45	February 9, 2010	**Indefinite term**	COO	President of THEOLIA France SAS Chairman and CEO of THEOLIA Emerging Markets / Compagnie Eolienne du Détroit/ THEOLIA Maroc / Tanger Med Wind / THEOLIA Maroc Services Officer of all	None	CEO of Ginger Bâtiments d'Activités SAS

Name, surname address, age	Date of first appointment	Date of expiry of appointment	Role within the company	Main appointments and roles within the Group	Main appointments and roles outside the Company	Main appointments and roles outside the Company over the last 5 years, now expired
				PSC owned by the Group in France Geschäftsführer of THEOLIA Naturenergien GmbH / THEOLIA Holding GmbH / THEOLIA Deutschland GmbH / THEOLIA Windpark 1 Management GmbH Director of Maestrale Green Energy		
François RIVIERE 75 rue Denis Papin, 13100 Aix en Provence, France Age 56	February 9, 2010	Indefinite term	CFO	Manager of Windream One / Permanent representative of the Chairman of THEOLIA SA within Ecoval Technology Future positions: Chairman and CEO and director of Therbio SA / Chairman-CEO of Ecoval 30	Chairman of Belair Group Manager of FL Senoch	CEO of V.E.V. Chairman-CEO of SGQ Chairman-CEO of Lainière Holding Liquidator of Pingouin SA Chairman-CEO of Intexal Participations International Chairman-CEO of V.E.V. Services

6.4 Compensation of company managers and representatives

6.4.1 Table showing a summary of the compensation, options and shares allocated to each company manager and representative (in thousands of €)

The following tables have been drawn up in accordance with the AFEP-MEDEF recommendations. They give details of the amount of compensation paid and the benefits in kind granted by the Company and its subsidiaries over the course of the financial year ended December 31, 2009, to the Chairman, the Chief Executive Officer and Deputy Chief Executive Officer.

Table showing a summary of the compensation, options and shares allocated to each company manager and representative (in thousands of €):

Eric Peugeot, Chairman on September 29, 2008 (became Chief Executive Officer on February 9, 2010)	FY 2008	FY 2009
Compensation in cash		
Compensation due in respect of the financial year (attendance fees)	67.5	97
Other non-cash allocations		
Valuation of options allocated in respect of the financial year	94	-
Valuation of performance shares allocated in respect of the financial year (1)	-	-
Total	**161.5**	**97**

Marc Van't Noordende, Chief Executive Officer from September 29, 2008 to February 9, 2010	FY 2008	FY 2009
Compensation in cash		
Compensation due in respect of the financial year (fixed compensation)	195 (1)	572(2)
Compensation due in respect of the financial year (variable or exceptional compensation)		111 (3)
Total	195	683
Other non-cash allocations		
Valuation of options allocated in respect of the financial year	-	-
Valuation of performance shares allocated in respect of the financial year	-	2,188
Total	**195**	**2,871**

Olivier Dubois, Deputy CEO from May 1, 2009 to February 9, 2010	FY 2008	FY 2009
Compensation in cash		
Compensation due in respect of the financial year (fixed compensation)	-	133
Compensation due in respect of the financial year (variable or exceptional compensation)	-	40 (4)
Total	-	173
Other non-cash allocations		
Valuation of options allocated in respect of the financial year	-	-
Valuation of performance shares allocated in respect of the financial year	-	1,047
Total	**-**	**1,220**

(1) Within the scope of a services contract in respect of the interim management. Amount excluding tax.

(2) Including €275,000 related to the interim management. Amount excluding tax.

(3) Marc van't Noordende benefited from a variable compensation component that could amount to 50% of his fixed compensation and his "impatriation" bonus, calculated based on meeting targets defined by the Board of Directors: 50% for financial results, 25% for operating performance and 25% at the discretion of the Board.

(4) Olivier Dubois benefited from a variable compensation component that could amount to 40% of his fixed compensation, calculated based on meeting targets defined by the Board of Directors: 50% for financial results, 25% for operating performance and 25% at the discretion of the Board.

It should be noted that the option valuations (equity warrants) and performance shares (free shares) allocated over the course of the year do not constitute compensation in cash and have no impact on the Group's cash position.

The valuation of the performance shares is made based on the share price on the date of allocation: €3.40 for the shares allocated on December 17, 2009 (since these shares were allocated under conditions of performance and attendance and the probability of their allocation was evaluated at 77%, the share value was reduced by the appropriate proportion), €3.12 for the 199,426 shares allocated on June 11, 1009, €18.69 for the 100,000 shares allocated free of charge on January 8, 2008 and €18.45 for the 56,215 shares allocated free of charge on February 6, 2007. The THEOLIA share price was €3.04 at closing on December 31, 2008.

The valuation of the equity warrants was made on the date of allocation using the Black and Scholes model or, where appropriate, that developed by J. Hull and A. White, allowing the fair value of the option to be determined.

Messrs. Rivière (CFO) and Azam (COO) do not appear in the table above because they were not Company officers in 2009 (they were appointed in February 2010).

6.4.2 Table showing a summary of the compensation of each Company manager and representative (in thousands of €)

Eric Peugeot, Chairman since September 29, 2008	Amounts in respect of FY 2008		Amounts in respect of FY 2009	
	Due	Paid	Due	Paid
Fixed compensation	-	-	-	-
Variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Attendance fees	67.5 (paid in 2009)	0	97	76
Benefits in kind	-	-	-	-
Total	**67.5**	**0**	**97**	**76**

Marc van't Noordende, CEO from September 29, 2008, to February 9, 2010	Amounts in respect of FY 2008		Amounts in respect of FY 2009	
	Due	Paid	Due	Paid
Fixed compensation (1)	195 (1)	195 (1)	275(1)	275(1)
Fixed compensation	-	-	297	297
Variable compensation	-	-	(2)	-
Exceptional compensation	-	-	-	-
Attendance fees	-	-	-	-
Benefits in kind	-	-	3	3
Total	**195**	**195**	**686**	**575**

Olivier Dubois, Deputy CEO from May 1, 2009, to February 9, 2010	Amounts in respect of FY 2008		Amounts in respect of FY 2009	
	Due	Paid	Due	Paid
Fixed compensation	N/A	N/A	133	133

Variable compensation	N/A	N/A	(2)	-
Exceptional compensation	N/A	N/A	-	-
Attendance fees	N/A	N/A	-	-
Benefits in kind	N/A	N/A	2	2
Total	**N/A**	**N/A**	**175**	**135**

(1) Within the scope of a service contracts in respect of the interim management. Amount excluding tax.

(2) Considering the conditions in which Messrs. Marc van't Noordende and Olivier Dubois left their positions in February 2010, the Company does not intend to pay them an additional compensation for variable compensation for FY 2009. As a precaution, the Company has however provisioned €111,000 for Mr. Marc van't Noordende and €40,000 for Mr. Olivier Dubois in the consolidated accounts as of December 31, 2009.

Messrs. Rivière (CFO) and Azam (COO) do not appear in the table above they were not Company officers in 2009 (they were appointed in February 2010).

6.4.3 Attendance fees allocated to each Company manager and representative (in thousands of €)

	Attendance fees allocated in respect of FY 2008	Attendance fees allocated in respect of FY 2009
Eric Peugeot, Chairman since September 29, 2008 and Chief Executive Officer since February 9, 2010	67.5	97
Marc Van't Noordende, Chief Executive Officer from September 29, 2008 to February 9, 2010	-	-
Olivier Dubois, Deputy CEO from May 1, 2009, to February 9, 2010 (not a director)	N/A	N/A
Total	**67.5**	**97**

On September 29, 2008, the Company introduced a fixed compensation system for directors, based solely on attendance fees. Some directors received exceptional compensation in 2010 (see paragraph 6.5.3 below).

6.4.4 Share subscription or purchase options

The Company did not allocate any share subscription or purchase options during financial year 2009 and no share subscription or purchase options were exercised during financial year 2009 by the Company managers and representatives.

6.4.5 Performance shares

The following table shows the free shares allocated to the Company managers and representatives during the 2009 financial year (no free shares became available during 2009 financial year):

	Eric Peugeot, Chairman since September 29, 2008	Marc van't Noordende, CEO from September 29, 2008, to February 9, 2010	Olivier Dubois, Deputy CEO from May 1, 2009, to February 9, 2010
Plan date	-	2009-2011	2009-2011
Allocation date(s)	-	06/11/2009 and 12/17/2009	12/17/2009
Number of free shares allocated during the year	-	797,704 (including: 199,426 shares allocated on 06/11/2009 598,278 shares allocated on	400,000

	Eric Peugeot, Chairman since September 29, 2008	Marc van't Noordende, CEO from September 29, 2008, to February 9, 2010	Olivier Dubois, Deputy CEO from May 1, 2009, to February 9, 2010
		12/17/2009)	
Valuation of shares according to the method adopted for the consolidated accounts (in thousands of €)	-	2,188 (including: 622 for the shares allocated on 06/11/2009 1,566 for the shares allocated on 12/17/2009)	1,047
Acquisition date	-	06/11/2011 and 12/17/2011	12/17/2011
Date of availability	-	06/11/2013 and 12/17/2013	12/17/2013
Conditions of performance	-	Yes, except for the shares allocated on 06/11/2009 (see below)	Yes (see below)

All of the free shares allocated to Mr. Marc van't Noordende and Mr. Olivier Dubois are covered by a contractual device providing protection against any transaction on the Company's share capital effectively conducted prior to April 1, 2011. Consequently, if the amount of the share capital changes between June 1, 2009 and April 1, 2011, Messrs. Marc van't Noordende and Olivier Dubois must be allocated an additional number of free shares by the Board of Directors in order to maintain the level of their holdings in the Company's share capital, amounting to 2% for Marc van't Noordende and to 1% for Olivier Dubois on the date of allocation of the aforesaid shares. The free shares to be allocated under this adjustment device would be assigned pro rata to each of the reference years of the free shares already allocated (2009, 2010 and 2011, as appropriate).

The 598,278 free shares allocated to Mr. Marc van't Noordende and the 400,000 allocated to Mr. Olivier Dubois were granted subject to attendance and meeting certain performance criteria related to the fulfilment of financial targets, particularly in terms of net profit and gross operating surplus (EBITDA) over the course of the year in question. The corporate office agreements of Messrs. Marc van't Noordende and Olivier Dubois provide that the allocation of these free shares will be considered as permanent in the event of their dismissal from the Company. The Company reserves the right to use the legal resources at its disposal to contest the permanent allocation of all or part of these shares.

In addition, pursuant to the agreements on the renewal of his appointment as CEO after the interim management period, on June 11, 2009, the Board of Directors allocated 199,426 free shares to Mr. Marc van't Noordende, subject to no particular performance and attendance conditions but which also benefit from the contractual anti-dilution device described above.

6.4.6 Compensation of the new managers appointed in February 2010

Eric Peugeot, CEO

Eric Peugeot agreed to receive all compensation for his duties as CEO of the Company in free shares (with no fixed or variable compensation in cash): the Company granted him 80,000 free shares on 22 February 2010 with no performance conditions, insofar as they constitute his sole compensation as CEO of the Company, but subject to an attendance condition: he will receive 50,000 shares if he is part of the Group on June 30, 2010 and 30,000 on December 31, 2010. Further, he will receive an exceptional compensation for 2010 financial year in the form of 100,000 additional free shares subject to the completion of the restructuring plan.

Jean-François Azam, COO

Jean-François Azam, appointed as COO following the Board meeting held on February 9, 2010, receives a gross annual compensation of €210,000 and variable compensation representing up to 50 % of his gross annual compensation and varying according to annual fixed targets (the targets for 2010 are to be determined by the Board of Directors as soon as a new action plan is approved by the General Management).

Mr. Azam also benefits from free shares that were allocated by the Board of Directors of the Company while he was an employee of THEOLIA France, on December 17, 2009:

- 10,000 free shares allocated as an exceptional bonus without attendance or performance conditions in recognition of his efforts during the recovery of the Company; and
- 30,000 shares for the 2009, 2010 and 2011 financial years, i.e. a total of 90,000 shares subject to attendance and performance conditions.

For these 90,000 free shares: in the event of the termination of his corporate office before December 31, 2011, Mr. Azam will be entitled to receive a number of free shares calculated *pro rata temporis* and subject to meeting performance criteria. However, pursuant to the rules of the 2009-2011 free share plan, the conditions affecting the free shares will automatically be deemed to have been met in full in the event of the completion of an operation (i) that triggers a change in control within the meaning of Article L. 233-3 of the French Commercial Code and (ii) that did not receive a favorable opinion from the Board of Directors of THEOLIA. These 100,000 shares allocated to Mr. Azam benefit from a protection mechanism against the decrease in value of the share price of THEOLIA, especially in the case of a reserved rights issue.

François Rivière, CFO

François Rivière, appointed as CFO following the Board meeting held on February 9, 2010, receives a gross annual compensation of €290,000 and variable compensation representing up to 40% of his gross annual compensation and varying according to annual fixed targets (the targets for 2010 are to be determined by the Board of Directors as soon as a new action plan is approved by the General Management).

In addition, Mr. François Rivère will receive a welcome bonus amounting to 92,800 euros. This bonus will be paid in four instalments at the end of each quarter in 2010.

6.4.7 Additional information

	Employment contract in 2008		Supplementary pension system		Indemnities or benefits due or likely to fall due owing to termination or change of duties		Indemnities relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Eric Peugeot, Chairman since September 29, 2008, and CEO since February 9, 2010		X		X		X		X

	Employment contract in 2008		Supplementary pension system		Indemnities or benefits due or likely to fall due owing to termination or change of duties		Indemnities relating to a non-compete clause	
Marc van't Noordende, Chief Executive Officer from 29 September 2008, to 9 February 2010		X		X		X	X(1)	
Olivier Dubois, Deputy CEO from 1 May 2009, to 9 February 2010		X		X		X	X(1)	
François Rivière, CFO since February 9, 2010		X (5)		X (2)		X	X (3)	
Jean-François Azam, COO since February 9, 2010	X (4) (5)		X(2)				X (3)	

(1) The indemnities payable in respect of the non-compete clauses concluded by the Company with each of its former executive officers, Mr. Marc van't 'Noordende and Mr. 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 not due in the event of serious misconduct or a breach by the managers. The contracts concluded with these officers also provide that the Company may extend the duration of the non-compete obligation for an additional six months (Marc van't 'Noordende) or twelve months (Olivier Dubois), subject to a request to be made before the end of the first year. The Company will then have to pay the officer an additional non-compete indemnity in an amount equal to six months' gross fixed compensation (including the "impatriation" bonus for Marc van't Noordende). Given the conditions in which Messrs. Marc van't 'Noordende and Olivier Dubois left the Company, the Company does not intend to pay them non-compete indemnities. There is a risk that the former officers will contest this decision and will claim the payment of these indemnities.
(2) François Rivière and Jean-François Azam benefit from the complementary and compulsory pension and insurance schemes applicable within the Group, i.e MEDERIC (complementary retirement) and IPEGA and AGE (insurance).
(3) The indemnity due under the non-compete clauses signed between the Company and Jean-François Azam amounts to (i) 24 months of gross fixed remuneration for a termination before April 1, 2011; to (ii) 18 months for a termination between April 2, 2011 and April 1, 2012 and to (ii) 12 months if the termination takes place afterwards. Should a court decision consider that Mr Azam termination is due to a serious misconduct, he should reimburse the Company the non-compete indemnity. The indemnity due under the non-compete clauses signed between the Company and Jean-François Azam amounts to 18 months of gross fixed remuneration. Should a court decision consider that Mr Rivière termination is due to a serious misconduct, he should reimburse the Company the non competition indemnity.
(4) Before his appointment as COO
(5) François Rivière and Jean-François Azam benefit from the unemployment insurance set up by the Group.

The Group has not made any commitments to its officers relating to indemnities or benefits due or that may potentially fall due on account of termination or a change of duties or subsequent thereto.

6.5 Compensation of the Company's non-executive directors

6.5.1 Compensation, benefits in kind and attendance fees paid to each non-executive Company director during the course of the financial year 2009 (*)

(in € thousand)	Fixed compensation	Variable compensation	Exceptional compensation	Benefits in kind	Attendance fees	Total
Willi Balz	-	-	-	-	-	0
Philippe Dominati	-	-	-	-	38	38
Louis Ferran	-	-	-	-	75	75
Stéphane Garino	-	-	-	-	30	30
Georgius J.M.	-	-	-	-	72	72

(in € thousand)	Fixed compensation	Variable compensation	Exceptional compensation	Benefits in kind	Attendance fees	Total
Hersbach						
Philippe Leroy		-	-	-	12	12
Arne Lorenzen	192 (1)	-	-	5	-	197
Jean-Pierre Mattei		-	-	-	20	20
Philippe Perret		-	-		-	0
Jacques Putzeys	-	-	-	-	-	0
Société Sofinan Sprl (représentée par Norbert Van Leuffel)	-	-	-	-	57	57

(*) Early 2010, the directors were paid additional attendance fees relating to the financial year 2009, representing a total amount of €135,000, allocated between directors to the proportion of their effective attendance to the Board of Directors (some directors were appointed in the course of the year).
(1) This remuneration corresponds to a salary, Mr. Lorenzen having been both director and employee of the Company in 2009.

6.5.2 Share subscription warrants allocated to the non-executive Company directors

There was no allocation of share subscription warrants to non-executive Company directors and no share subscription warrants were exercised during the financial year 2009.

6.5.3 Exceptional missions

In 2010, three directors of the Company (Philippe Leroy, Jean-Pierre Mattei and Philippe Dominati) accomplished exceptional missions for the Company and therefore received exceptional remunerations. These remunerations relate to the financial Restructuring plan, considering the works and missions accomplished by the directors, and are mainly:

- coordination of work conducted by different advisors to the Company;
- validation of market strategy options and investments proposed by the Company's advisors;
- Supervision of the drafting of documents related to the Restructuring, review of any external financial disclosure of the Company;
- Redefinition of releases related to the Company's strategy, definition of the key messages to be delivered to the strategic interlocutors of the Company;
- Supervision of any useful contact for the completion of the Restructuring plan;
- Coordination of relations with the AMF.
- Participation, at the request of CEO, in meetings including with the shareholders, directors and advisors of the Company,
- etc.

These three directors have been paid a total remuneration of €280,000 for their work carried out until the general meeting on March 19, 2010 and will receive an additional remuneration totaling €150,000 for the period from March 19, 2010 to August 31, 2010.

Such exceptional mission agreements are related party agreements ("*conventions réglementées*") under article L.225-38 *et seq*. of the French Commercial Code. They have been authorized by the Board of Directors on March 19, 2010 and as such, shall be subject to a special report from the

Auditors and the approval at the ordinary general shareholder meeting to be held in order to approve the accounts of the financial year ending December 31, 2010.

In addition, the Board of directors on April 15, 2010 decided to entrust a director, Fady Khallouf, with an exceptional mission, as advisor to the CEO. The definition of the missions assigned and the corresponding remuneration would be decided be later by the Board of directors of the Company. These missions will give rise to an agreement in accordance with articles L.225-38 et seq of the French Commercial Code.

The Company believes that these very specific missions were necessary due to the extent of work involved in the financial Restructuring plan.

6.6 Participation of Company directors in the capital as of December 31, 2009

	Number of shares	% of capital	% of voting rights
Eric Peugeot	10	NS	NS
Philippe Dominati	100	NS	NS
Georgius Hersbach (1)	55,251	0,14%	0,13%
Louis Ferran	150	NS	NS
Philippe Leroy	-	-	-
Jean-Pierre Mattei	10	NS	NS
Marc Van't Noordende	1,000	NS	NS
Olivier Dubois	-	-	-

(1) Directly and indirectly

6.7 Participation of the Company directors and transactions realised by the member of the Board of Directors on the Company's shares

The transactions relating to the Company's shares disclosed to the AMF by the directors during the 2009 financial year are the following:

Declarant	Date of transaction	Nature of transaction	Unit price (in €)	Amount of transaction (in €)
Windreich AG GMBH (corporate entity related to Mr. Willi Balz)	08/06/2009	Sale	4.78	1,433,400
	08/07/2009	Sale	4.62	166,608.20
	08/10/2009	Sale	4.66	298,068.29
	08/13/2009	Sale	5.04	252,100
	09/29/2009	Sale	5.13	1,936,540
	09/30/2009	Sale	4.92	492,000
	10/01/2009	Sale	4.82	482,000

6.8 History of allocations of share subscription or purchase options

	BSA CS4	BSA CS5	BSA bis	BSA DA 06	BSA EP 06
Holder	G. Hersbach(1)	G. Hersbach(1)	Heartstream(2)	Darts(3)	E. Peugeot(1)
Subscription price in €	0.000485	0.000485	0.00039	0.0001	0.0001
Strike price in €	4.85	4.85	3.90	15.28	15.28
Duration	Dec 31, 2013	Dec 31, 2014	May 2, 2010	May 17, 2012	May 24, 2012
Party	1.187	1.187	1.187	1	1
Balance as of December 31, 2009	50,000	50,000	300,000	7,000	29,093
Allocated during the year	-	-	-	-	-
Exercised during the year	-	-	-	-	-
Expired or not exercisable during the year	-	-	-	-	-
Balance	50,000	50,000	300,000	7,000	29,093

	BSA JMS PC06	BSA LF06	BSA SG06	BSA SO06	BSA EP07
Holder	JM Santander (4)	L. Ferran (1)	S. Garino (5)	Sofinan Sprl (5)	E. Peugeot (1)
Subscription price in €	0.0001	0.0001	0.0001	0.0001	0.0001
Strike price in €	15.28	15.28	15.28	15.28	15.28
Duration	June 11, 2012	May 19, 2012	May 16, 2012	May 19, 2012	Jan 1, 2013
Party	1	1	1	1	1
Balance as of December 31, 2009	64,000	29,093	31,451	7,000	29 093
Allocated during the year	-	-	-	-	-
Exercised during the year	-	-	-	-	-
Expired or not exercisable during the year	-	-	-	-	-
Balance	64,000	29,093	31,451	7,000	29,093

	BSA LF07	BSA SO07	BSA SG07	BSA JMS PC 800M
Holder	L. Ferran (1)	Sofinan Sprl (5)	S. Garino (5)	JM Santander (4)
Subscription price in €	0.0001	0.0001	0.0001	0.0001
Strike price in €	15.28	15.28	15.28	12.17
Duration	Jan 1, 2013	Jan 1, 2013	Jan 1, 2013	Dec 31, 2012
Party	1	1	1	1
Balance as of December 31, 2009	29,093	29,093	31,451	80,460
Allocated during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired or not exercisable during the year	-	-	-	
Balance	29,093	29,093	31,451	80,460

	BSA GE1	BSA GE2	BSA EP 08	BSA LF 08	BSA SG 08
Holder	Gama Enerji (6)	Gama Enerji (6)	E. Peugeot (1)	L. Ferran (1)	S. Garino (3)
Subscription price in €	0.0010	0.0010	0.0001	0.0001	0.0001
Strike price in €	16.50	17.50	12.95	12.95	12.95
Duration	Jan 3, 2011	Jan 2, 2012	July 2, 2013	July 2, 2013	July 2, 2013
Party	1	1	1	1	
Balance as of December 31, 2009	1,500,000	1,500,000	29,093	29,093	31,451
Allocated during the year	-	-	-	-	-
Exercised during the year	-	-	-	-	-
Expired or not exercisable during the year	-	-	-	-	-
Balance	1,500,000	1,500,000	29,093	29,093	31,451

	BSA SO 08	BSA PC 880 M 2008
Holder	Sofinan Sprl (5)	JM Santander (4)
Subscription price in € Strike price in € Duration Party Balance as of December 31, 2009 Allocated during the year Exercised during the year Expired or not exercisable during the year	0.0001 12.95 02-July-13 1 29,093 - - -	0.0001 15.64 31-Dec-12 1 37,093 - - -
Balance	29,093	37,093

(1) Director of the Company
(2) Company controlled by Mr. Georgius Hersbach, director of the Company
(3)Company shareholder of Thenergo controlled by Denis Ringoot, who also works for Thenergo
(4) Former Chief EXECUTIVE Officer of the Company
(5) Former director of the Company
(6) First shareholder of the company (see paragraph 7.3 of this Report)

Consequently, the total number of share subscription warrants in circulation amounts to 3,922,650 and the total number of new shares that may be created by exercising these equity warrants is 3,997,450.

6.9 Free shares allocated to the Company's first ten non-director employees en 2009

The Board of Directors on February 11, 2009 has allocated to three employees 44,407 free shares without performance conditions, but with a condition of attendance. For each of these employees, the free shares will be definitely allocated after a period of two years, subject to the condition that the beneficiary is still an employee or an officer within the Group at that date, and given that in case of redundancy (except for fault or serious fault) before the end of this period of two years, these shares will be considered as definitely allocated.

Within the scope of the plan for the free allocation of shares in 2009-2011, in respect of the financial years 2009, 2010 and 2011, on December 17, 2009 the Board of Directors allocated 390,000 free shares to the Group's first employees subject to attendance and performance connected with the achievement of financial targets. Some of the free shares allocated to employees benefit from a protection mechanism against the decrease in value of the share price of THEOLIA, especially in the case of a reserved rights issue.

At the end of each year, the employees concerned may be allocated up to one-third of the total amount, subject to satisfaction of the conditions of attendance and performance. The shares allocated will be definitively acquired on December 17, 2011 and available on December 17, 2013 (subject to satisfaction of the conditions of attendance and performance). These conditions are considered to be automatically and integrally fulfilled in the event of implementation of an operation that (i) has the result of bringing about a change in control in the sense of Article L. 233-3 of the Commercial Code and (ii) that did not receive a favorable opinion on the part of the Board of Directors of THEOLIA.

On December 17, 2009, the Board of Directors also allocated 25,000 shares free of charge to employees, without any conditions of attendance or performance. The 25,000 shares allocated will be definitively acquired on December 17, 2011 and available on December 17, 2013.

Thus in 2009, the Board of Directors allocated a total of 459,407 free shares to 8 employees of the Group, among which 390,000 are subject to attendance and performance conditions. These shares represent a total value (as recognized in the consolidated accounts) of €1.52 million.

6.10 Transactions with related parties

The description of the transactions with the related parties appears in the notes to consolidated financial statements on December 31, 2009.

The following table proposes a summary of the transactions occurred with related parties (excluding transactions occurred between the Group's companies):

Parties	Type of contract	Date	Financial counterpart	Duration/Term
− Windreich AG (company controlled by Mr. Willi Balz); − THEOLIA Naturenergien GmbH (formerly Natenco); and − THEOLIA (in which, Mr. Willi Balz, was director in 2009 before resigning)	Non exclusive marketing agreement under which Windreich AG is awarded commission (ranging between 2.5 and 5 % according to the origin of the client-contact) in the case of transfers negotiated by Windreich AG of wind projects held by THEOLIA Naturenergien GmbH (formerly Natenco GmbH). After an amendment dated December, 21 2007, applicable from January, 1st to December, 31 2008, Windreich AG's commission percentage was modified. In addition, Windreich AG was awarded for this period, an exclusive marketing right over the first 100 MW sold, in German speaking countries by THEOLIA Naturenergien GmbH (formerly named Natenco GmbH). Since January 1, 2009, this exclusivity is no longer applicable and the provisions of the initial agreement are again in force.	February, 2, 2007	All commissions paid by the Group to Windreich AG under this contract at the date of this report amount to €6,3 million for the 2007 financial period; €2,2 million for the 2008 financial period (payable under the 2007 financial period) and €0,2 million for the 2009 financial year (in the absence of sales in 2008).	In force until December 31, 2011.
− Windreich AG (company controlled by Mr. Willi Balz); et − THEOLIA (in which,	As part of the corporate name change of Natenco Holding GmbH's (to THEOLIA Holding GmbH) and of Natenco – Natural	April 4, 2008	N/A	Immediate execution

Parties	Type of contract	Date	Financial counterpart	Duration/Term
M. Willi Balz, was director in 2009 before resigning)	Energy Corporation GmbH (to THEOLIA Naturenergien GmbH), a transfer agreement of the trademark "Natenco" was concluded with Windreich AG subject to the condition that Windreich AG does not use this trademark for a period of two years.			
– Windreich AG (company controlled by Mr. Willi Balz); – M. Willi Balz; and – THEOLIA (in which, Mr. Willi Balz, was director in 2009 before resigning)	Amendment to the acquisition contract of the Natenco company dated October 11, 2006 whereby THEOLIA waives the benefit of the non-competition clause in consideration of a right of first refusal granted to THEOLIA. This right concerns the sale of wind farm projects by M. Willi Balz or by an entity/ company affiliated with the latter to the benefit of third parties. This right has to be exercised within ten business days of receipt of the notice informing THEOLIA of the sale in question and of the conditions of such sale.	April 4, 2008	N/A	Immediate execution
– Windreich AG (company controled by Mr. Willi Balz); and – Natenco (in which, Mr. Willi Balz, was director in 2009 before resigning)	Agreement organizing the removal of the pledge of 1,117,273 shares in THEOLIA in guarantee of the warranty agreement given by Windreich AG in connection with the acquisition of Natenco under the condition of a commitment to lock up the shares during the remaining term of the warranty.	April 4, 2008	N/A	Immediate execution
– THEOLIA; and – GE Wind Energy. (companies in which Mr. Jean-Marie	Provision of a guarantee of €2,879,800 for commitments made by Natenco to supply two	August 1, 2008	N/A	Expired guarantee

Parties	Type of contract	Date	Financial counterpart	Duration/Term
Santander was a company representative)	turbines of 1.5MW GE Wind Energy			
− Natenco; − THEOLIA (1); and − Corseol (1). (1) Companies in which Mr. Jean-Marie Santander was a company representative	Assignment of debt by which Natenco (assignor) assigned to THEOLIA (beneficiary) a debt of €2 596 109 that he held against Corseol (assignee)	2008	2,596,109	Immediate execution
− Faracha; and − THEOLIA. (companies in which Mr. Jean-Marie Santander was a company representative)	Contract for strategic consulting services by Faracha company for the benefit of THEOLIA	March 13, 2008	The Faracha company charged THEOLIA €450,000 and charged THEOLIA Emerging Markets €273,000 for its 2008 services	Contract terminated September 29, 2008
− THEOLIA; − Mr. Jean-Marie Santander; and − Mohamed Habbal	Shareholders agreement in THEOLIA Emerging Markets	November 28, 2007	N/A	This agreement was terminated in January 2009
− THEOLIA; and − Mr. Jean-Marie Santander.	Settlement agreement, providing, in particular, for the payment of an indemnity in return for him agreeing to a non-compete covenant	September 29, 2008	THEOLIA has paid €450,000 transferred to Mr. Santander in return for his non-competition commitment	Executed
− THEOLIA; and − Longview Management Services (companies in which Mr. Marc Van't Noordende was a company representative)	Service supply agreement under which Longview Management Services offers managerial transition services.	September 29, 2008	€195,000 net of tax under financial period 2008 and €275,000 net of tax under financial period 2009.	Contract terminated April 30, 2009
− THEOLIA; and − Heartstream Corporate Finance B.V. (companies in which Mr. Georgius Hersbach was a company representative)	Service agreement by which the company Heartstream Corporate Finance B.V. provides advice relating to the sale by THEOLIA of a wind farm in Germany.	September 22, 2009	Success fee of 1.25% of the enterprise value and the net present value of any earn-outs.	Agreement to be terminated on July 1, 2010.

Parties	Type of contract	Date	Financial counterpart	Duration/Term
− Ventura SA (1); − THEOLIA France SAS; and − Vol-V (1). (1) Companies in which Mssrs. François Bouffard, Arnaud Guyot and Cédric le Saulnier de saint Jouan were officers of the Company.	Sale agreement of the PSC's shares (CEBDP, CECAN, CELHV, CEHAB et CESOU) held by VOL-V to THEOLIA France SAS and sale of Ventura SA's shares to THEOLIA France SAS.	September 8, 2009	Sale of PSC's shares: €478,050; and Sale of Ventura SA's shares: €3,349,420.	Executed
Ventura SA (1); THEOLIA France SAS; and Vol-V (1). (1) Companies in which Mssrs. François Bouffard, Arnaud Guyot and Cédric le Saulnier de saint Jouan were officers of the Company.	Joint guarantee granted by the Company for amounts owed by Ventura SA and THEOLIA France to VOL-V.	September 16, 2009	Guarantee granted for an amount of €966,083	Pending (until January 31, 2012)

7 INFORMATION ABOUT THE COMPANY'S SHARE CAPITAL

7.1 Share capital

As of the date of publication of this Report, the share capital was set at €40 308 707, divided into 40,308,707 shares each of a par value of one €(1).

The shares or transferable securities issued by the Company take the form of bearer shares or registered securities. The registered shares can be converted into bearer type, unless provided otherwise by law. Such transferable shares or securities, whatever their form, must be registered in the conditions set out under the prevailing laws and regulations. The rights to the shares derive from registration in a ledger in the conditions and according to the methods set out in the prevailing legislative and regulatory provisions.

All shares issued have been fully paid-up; they are of the same class.

The Company has been informed that three depositary banks, Bank of New York Mellon, Citibank and Deutsche Bank, took the initiative to make THEOLIA's share available to American investors. They offer an American Depositary Receipt representing one share of THEOLIA. This receipt, under the code Cusip 88338D109 and SEDOL B3DTP21, is considered as not sponsored by THEOLIA and so far the Company has not been informed of the trading activities in relation to this instrument.

As of December 31, 2009, the total number of shares was 39,895,207 for a net total of 41,355,632 voting rights.

The below table shows the pledges of shares of THEOLIA in pure registered form in effect on December 31, 2009:

Name of shareholder in pure registered form	Beneficiary	Pledge starting date	Pledge expiry date	Condition for releasing the pledge	Number of shares pledged by issuer	% of capital pledged by issuer
Edmond ALMIRALL	Crédit du Nord (via the Société Générale)	04/27/2007	-	-	1,363	0.0034%
Stéphane GARINO		01/09/2006	-	-	30,000	0.075%

7.2 Historical review of the share capital over the last three financial years

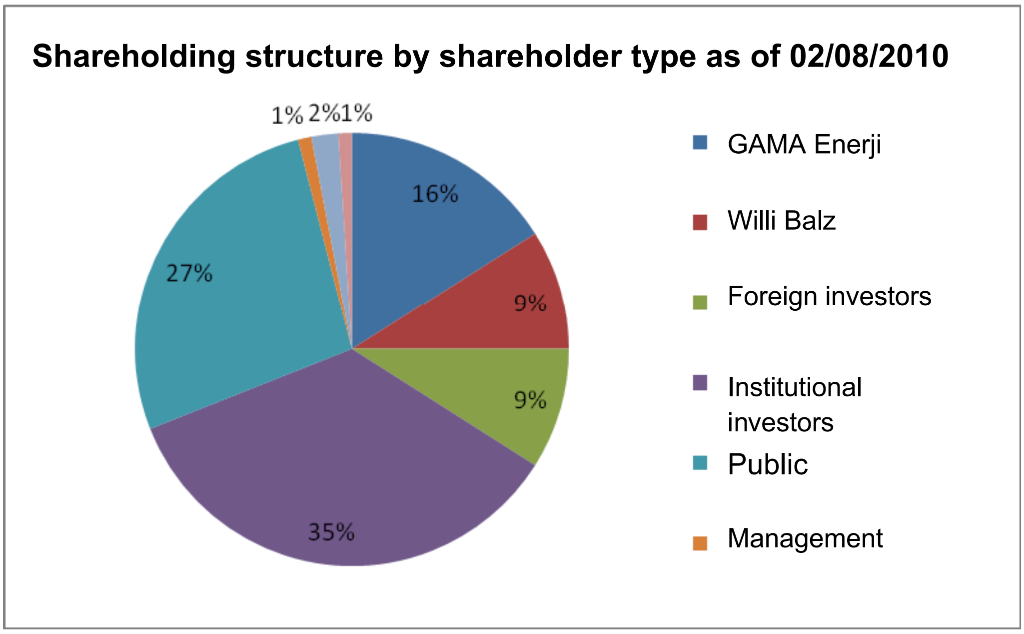
The table below details the progression of the capital from January 2007 to December 31, 2009.

Date	Nature of the operation	Share capital
02/06/2007	Exercise of warrants, PACEO (1)	29,254,119
03/21/2007	Exercise of warrants, equity line, extinction of debt	31,483,409
07/02/2007	Exercise of warrants, contribution in kind, restricted issue	38,235,117
11/09/2007	Issue of bonus shares, exercise of warrants	38,273,117
12/31/2007	Capital recorded at the close of the 2007 financial year	38,273,117
01/08/2008	Exercise of warrants	38,681,671
06/28/2008	Exercise of warrants	38,900,079
08/27/2008	Exercise of warrants	38,945,804
11/05/2008	Issue of bonus shares, exercise of warrants	39,353,304
12/30/2008	Exercise of warrants	39,746,992
03/18/2009	Issue of bonus shares	39,828,992
05/14/2009	Issue of bonus shares	39,895,207
12/31/2009	Capital recorded at the close of the 2009 financial year	39,895,207
02/22/2010	Definitive allocation of free shares	40,308,707

(1) Share capital increase by issuance of options

7.3 Shareholders of the Group THEOLIA

Following the performance of a TPI (identifiable bearer security) study in February 2010, the distribution of share capital held by shareholders as of February 8, 2010 is as follows:



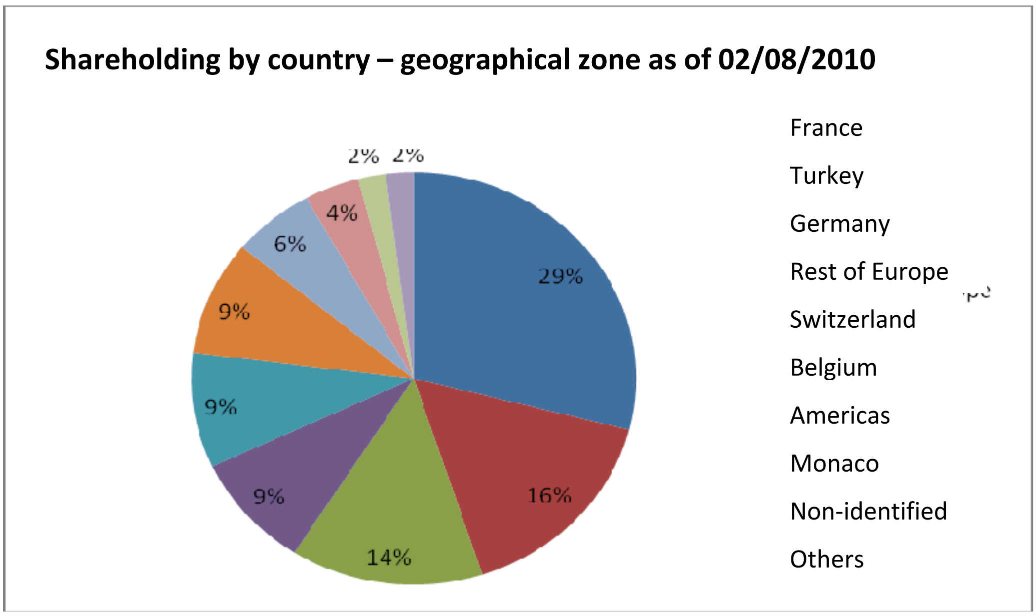
The study on THEOLIA's shareholding dated February 8, 2010 was based on the identification of 98,58 % of the Company's shares. This study states the following changes:

- the presence of significant investors (Michel Meeus, Pierre and Brigitte Salik, and CRC) representing 9,08% of the share capital;

- an increase in the number of individual shareholders thanks in particular to a better identification rate;

- a more precise geographical distribution (see below) due to the identification of shares held by strategic investors.

The geographical distribution of the shareholding as of February 8, 2010 is as follows:



The crossings of shareholding thresholds declared to the AMF since the beginning of the 2009 financial year is as follows:

Date of declaration	Name of shareholder	Type of threshold crossing	Date threshold was crossed	% capital held following this crossing	% voting rights held following this crossing
10/05/2009 10/06/2009	Mr. Willi Balz, in his own name and through the German companies Windreich AG GmbH and Financial Consulting GmbH which he controls	Downward crossing	09/29/2009	9.06 %	8.71 %

Threshold crossings that were notified to the AMF by the concert at the beginning of the 2010 financial year (see paragraph 5.1.1 above) are the following:

Date of declaration	Name of shareholder	Type of threshold crossing	Date threshold was crossed	% capital held following this crossing	% voting rights held following this crossing
01/28/2010 01/29/2010	Mr. Willi Balz, in his own name and through the German companies Windreich GmbH and Financial Consulting GmbH which he controls. The company CRC Active Value Fund Mr.Michel Meeus Mr. Pierre Salik Mrs Brigitte Salik	Upward crossing	01/25/2010	18.23 %	17.55 %
03/11/2010 03/12/2010	The company CRC Active Value Fund Mr.Michel Meeus Mr. Pierre Salik Mrs Brigitte Salik (without Willi Balz)	Downward crossing	03/08/2010	9.08%	8.76%

7.4 Dividends

7.4.1 Total dividends

The Company has paid no dividend in the last three years.

7.4.2 Future dividend policy

The payment of dividends will depend primarily on the profits generated by the Company, its financial position, its investment policy and the reduction of its debt. The Company currently has no plans to pay a dividend in 2010.

7.4.3 Expiration of dividends

Dividends not claimed are time-barred to the benefit of the State after a period of five years from the date of payment.

7.5 Transactions on the Company shares

The General Meeting of the Shareholders on May 30, 2008 authorized the Board of Directors, for a period of 18 months, to have the Company purchase its own shares up to a maximum number of shares representing not more than 10% of the total number of shares comprising the share capital. This delegation terminated the prior authorization given by the General Meeting of June 29, 2007.

This delegation enables the Company to stimulate trading in THEOLIA shares, through a liquidity agreement, in line with the market practice recognized by the AMF (Financial Markets Authority). The Company has not utilized this delegation except for the liquidity agreement.

Accordingly, it should be noted that a liquidity agreement was signed on August 28, 2006 between the Company and Exane BNP Paribas, a provider of investment services, for the purpose of increasing the liquidity of the security and the regularity of its quotations through buying and selling interventions. This liquidity agreement conformed to the standard contract of the Association Française des Entreprises d'Investissement (AFEI) (French Company Investment Association) and the professional code of ethics of the AFEI of March 14, 2005, approved by the AMF on March 22, 2005.

On January 26, 2009, the liquidity agreement granted by the Company THEOLIA to Exane BNP Paribas was terminated. The Company then assigned Oddo Corporate Finance for the implementation of a new liquidity agreement in accordance with the AFEI Code of ethics, by transferring 95,515 of THEOLIA's shares and €155,113.36, previously held before by Exane BNP Paribas. The agreement was agreed for an initial period – from January 27, 2009 to December 31, 2009 – automatically renewable by successive 12 month periods. This agreement has been renewed for 2010.

Transactions from January 27, 2009 to December 31, 2009:

	Quantity	Average price (€)	Amount(€)
Total Purchase	1,322 ,162	3.1538	(4,169,883.09)
Total Sale	(1,325,301)	3.1173	4,131,365.44
As of 12/31/2009			
Number of shares held	94,436		

In 2009, 1,322,162 shares were purchased at the average price of €3.1538 and 1,325,301 shares were sold at the average price of €3.1173.

As of 31 December 2009, the Company held 94 436 of its own shares, of €1 as nominal value, representing 0.002% of the share capital, which at the closing of the financial year represented €274,809.

7.6 Trading on the Euronext market Paris

The evolution of stock market prices from January 1, 2007 to April 14, 2010 is shown below:

It should be noted that the Company began trading on Euronext Paris (a regulated market) on July 31, 2006. Prior to this, it was listed on the Paris stock exchange OTC market.

7.7 Elements likely to impact in case of tender offer

7.7.1 Restrictions in the articles of associations in respect of the voting rights and transfer of shares

A Double voting right

A double voting right is allotted to all fully-paid up shares which have been registered with the same shareholder – either of French nationality or a citizen of a Member State – for at least two years, in proportion to their shares. In the case of a capital increase through the incorporation of reserves, profits or premium issues, newly allotted shares will carry double voting rights if the shares already held by a shareholder already benefit from double voting rights.

Any transferred share looses its double voting right subject to exceptions as prescribed by law (Article 23.3 of the articles of association).

B Restrictions in the articles of association on the exercise of voting rights and transfer of shares

The articles of association of the Company do not contain any provision restricting the transfer of shares.

Without prejudice to the provisions of Article 7.4 on the loss of voting rights in the case of failure to comply with the obligation to disclose the crossing of a threshold (crossing the threshold of 0.5% of the capital and of the voting rights), the articles of association do not contain any restriction on the exercise of voting rights.

7.7.2 Financing agreements which may be amended or terminated in case of change in control of the Company

Some financing agreements provide for an early redemption right in case of a change in control of THEOLIA. This is the case of the bonds issued in October 2007. The principal terms of the early redemption right are described in paragraph 3.1.4 of this Report.

8 LITIGATION AND ARBITRATION

8.1 AMF litigation

Following the inquiry opened by the Sanctions Commission of the AMF on July 5, 2007, the AMF notified THEOLIA on July 7, 2008 of the facts which it believed could result in administrative sanctions for failure to make correct disclosures to the public.

In a decision of October 1, 2009, the Sanctions Commission accepted the following complaints against THEOLIA:

- incorrect nature of the information concerning the wind potential of THEOLIA which appeared in the listing transfer prospectus dated July 26, 2006, particularly the information dealing with the existence of a building permit that was still under review with regards to the Assérac site;
- incorrect nature of the results published in the consolidated financial statements at June 30, 2005, December 31, 2006 and June 30, 2007 resulting from the absence of depreciation of the assets relating to certain wind projects;
- incorrect nature of the information concerning the amount of the contribution of its environmental division to Granit published in the listing transfer prospectus and the press release of March 8, 2006;
- delayed communication by THEOLIA of privileged information concerning the company on the cancellation of the disposal of its environmental division to the Granit company; and
- misleading nature of the information relating to the disposal of its environmental division published in a press release dated December 27, 2006.

As a result, the Sanctions Commission levied a financial sanction of €300,000 against THEOLIA. The Company did not appeal this decision.

It should, however, be noted that these facts date back to the years 2005 to 2007 and that, therefore, they are prior to the changes made in the THEOLIA Management at the end of 2008. In effect, since the departure of Jean-Marie Santander, Messrs. Eric Peugeot and Marc van't Noordende were respectively appointed Chairman and Chief Executive Officer of THEOLIA on September 29, 2008, and were joined on May 1, 2009 by Olivier Dubois as deputy Chief Executive Officer. Moreover, at the end of 2008, and throughout 2009, THEOLIA conducted an in-depth reorganization of its corporate governance. The principal measures already decided include the separation of the offices of Chairman and Chief Executive Officer, acceptance of the AFEP-MEDEF recommendations, a revision of the policy on director and executive remuneration, and the expansion of the Board of Directors. In this way, THEOLIA is demonstrating strong willingness to effectively prevent future failure to comply with its disclosure obligations. The Company also notes that this reinforcement of corporate governance was taken into consideration by the Sanctions Commission when assessing the amount of the financial sanction, which was eventually reduced to €300,000.

8.2 Litigation with Jean-Marie Santander

Following Mr Jean-Marie Santander's departure from THEOLIA, the Company and its Moroccan subsidiary, the THEOLIA Emerging Markets company ("TEM") initiated a number of legal proceedings against Mr Santander, as summarized below. These legal proceedings are ongoing and have not yet led to any court decisions. It is therefore premature to predict the outcome of such proceedings, determine their duration or to quantify damages that may be deemed due.

<u>Civil actions in France</u>

On March 13, 2009, the Company initiated legal action against Mr Santander, Athanor Equities and Global Ecopower companies – competing companies that Mr Santander manages – before the

Commercial Tribunal of Marseille in order to receive compensation for the loss suffered as a result of Mr Santander's failure to respect his general duty of loyalty and non-compete covenant concluded at the time of his departure.

The Company thus accuses Mr Santander for having (a) set up and operated a group of companies in competition while still exercising a managerial role in the Company, (b) interfere with or solicit Company employees, (c) committed parasitic competitive acts detrimental to the Company, in particular by the use of the image and goodwill of the Company (d) competitive acts committed in the wind sector, with the complicity of the Global Ecopower company and (e) the issuance by the AMF of a financial penalty on October 1, 2009 (see paragraph 8.1 above)

The Company claims compensation of a total amount of approximately €5.95 million from Mr Santander and the Athanor Equities and Global Ecopower companies, for the loss it claims to have suffered.

Mr Santander contests the above mentioned claims.

<u>Civil actions in Morocco</u>

TEM, the Group's Moroccan subsidiary, has initiated proceedings against Mr Santander before the Commercial Tribunal of Casablanca, for the repayment of the amount of TEM 1.300 000 MAD (0.0898 MAD = 1 euro as of 8 April 2010), amount corresponding to the compensation that the Company believes to have been wrongly perceived by Mr Santander when carrying out his role as CEO of TEM. TEM also seeks the reimbursement of €183.013.47 (net of tax), amount paid under an animation agreement to the Luxembourg company, Faracha (of which Mr Santander is the sole director) in the absence of effective service rendered.

Mr Santander contests the claims mentioned in this paragraph.

<u>Criminal complaint in France</u>

Finally, the Company and TEM started proceedings against Mr. Santander before the public prosecutor of the Court of first instance of Marseille on December 29, 2009. This complaint, of which the review is currently underway, alleges facts that could be qualified as fraudulent use of corporate assets and abuse of trust.

8.3 Sale of interest in Thenergo

As part of the Company's sale of its holding (i.e., 27.21% of the share capital) in Thenergo on December 23, 2008, the Company had agreed a transfer agreement with the beneficiary, the company HESTIUN Limited. The purchase agreement provided that the payment of the sale price, approximately €15 million, shall take place within 5 working days from the reception of the shares by HESTIUN Limited. This reception took place on January 7, 2009. However, HESTIUN Limited did not pay the Company within this timeframe. After several recalls, the Company initiated on February 20, 2009 an arbitral proceeding before the International Chamber of Commerce in Paris pursuant to the agreement's provisions and in order to have HESTIUN Limited compelled to pay the sale price. After new discussions between HESTIUN Limited and the Company, HESTIUN Limited finally paid the sale price on May 2009. Following this payment, the Company waived the arbitration proceeding.

8.4 Defect in the purification plant in the city of Cabries

In 2008, the city of Cabries initiated legal proceeding against Ecoval technology due to alleged defects in the water purification plant of the city and the payment of late penalties. A sum of €960,000 was fully provisioned in the 2009 consolidated accounts (for a request of a total amount of €1.3 million).

8.5 Administrative and criminal proceedings relating to the wind farm of Martignano (Italy)

Administrative proceedings

On May 23, 2007 a committee made up of 8 residents of Martignano initiated before the Administrative Tribunal of Lecce ("TAR") proceedings against the Puglia Region, WindService and NeoAnemos, demanding the invalidation of the single permit ("*Autorizzazione Unica*") granted by the Puglia region for the completion of the Martignano wind farm. The plaintiffs have moreover requested that the TAR issues a preliminary injunction to suspend the construction works of the wind farm pending the outcome of TAR's decision.

On May 23, 2007 the TAR issued a preliminary injunction suspending the construction works and ordered the continuation of the legal procedure on the merits. This preliminary order was reversed by the State Council in Rome on the appeal made by NeoAnemos.

On February 5, 2008 the TAR of Lecce ruled on the merits reversing the *Autorizzazione Unica*. The Court, contrary to the opinion of NeoAnemos, considered the appeal admissible. On March 27, 2008 NeoAnemos appealed against the decision of the TAR before State Council. The appeal was successful and, consequently *Autorizzazione Unica* must be considered as fully valid and effective, for administrative purposes.

Criminal Proceedings

Within the context of this administrative proceeding, the Prosecutor of Lecce, approached by the claimants, conducted an investigation against Mr. Durante in his quality of legal representative of NeoAnemos for improper construction.

The investigation ended in March 2008 with a remand for trial requested by the Prosecutor confirmed by the investigating magistrate of the Lecce court. The forthcoming hearing will take place in May 2010.

The Group believes that, in light of the investigation, the elements necessary to establish the offence of improper construction have not been established and that a decision of acquittal should be pronounced.

8.6 Other proceedings

The Group is also party to several legal proceedings related to its activities: these proceedings concern disputes against (i) prefects initiated by THEOLIA for refusal of building permits, (ii) former officers responsible for the activities of the Group in eastern Europe, (iii) former employees and associates of the Group (in particular in Morocco where the Group, through its subsidiary TEM is party to various civil and criminal proceedings against Messrs. Belrhlandori and Habbal) (iv) turbine suppliers, (iv) partners and (vi) a wind farm constructor in Germany (THEOLIA Naturenergien GmbH considers that the provider failed as regards the installation of the solar panels and it is therefore seeking damages), and (vii) the residents in the context of their claim related to the expropriation in Italy. However, the Group believes that none of these proceedings are likely to have a significant effect on the Group's financial situation or its profitability.

To the Group's knowledge, there is no other governmental, judicial or arbitral proceeding which is pending or threatened which could have had or has had, over the last twelve months, a significant impact on the financial position or profitability of the Group.

9 CORPORATE AND ENVIRONMENTAL INFORMATION

9.1 Corporate information

9.1.1 Group employees

The Group personnel includes all employees of the companies covered within the scope of consolidation. As of December 31, 2009, the Group had 270 employees.

The evolution of the number of Group employees, over the course of the last three years, by geographical area, was as follows:

	12/31/2009	12/31/2008	12/31/2007	12/31/2006
France	164	187	150	117
Germany	55	46	49	36
Other countries	51	62	38	7
TOTAL	270	295	237	160

Of these 270 employees, 178 worked in wind activities and 92 worked in non-wind activities.

A social plan was implemented within the holding company at the end of 2008. It came to an end in early 2009 with the redundancy of 10 employees. Following Mr.Jean-Marie Santander's departure in September 2008, four employees resigned and their departures were effective beginning of 2009. Four additional economic redundancies took place in 2009 within the holding company.

Foreign subsidiaries were closed (Spain, CEE, Greece) and staff was also reduced in the environmental subsidiaries of the Group (Sérès, Therbio): three employees were subject to economic redundancies, two to individual redundancies, five resigned.

9.1.2 Employee compensation

The Group strives, in each country, to award compensation that is proportionate with the level of skills, training, responsibility and performance of each employee and to provide a standard of living in accordance with local legislation pertaining to labour law.

For some positions, there is a variable part of the compensation which allows employee pay to be linked to the attainment of targets.

For the 2009 financial year, salaries and costs totalled €11.320 million on the income statement, compared to €20.838 million for the 2008 financial year.

THEOLIA strives to motivate and retain its employees, and to attract new talent. With this objective in mind, the Group is continuing the free share plan for its key employees in France and those within its overseas subsidiaries. In 2009, 459,407 shares were allocated free of charge to Group employees, among which 390,000 are part of a three-year-plan with definitive allocation subject to conditions of presence and performance (see paragraph 6.9 of the Report). The 69,407 free shares awarded to employees free of conditions for the 2009 financial year will be acquired at the end of a period of two years and must be kept for an additional period of two years.

A profit share plan and an employee saving scheme were concluded in 2008. The scheme's conditions will be reviewed during the first quarter of 2010. Furthermore, the Company intends to implement specific schemes for each French Subsidiary of the Group.

Employees hold less than 1% of the share capital (according to the IAS – Euronext index).

Over the course of 2009, no share subscription warrants were allocated to the employees and no share subscription warrants were exercised by employees.

9.1.3 Human resources policy

The Group conducts a policy of professional equality within the organization. Its policies on recruitment, career management and the personal development of employees are implemented fairly and without discrimination pursuant to provisions prevailing in each country where the Group is established.

In terms of the organization of working hours in France, the working times applicable to all French subsidiaries is the legal maximum of 35 hours per week, bearing in mind that there are different flexible options as follows:

- 39 hour employment contracts: 35 hours + 4 additional hours per week, and

- 218 working day per annum contract with additional rest days in accordance with the Convention Collective Nationale des Cadres de la Métallurgie (National Collective Agreement of Metalworker Executives) of March 13, 1972, as amended.

Cetain senior executives (*cadres dirigeants*) are subject to contracts which do contain a limit on hours (*forfait tous horaires*).

Persistent absenteeism is very low, which demonstrates the solid commitment of the employees. Overtime is worked only in the context of 39 hour contracts.

As regards recruitment, the search for new talent is carried out without any great difficulty. Vacant positions are advertised on the Group website and/or the websites of its subsidiaries, by outside advertising or via external recruiting agencies. Applications are assessed and referenced in a résumé bank. This active sourcing allows for profile searches to be performed even before a job advertisement is published. Recruitment has however slowed down due to the social plan initiated at the end of 2008 and the economic redundancies of senior managers that took place in the second semester of 2009.

The Group Companies in France make use of sub-contracting, particularly in the form of structural assistance contracts in the areas of prospecting and surveys. Sub-contracting is most widespread in Germany as a result of local practice.

In terms of training, all companies of the Group use the legal package for continuing professional development. This training is focused around technical and managerial areas.

As far as professional relations in France are concerned, it should be noted that company dialogue is open and active. The Group encourages direct dialogue with its employees.

9.2 Environmental information

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

The installation of each project requires the completion of multiple studies analyzing the project's effect on the local environment including studies on noise, topography, proximity to residential homes and the project's impact on fauna and flora. THEOLIA strives to optimally integrate the project into its local environment in consultation with the local authorities and populaces.

Over the last few years technological progress has enabled a significant reduction of noise pollution. The turbine manufacturers are also working on the design and colours of the equipment with a view to limit the visual impact of such equipment to the greatest extent possible.

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

Finally, THEOLIA considers, from the outset of every project, both the technical and financial resources needed in order to rehabilitate the project site at the end of operations in accordance with applicable regulations.

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

THEOLIA conducts its activities within a framework of values shared by all its employees. The Group's approach complies with the rules of conduct based on ethical principles fundamental to the creation of THEOLIA. THEOLIA has recently put in place an ethical charter by which each employee and each company representative undertakes to respect the rules of good conduct when performing his or her duties.

SCHEDULE 1: REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON INTERNAL CONTROL

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON INTERNAL CONTROL

Pursuant to the provisions of article L. 225-37 of the French Commerical Code, amended by Order no. 2009-80 of January 22, 2009, THEOLIA S.A. (the "Company") has drawn up a report on internal control.

The aim of this report is to provide an account on the Board of Directors' composition, the conditions for preparing and organizing its work, any limitations applied by the Board to the powers of the management, the application of a corporate governance code drawn up by the organizations representing businesses and the internal control and risk management procedures introduced by the Company, particularly those relating to the preparation and processing of accounting and financial information within the Company and its subsidiaries (collectively, the "Group").

Under the Chairman's supervision and following confirmation by the members of the Board of Directors, the measures taken to draw up this report are essentially based on carrying out the work coordinated by the General Secretary in contact with the Financial Department and the principal functional and operating departments. This report is also based on exchanges that have taken place with the Audit Committee.

Under article L. 225-235 of the French Commercial Code, this report has also formed the subject of a report drawn up by the auditors on the internal control procedures relating to the preparation and processing of accounting and financial information and a certificate concerning the preparation of other requisite information.

1 COMPOSITION, CONDITIONS OF PREPARATION AND ORGANIZATION OF THE WORKS OF THE BOARD

1.1 Composition of the Board of Directors

As of December 31, 2009, the Board of Directors of THEOLIA was composed of seven members:

- Mr. Eric PEUGEOT, Chairman of the Board of Directors;
- Mr. Louis FERRAN, director and Vice Chairman of the Board of Directors;
- Mr. Georgius J.M. HERSBACH, director;
- Mr. Philippe DOMINATI, director;
- Mr. Jean-Pierre MATTEI, director;
- Mr. Philippe LEROY, director; and
- Mr. Marc VAN'T NOORDENDE, director and CEO.

The composition of the Board of Directors of THEOLIA was amended by the mixed general meeting of March 19, 2010. At the date of this report, the Board of Directors is now composed of nine members:

- Mr. Eric PEUGEOT, Chairman of the Board of Directors and CEO;
- Mr. Louis FERRAN, director and Vice Chairman of the Board of Directors;
- Mr. Gérard CREUZET, director;
- Mr. Georgius J.M.HERSBACH, director;
- Mr. Philippe DOMINATI, director;
- Mr. Jean-Pierre MATTEI, director;
- Mr. Michel MEEUS, director;
- Mr. Fady KHALLOUF, director; and
- Mr. Philippe LEROY, director.

The dates of appointment and expiry of terms of office, the duties performed within the Group and outside the Group and the main terms of office and duties performed by the Company directors during the last five years are shown in section 6.3.1 of the Group's management report for the 2009 financial year. The management report is included in the annual financial report available on the

Company's website www.THEOLIA.com in the finance section, under the heading documentation (financial reports).

On the date of this report, of the 9 members forming the Board of Directors, 6 are independent with regard to the criteria of the AFEP/MEDEF Corporate Governance Code. These are Messrs Louis FERRAN, Gérard CREUZET, Philippe DOMINATI, Jean-Pierre MATTEI, Fady KHALLOUF and Philippe LEROY.

In fact, the latter are neither employees of THEOLIA, nor employees or representatives of a company consolidated by it, and have not been neither the former nor the latter during the course of the last five years. They are not company representatives of a company of which THEOLIA is a director or of which an employee or a representative of the Company is a director.

These independent members do not have family connections with another company representative, neither have they been auditors in the Group, nor have they held the position of member of the Board of Directors of THEOLIA for more than twelve years.

Finally, they are not significant customers, suppliers of bankers of the Company or Group, or customers, suppliers or bankers for which the Company or Group represents a significant part of the business. On this point, at the meeting on April 15, 2010, the Board of Directors considered that the existence of exceptional mission contracts agreed between the Company and Messrs DOMINATI, MATTEI and LEROY, would not affect their independence insofar as the amounts which are paid to them cannot be compared to compensation, but rather are honorariums for missions assigned in an exceptional context which, by their nature, constitute an extension of their roles as director and do not result in conflicts of interest.

The portion of independent directors thus amounts to more than half the members of the Board of Directors and complies with the provisions of the AFEP-MEDEF Code. Under these conditions, the tasks of the Board of Directors are performed with the necessary independence and objectivity.

The three non-independent directors with regard to the criteria of the AFEP/MEDEF Corporate Governance Code are:

- Mr. Eric PEUGEOT, who is the Chairman and CEO of the Company;
- Georgius J.M. HERSBACH, who maintains business relations with the Group, in particular, acting as an intermediary for the sale of wind farms by the Group; and
- Mr. Michel MEEUS, who is a significant shareholder of the Company: with 1,337,250 shares, he holds around 3.32% of the capital and 3.20% of the voting rights in the Company and is, to the Company’s knowledge, the fourth largest shareholder in the Company. Furthermore, Michel MEEUS is part of a group of shareholders who together hold 3,658,274 shares, that is to say, approximately 9.08% of the capital and 8.76% of the voting rights of the Company.

1.2 Internal regulation (Règlement intérieur)

The Board of Directors has drawn up an internal regulation which aims to supplement the legal, regulatory and statutory rules which the Board of Directors as a whole and the directors individually must observe. They provide for the following:

- the organization of meetings of the Board of Directors;
- a director’s charter stipulating the rights and duties of directors;
- the establishment of an Audit Committee, a Nomination and Compensation Committee and a Strategy Committee; and
- an Audit Committee charter, stipulating the terms and conditions of according to which this committee functions, the scope of its duties, the frequency of its meetings and its composition,

in accordance with the transposition of the 8th European Directive on audits of accounts (Directive 2006/43/EC).

This internal regulation was adopted by the Board of Directors during its meeting on April 14, 2006 and was subsequently amended during its meetings on February 6, 2007, July 2, 2007, December 18, 2008 and April 15, 2010.

1.3 Procedure for running meetings of the Board of Directors

The directors receive information and documents on items on the agenda of the meetings of the Board of Directors generally a week before the date of the meeting. They thus have the opportunity to prepare files that will be dealt with during the meeting. Particularly sensitive and urgent items may be discussed without the prior distribution of documents or with prior communication of less than a week in advance.

To facilitate the participation of directors at meetings of the Board of Directors, they may attend meetings in person, by telephone conference or by video conference. The Board of Directors however favors the physical participation of directors at the Board's meetings in order to encourage discussion.

Since 2009, and within the scope of the improvement in governance desired by the management and the Board of Directors of THEOLIA, it is planned that once a year the Board of Directors will devote one item on its agenda to the discussion of its operation. In 2009, this discussion took place during the meeting of the Board of Directors held on August 28, 2009.

The Board of Directors is chaired by Mr. Eric PEUGEOT who organizes and manages the work of the Board of Directors and reports to the general meeting of the Company. He ensures that all the items on the agenda are examined by the Board of Directors. He also ensures the correct functioning of the Company bodies and ensures in particular that the directors are able to perform their duties.

The Board of Directors has also appointed a Vice Chairman, Mr. Louis FERRAN, who leads discussions in the absence of the Chairman.

2 ACTIVITY OF THE BOARD OF DIRECTORS DURING THE COURSE OF THE 2009 FISCAL YEAR

The Board of Directors met 24 times in 2009, i.e. on average twice a month.

This high rate of meetings of the Board of Directors testifies to its involvement and its frequent consultation, rendered particularly necessary on account of the financial difficulties experienced by the Company and the need to define and implement a financial restructuring plan (see section 3.1.4 of the 2009 management report).

	21-Jan-09	11-Feb-09	18-Mar-09	30-Mar-09	03-Apr-09	21-Apr-09	24-Apr-09	30-Apr-09	04-May-09	14-May-09	02-Jun-09	11-Jun-09 8.30 am	11-Jun-09 2.30 pm	16-Jul-09	28-Aug-09	22-Sep-09	10-Oct-09	20-Oct-09	06-Nov-09	17-Nov-09	04-Dec-09	17-Dec-09	21-Dec-09	28-Dec-09	Total of BoD attendance	% attendance
Willi BALZ													•	o	o	•	o	o							2	33%
Philippe DOMINATI													•	•	•	•	•	•	•	•	o	•	•	•	11	92%
Louis FERRAN	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	24	100%
Stéphane GARINO	•	•	•	o	•	•	o	•	•	•	•	•													10	83%
Georgius HERSBACH	•	•	•	•	•	•	o	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	23	96%
Philippe LEROY																				•	•	•	•	•	5	100%
Arne LORENZEN	•																								1	100%
Jean-Pierre MATTEI																	•	•	•	•	o	•	o	•	6	75%
Eric PEUGEOT	o	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	o	•	•	•	•	22	92%
SPRL SOFINAN, représentée par Norbert VAN LEUFFEL	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•									16	100%
Marc VAN'T NOORDENDE													•	•	•	•	•	•	•	•	•	•	•	•	12	100%

Legend • Director present
o Director absent

The directors' attendance rate is very high (92% in 2009, compared to 93% in 2008, 90% in 2007 and 73% in 2006), which confirms their very high involvement in the development and management of THEOLIA during the course of the last three years. The average length of the meetings is 3 hours 45 minutes.

During the course of the 2009 financial year, the Board of Directors dealt with the following points in particular:

- Examination and approval of the 2009 budget (meeting of January 21, 2009);
- Examination of the different restructuring solutions that may be contemplated for the Company and monitoring of the preparation and implementation of the Company's financial restructuring plan (meetings between March and December 2009);
- Appointment of an ad hoc representative (meetings of March 18 and June 2, 2009);
- Sales of wind farms (various meetings during the year);
- Authorizations on introduction of guarantees (various meetings during the year);
- Examination of the legal follow-up to be given to the actions of the former CEO, Mr. Jean-Marie Santander, in civil and criminal matters (various meetings during the year);
- Recording of increases in capital following the period of acquisition resulting from the allocation of free shares (meetings of March 18 and May 4, 2009);
- Examination of the annual and half-yearly company and consolidated accounts, the management report and the reference document 2008 (meetings of April 21, August 28 and December 17, 2009);
- Appointment of a permanent CEO and a CFO and fixing of their compensation (meetings of April 3 and 24, 2009);
- Convening of the annual general meeting of shareholders and adoption of proposed resolutions (meetings of May 4, 2009 and June 2, 2009);
- Appointment of members of the Nomination and Compensation Committee and of the Audit Committee (meetings of June 11 and November 6, 2009);
- Authorization of signature of a service agreement with Heartstream (meeting of September 22, 2009);
- Co-opting of new directors (meetings of September 22 and November 6, 2009);
- Examination and definition of the Group's new strategy (meeting of June 2, 2009);
- Authorization of a new free share allocation plan (meeting of October 20, 2009);
- Allocation of free shares to company representatives and employees (meetings of February 11, June 11 and December 17, 2009);
- Approval of the reference document (meeting of December 17, 2009); and
- Examination and approval of the 2010 budget (meeting of December 17, 2009).

2.1 Principles of compensation of company representatives

The compensation of company representatives is fixed by the Board of Directors on the report of the Nomination and Compensation Committee.

2.1.1 Directors’ compensation and indemnities

The amounts of compensation and indemnities received by the directors in 2009 are presented in the 2009 management report in section 6.5 (Compensation of non-executive directors and officers of the Company).

Attendance fees

The ordinary shareholders' meeting of June 11, 2009 approved the allocation of attendance fees to the directors for a total amount of €400,000 for fiscal year 2009.

The distribution of attendance fees among the members of the Board of Directors is made according to the presence of the directors at the meetings of the Board of Directors but also to their work on committees and their involvement.

Accordingly, following the proposal by the Nomination and Compensation Committee, the Board of Directors has decided that the attendance fees would be distributed among the directors in 2009 as follows:

- €30,000 (on an annual basis) to each director for their functions of director (reduced to €22,500 if the rate of attendance at Board meetings is less than 75%);
- €15,000 for the Chairman of the Audit Committee;
- €11,250 for each member of the Audit Committee (reduced to 8,500 if the rate of attendance at Committee meetings is less than 75%);
- €12,000 for the Chairman of the Nomination and Compensation Committee; and
- €9,000 for each member of the Nomination and Compensation Committee (reduced to 9,750 if the rate of attendance at Committee meetings is less than 75%).

These principles were applied and gave rise to a payment of a total amount of €265,000 to the directors in 2009.

Moreover, considering the frequency of meetings of the Board of Directors (24 meetings in 2009, with an average length of 3 hours and 45 minutes) and the involvement of the directors (attendance rate of 92%), the Board of Directors decided on February 22, 2010, following a proposal by the Nomination and Compensation Committee, to distribute the balance of the attendance fees approved by the shareholders' meeting, i.e. €135,000, among the directors on a basis prorated to their actual presence on the Board (some directors were appointed during the year).

Exceptional missions

In 2010, three directors of the Company (Philippe LEROY, Jean-Pierre MATTEI and Philippe DOMINATI) accomplished exceptional missions for the Company and for that reason received an exceptional compensation. This remuneration falls within the Company's financial restructuring plan, considering the work and missions accomplished by those directors. Those missions are described in paragraph 6.5.3 of the 2009 management report. They led to the payment of a total compensation of €280,000 for the work performed up until the combined ordinary/extraordinary shareholders' meeting of March 19, 2010 and, in the event the planned capital increase occurs before August 31, 2010, the directors concerned will receive additional compensation totaling €150,000 for the period from March 19, 2010 to August 31, 2010. These exceptional agreements constitute regulated agreements pursuant to article L.225-38 et seq. of the French Commercial Code; therefore, they were approved by the Board of Directors on March 19, 2010 and will be the subject of an auditors' report and subject to approval at an ordinary shareholders' meeting called to approve the financial statements of the financial year ended December 31, 2010.

2.1.2 Executive officers' compensation

The CEOs (CEO and Deputy CEOs) receive fixed and variable compensation determined in accordance with the achievement of targets set by the Board of Directors.

The CEOs also receive an allotment of free shares pursuant to the payment plan effective within the Group since December 17, 2009.

The amounts of fixed and variable compensation as well as the number of allotted free shares were determined by the Board of Directors based on the profiles of the executive officers. These amounts have significantly decreased since the departure of the Chairman and CEO on September 28, 2008.

The breakdown of the compensation paid to the executive officers in 2009 as well as the compensation that will have to be paid in February 2010 to the new executive officers of the Company appointed in February 2010 is detailed in section 6.4 of the 2009 management report.

2.2 Specialized committees

2.2.1 Audit Committee

The Audit Committee is composed of:

- Mr. Philippe LEROY, Chairman of the Committee, independent director, who has accounting and financial expertise.
- Mr. Jean-Pierre MATTEI, independent director, who has accounting and financial expertise; and
- Mr. Philippe DOMINATI, independent director.

Main missions of the Audit Committee:

The Audit Committee helps the Board of Directors to ensure the accuracy and veracity of THEOLIA's company and consolidated financial statements, the quality of the internal control, the information given to the shareholders and to the market. The Committee formulates any opinion and recommendation to the Board of Directors in the areas described below.

The mission of the Audit Committee was discussed during the meeting of the Audit Committee on December 14, 2009, at the time of discussions about the charter of the Audit Committee. The charter of the Audit Committee was approved by the Board of Directors on April 15, 2010, thereby amending the internal regulations.

The Audit Committee's missions are:

- Regarding risk management and internal control:
  - To monitor the effectiveness of the internal control and risk management systems and particularly to evaluate the internal control systems, to examine the program, the results of the work of the audit department, the recommendations and the follow-up of such department, and the working relationship with internal control for preparing the financial statements; and
  - To conduct the regular examination, with general management, of the main risks incurred by the Group, particularly through risk mapping.
- Regarding relations with the auditors:
  - To steer the selection and reappointment of the auditors, to formulate an opinion on the amount of the fees requested by them and to submit to the Board the results of its work;
  - To examine that the related missions are not likely to affect the independence of the auditors; and
  - To examine the work program of the auditors, their conclusions and their recommendations.

- Regarding financial information and communication:
  - On the basis of discussion with the general management and the auditors, to ensure the relevance and the permanence of the accounting methods used for preparing the Company's financial statements and the Group's financial statements, to examine and evaluate the scope of consolidation and to examine and verify the relevance of the accounting rules applied to the Group;
  - To examine the company and consolidated financial statements, before they are presented to the Board; and
  - To monitor the process of preparing the financial information and communication and, if necessary, to supervise.

Organization of the Audit Committee:

The term in office of the members of the Audit Committee coincides with that of their appointment as director. The term in office of the members of the Audit Committee may be renewed at the same time as their term in office as directors.

The Board of Directors of the Company chooses an independent director to be the Chairman of the Audit Committee. Each member of the Audit Committee must have proven financial expertise. At each meeting of the Committee, the Chairman of this Committee appoints a secretary for the Audit Committee.

The Audit Committee meets at least four times a year. It determines the calendar of its meetings. However, the Committee may meet at the request of its Chairman, two of his members or the Chairman of the board.

Its meetings are valid only when at least two members are present.

Before each meeting, at the request of one or several members, the Chairman of the Audit Committee may decide that the meeting will take place by conference call or videoconference (in this case, the members of the Audit Committee will be considered present for calculation of the quorum).

Any person from whom the Committee wishes to hear may attend the meetings of the Audit Committee.

At least once a year, the Committee hears the auditors under the conditions that it determines. If it considers it necessary for achieving its mission, the Committee cans ask the Board of Directors for external assistance.

Powers of the Audit Committee:

The Board of Directors authorizes the Audit Committee:

- To examine any area within its jurisdiction;
- To receive all the information necessary for supporting its mission and to be given all the documents that it considers useful;
- To obtain counsel from independent experts of the Company and ensure the presence of persons who have the appropriate experience and expertise if it considers that necessary; and
- To provide independent access to the Company's auditors.

Work done by the Audit Committee:

The Audit Committee met three times in 2009, with all its members and the auditors in attendance: on April 15, August 28 and December 14, 2009. The current members of the Audit Committee were present at the meeting on December 14, 2009.

The necessary accounting and financial documents, particularly in connection with preparing the annual financial statements and the examination of the semi-annual financial statements, were given to it before the relevant meetings.

The Audit Committee involved itself and deliberates validly only when at least two of its members are present. It has the support and the recognition of the directors as regards the clarity and quality of its recommendations.

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

- Reviewing the annual and semi-annual financial statements (company and consolidated financial statements): that review led the Audit Committee to examine and validate in particular:
    - the principal accounting standards with a significant impact on the financial statements,
    - the accounting consequences of the “Development, Construction, Sale” strategy,
    - the Group’s principal accounting assumptions,
    - the judgments and assumptions used to value the assets and goodwill of the Group (impairment tests) particularly assets that are not very liquid or not liquid at all (non-wind assets) and the level of depreciation of assets, as well as their description in the notes to the financial statements, and
    - the amount of provisions;
- Examining the fees of the auditors;
- Taking into consideration the regulatory changes following the transposition of the 4th, 7th and 8th European directives and the review of the functioning of the Audit Committee;
- Preparing the charter of the Audit Committee;
- Taking into consideration the risk mapping activity developed by the management of the holding company and the subsidiaries;
- Requesting specific internal control missions within the subsidiaries; and
- Validating the calendar for preparing the 2009 annual financial statements, the management report and the report from the Chairman on internal control.

The Chairman of the Audit Committee has reported on each Committee meeting to the Board of directors.

2010 Outlook:

Financial year 2010 will focus on internal control, its deployment within the subsidiaries and requesting missions relating to specific points.

Considering the conclusions of the Grant Thornton report, the Audit Committee wishes to pay special attention to improving the internal control process on the reporting of information on the cash position within the Group (see section 7.4.2 below). This goal will involve in particular the implementation of reporting packages that will allow for the obtaining of clear, reliable and rapidly usable information and any other measure making it possible to achieve such a result.

The reveiw of the Group's main risks and the correct handling of such risks by the various bodies of the Company will be at the center of the deliberations.

2.2.2 The Nomination and Compensation Committee

The Nomination and Compensation Committee is composed of:

- Mr. Louis FERRAN, Chairman of the Nomination and Compensation Committee, independent director;

- Mr. Georgius HERSBACH, independent director; and
- Mr. Michel MEEUS, shareholder director.

Mr. Eric PEUGEOT, director and Chairman of the Board (formerly independent) was a member of the Nomination and Compensation Committee until February 9, 2010, on which date he resigned because of his appointment as CEO of THEOLIA.

Main missions of the Nomination and Compensation Committee:

The Nomination and Compensation Committee receives missions from the Board of Directors, particularly:

- Regarding appointments:
  - to examine any nomination for a position as member of the Board of Directors and to formulate an opinion on those nominations or a recommendation to the Board of Directors;
  - to examine the qualification of independent directors of the Company, the desirable number of independent directors on the Company's Board of Directors; and
  - to promptly prepare recommendations for the succession of directors and officers.
- Regarding compensation:
  - to make recommendations concerning compensation, the provident and pension plan, benefits in kind and the various pecuniary rights including any allotments of options for the subscription or purchase of shares and free shares of the Company, the CEO, the Deputy CEOs and any employee members of the Board of Directors;
  - to make recommendations about the compensation of the members of the Board of Directors.

The Nomination and Compensation Committee may also be consulted on the appointments of the executive officers of the Company and on the methods of their compensation.

The term in office of the members of the Nomination and Compensation Committee coincides with that of their term in office as director. The term in office of the members of the Committee may be renewed at the same time as their term in office as directors.

The Nomination and Compensation Committee appoints its Chairman. It meets at least twice a year, including once before the approval of the agenda of the annual shareholders' meeting in order to examine the draft resolutions that will be submitted to it in relation to the positions of members of the Board of Directors and any observers.

It meets, as necessary, when called by the Chairman of the Board of Directors or the Chairman of the Nomination and Compensation Committee or half of its members.

For resolutions to be valid, at least half of its members must be present. No member of the Committee may be represented by proxy.

Work completed by the Nomination and Compensation Committee:

During the financial year 2009, the work of the Nomination and Compensation Committee concerned:

- Examining the nominations of new directors, particularly to serve as Chairman of the Audit Committee;
- Distributing among the directors the fees allotted by the ordinary shareholders' meeting of June 11, 2009;
- The compensation of the CEO and the Deputy CEO; and

- The allotment of free shares to the executive officers and implementation of the anti-dilution clause applicable to the free shares.

2.2.3 The Strategy Committee (since March 19, 2010)

The Strategy Committee is composed of:

- Mr. Gérard CREUZET, Chairman of the Committee, independent director;
- Mr. Philippe DOMINATI, independent director; and
- Mr. Fady KHALLOUF, independent director.

Main missions of the Strategy Committee:

The Strategy Committee enlightens by its analysis the strategic orientations submitted to the Board of Directors and follows the implementation and evolution of significant operations in progress. It ensures the financial balance of projects and of the Group's business model is maintained. In this context, the Committee discusses the options, transactions or strategic projects presented by the general management with their economical and financial consequences; it particularly appreciates the opportunities for acquisitions, transfers, financial transactions and any project likely to modify the structure of the balance sheet and affect the financial profitability of the Group.

2.3 Evaluation of the functioning of the Board of Directors

On March 30, 2009, the Board of Directors retained the services of an independent expert to conduct an evaluation of the organization and operation of the Board of Directors.

That evaluation was undertaken by way of an individual interview with each director. A questionnaire was prepared according to market practices and adapted to the specificities of the Group.

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

The evaluation essentially revealed areas of improvement for the organization and operation of the Board of Directors, which were implemented in whole or in part by the Board of Directors. Areas of improvement include in particular:

- Strengthening the supervisory role of the board;
- Standardizing and structuring of the agenda;
- Examining directors' potential conflicts of interest at the start of each Board meeting;
- Improving the ongoing information of the members of the Board of Directors through a monthly activity report from general management;
- Distributing the minutes of Board of Directors meetings within a reasonable period of time following the meeting of the Board;
- Annual review of its own functioning as well as the functioning of the committees;
- Improving the charter of the directors; and
- Improving the expertise of the Board of Directors, by researching and defining the necessary profiles of the new members of the Board.

3 ORGANIZATION AND FUNCTIONING OF GENERAL MANAGEMENT

3.1 Simultaneous position of Chairman and CEO

On February 9, 2010, considering the departure of the former CEO of the Company, the Board of directors decided to eliminate the separation of the positions of Chairman and CEO by appointing Mr. Eric PEUGEOT, Chairman of the Board, to the position of CEO.

This simultaneous appointment expresses the desire of the Board of Directors, in the context of implementing the Company's financial restructuring plan, to assemble all the parties concerned, and particularly the shareholders, around a personality likely to win their support as regards the successful accomplishment of the financial restructuring.

The advisability of holding the positions of Chairman and CEO simultaneously or, conversely, separating these positions will be examined by the Board of Directors when the financial restructuring of the Company is completed.

3.2 Deputy CEOs

Since February 9, 2010, the CEO has been assisted by two Deputy CEOs: Jean-François AZAM in charge of Operations and François RIVIERE, in charge of Finance.

The list of the positions held within the Group and outside the Group and the principal mandates and positions held within the five last years by the Deputy CEOs appears in paragraph 6.3.2 of the 2009 management report.

3.3 Limitation of powers of the general management

A delegation of powers framing the delegations of the CEO, the Deputy CEOs and the executive officers of the foreign subsidiaries has been set up. This delegation of powers provides for the advance authorization of the Board of Directors for any of the following decisions:

- Determining the annual budget and the strategy;
- Signing any commitment to spend or any contractual commitment not approved in the annual budget and/or exceeding 10% of the amount approved in the annual budget
- Any acquisition and transfer decision not approved in the annual budget;
- Any decision of development in new geographical territories;
- Any commitment of security, co-signature, and guarantee; and
- Any lawsuit or settlement concerning a dispute for an amount higher than €500,000.

4 CODE OF CORPORATE GOVERNANCE

Since financial year 2008, the Company has referred voluntarily to the recommendations of the Code of Corporate Governance of listed companies of the AFEP and MEDEF dated October 6, 2008.

The Board of Directors of THEOLIA considers that these recommendations fit into the Company's corporate governance approach and points out that a large number of those recommendations are already being applied within the Group.

THEOLIA applies these recommendations, except for the following items:

(a) THEOLIA has not applied the recommendation on the definition of performance conditions for the allocation of free shares for a portion of the free shares allocated to the CEO in 2009; at the end of the interim management period following the departure of former chief executive, Jean Marie SANTANDER, Marc VAN’T NOORDENDE accepted the role of CEO on a permanent basis and subsequently received, as a welcome package, 199,426 free shares with no performance conditions but which carried attendance conditions.

The corporate office agreements of Messrs. Marc VAN’T NOORDENDE and Olivier DUBOIS provide that the allocation of free shares will be considered as permanent in the event of their dismissal by the Company. Nevertheless, the Company reserves the right to use the legal resources at its disposal to contest the permanent allocation of these shares (see paragraph 6.4.5 on this matter in the 2009 management report).

Further, Eric PEUGEOT was allocated 80,000 free shares with no performance conditions but with attendance conditions for his duties as Chairman and CEO of the Company as of February 9, 2010; this constitutes his sole compensation as CEO of the Company, with the exception of the attendance fees that he receives for his role as Chairman of the Board of Directors.

All other allocations of free shares to directors are subject to attendance and performance conditions pursuant to the provisions of the AFEP-MEDEF code.

(b) Although the AFEP MEDEF guidelines recommend to exclusively compensate directors with attendance fees (jetons de présence), three directors of the Company (Philippe LEROY, Jean-Pierre MATTEI et Philippe DOMINATI) who undertook exceptional missions, received exceptional compensation. Such compensation is allotted as a result of the missions undertaken by these directors in the context of the financial restructuring plan. The three directors received an overall amount of 280,000 euros in consideration of their work until the general meeting of the Company dated March 19, 2010 and will receive an overall additional compensation of 150,000 euros for the work to be carried out between March, 19 and August 31, 2010. The Company considers that the payment of this compensation is necessary given the current restructuring of the Group. In addition, these exceptional missions were authorized by the Board of Directors on March 19, 2010 they are subject to auditors' review and the approval of the general meeting of shareholders pursuant to Articles L.225-38 et seq. of the Commercial Code. For further details, please refer to paragraph 6.5.3 of the 2009 management report.

(c) Insofar as the Company does not wish to increase the financial liabilities placed upon its new managers within the context of the financial restructuring of the Group and given that it requires its officers to retain a percentage of the free shares that have been allocated to them for the duration of their term of office, the Board of Directors decided that it would not be advisable to oblige the CEO and deputies to purchase a quantity of shares in the Company once the period during which they are required to retain their performance shares has expired.

(d) The directors of the Company (with the exception of Messrs HERSBACH and MEEUS) do not hold a significant proportion of the Company's shares on a personal basis and have not used their attendance fees to acquire any shares. However, a significant number of the directors were appointed recently (five of the nine directors have been appointed since September 2009). In addition, some of the directors were chosen for their professional and technical skills particularly in terms of accounting and financial matters (Philippe LEROY), restructuring (Jean-Pierre MATTEI) and strategy (Gérard CREUZET and Fady KHALLOUF) rather than their shareholdings in the Company. These appointments have the added bonus of allowing the Company to comply with the AFEP-MEDEF recommendations on independent directors.

(e) Although the Articles of Association of the Company provide that the directors are to be appointed for a term of 3 years (in line with the AFEP-MEDEF recommendations), the Company does not observe the rules on staggering appointments of directors for historical reasons. Accordingly, of the nine directors, six have a term of office ending at the general meeting to be held to approve the accounts of the financial year ending December 31, 2011 and the remaining three at the general meeting to be held to approve the accounts of the financial year ending December 31, 2012.

None of the officers or directors has entered into an employment contract with the Company and none benefit from a specific retirement plan. Mr. Jean-François AZAM, COO, had an employment contract with THEOLIA France, subsidiary of the Company, before he was appointed officer. His employment contract was terminated on his appointment.

5 METHODS OF SHAREHOLDER PARTICIPATION IN SHAREHOLDERS' MEETINGS

Any shareholder, no matter how many shares held, has the right to participate in shareholders' meetings, either by attending in person, or by being represented by the shareholder's spouse or another shareholder, or by remote voting (by correspondence).

To participate in shareholders' meetings, shareholders must prove their capacity by way of book registration of the shares in their name or in the name of the intermediary duly registered on their behalf, three business days before the shareholders' meeting, at 00:00 o'clock Paris time, (henceforth Day-3), either in the accounts of registered shares, or in the accounts of bearer shares held by their authorized intermediaries.

For registered shareholders, this book registration at Day-3 in the accounts of registered securities is sufficient to let them participate in the shareholders' meeting.

For bearer shareholders, the authorized intermediaries who hold the accounts of bearer shares must prove directly the shareholder capacity of their clients to the centralizer of the shareholders' meeting by producing a certificate of participation which they attach to the single form for remote voting (or by proxy) or to the request for admission card made out in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary.

6 ITEMS THAT MAY HAVE AN IMPACT IN THE EVENT OF A TENDER OFFER

The information stipulated in article L 225-100-3 of the French Commercial Code appears in section 7.7 of the 2009 management report (Items that may have an impact in the event of public offering).

7 INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

Financial year 2009 was an opportunity for the Group to continue its internal control efforts.

The process of internal control implemented in the Group takes into account the opinions and recommendations of the Autorité des marchés financiers (“AMF”). This report was written based on the guide for implementation for small and medium sized securities of the internal control frame of reference, published by the AMF in February 2008. The Company has applied such frame of reference since it was set up.

Internal control is a Company system, defined and implemented under its responsibility, which aims to ensure:

- compliance with laws and regulations;
- application of the instructions and orientations set by general management;
- proper functioning of the internal processes of the Company, particularly those that help to protect its assets;
- reliability of the financial information; and
- generally, the contribution to the audit of its activities, the effectiveness of its operations and the efficient use of its resources.

The Company's control environment aims to audit all the risks resulting from the Company's activity and the risks of errors and frauds, particularly in the accounting and financial areas.

However, like any control system, the Company's internal control system can provide only reasonable assurance and not an absolute guarantee of the complete elimination of risks.

7.1 Organization and procedures

Internal control is an integral part of the Group's governance strategy.

The internal control procedures that have been established are applicable to all the companies included in the consolidation. These procedures are different, in certain areas, depending on whether the entity concerned is located in France or in another country.

As part of its ongoing efforts to improve internal control, the Group is very attentive to this subject, particularly by stronger deployment of its procedures within its subsidiaries. The Group regularly reviews its operating rules and its procedures according to its activity, in order to ensure that they are still adequate considering the Group's activities.

The procedures were implemented by the Group's general management; the major internal and external parties involved are:

- the Board of Directors;
- the Audit Committee;
- the Financial Division;
- the Office of the General secretary;
- the Legal Division;
- Internal Control and Audit;
- the general management of the subsidiaries; and
- the various service providers in accounting, tax or legal matters.

Moreover, in making its portfolio of projects secure, in September 2009 the Company created the position of project oversight manager.

Following the steady consolidation of the Group's subsidiaries, a "wind deposit" inter-subsidiary working group was created. It enables synergy of the Group's experiences and exchanges on key operating matters of the Group. It meets every quarter. Minutes of meetings are drawn up and circulated internally.

Moreover, technical assistance from the French subsidiary (THEOLIA France) to Italy has been developed for setting up turbine contracts.

Finally, a management team has been established within the holding company, comprised of the management of the holding company and the management of the principal subsidiaries (France, Germany and Italy). It meets bi-monthly and monitors the action plans. A report is written at each meeting.

Each officer or employee of the Company is responsible at his or her level of the internal control system.

The human resources policy helps to improve the internal control environment, particularly by establishing job descriptions, an employee evaluation system and training investments.

7.2 Internal circulation of information

Relevant information must be identified, collected and distributed internally in a format and within a time frame which allows everyone to manage and control the operations for which they are responsible.

Accordingly, all committees (management team, Audit Committee, and Nomination and Compensation Committee) are the subject of formalized reports centered on decision making and the actions to be conducted in order to ensure that relevant information is being shared with all Company employees.

Lastly, meetings are organized with all employees of the head office and general management to present the main actions that have been taken and the issues of the upcoming period.

7.3 Risk management

In order to ensure continuity of growth and achievement of goals, the Group tries to anticipate and manage the risks to which it is exposed in its activities.

The main risk factors are identified and analyzed in the 2009 management report (see paragraph 5 "Main risks factors of the Group") and the measures to improve their anticipation and treatment are also mentioned there.

The definition of significant risks is generally established by the Company management, and then implemented by the financial management. The risk identification and evaluation process continued in 2009. This identification of risks is part of an ongoing process and covers risks that may have a significant impact on the Group's financial condition. Therefore, the Group's risk mapping was updated in 2009 by the former management of the Company and the management of the Company's main subsidiaries. In particular, this new risk mapping includes all risks related to the Group's subsidiaries and projects (previous risk mapping had been undertaken for the holding company only). It will be used in connection with definition of the internal control and control missions.

The Board of Directors has reviewed the Company's main risks as part of its examination of the 2009 management report.

7.4 Control activities

7.4.1 Procedures for preparing and processing accounting and financial information

The accounts for the primary French companies, as well as their consolidation packages, were prepared by the holding company's accounting and financial team until the third quarter of 2009. The team worked under the direction of the Group Accounting Director, who was in turn under the authority of the Group Financial Director. Beginning in the fourth quarter of 2009, the French subsidiary took over the accounts of its subsidiary companies, 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 apply to each step of the process of transfer and information processing. They are designed to verify, 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, alignment between the accounting data and the management data used to establish financial information.

In the context of preparing the accounts, the Group was assisted by experts from various fields, especially in the application of IFRS standards for financial consolidation.

The consolidation and reporting tool used by all the entities ensures the alignment and reliability of the data, thanks to blocking controls prior to cash transfer to the Group.

The manual for consolidation procedures is revised and updated regularly. It states the accounting principles to apply, the standards in effect and the procedures for using computer software.

Training programs for financial staff were organized in 2009, in order to improve their familiarity with computer accounting systems and to improve the quality of the information disclosed.

In addition, following the adjustments made to the 2007 and 2008 accounts (detailed in paragraph 3.2.1 C of the 2009 management report), the Group analyzed the reasons for these adjustments and the closing procedures have been consequently amended. In particular, the Company requires from now on that the company accounts of its significant subsidiaries to be approved by their boards of directors before the Group's consolidated accounts are approved by the Board of Directors of the Company.

Moreover, the organization of the Group, which entails bi-annual reporting from each subsidiary using IFRS standards and addressed by country directly to the parent company in local currency, without any intermediate aggregate, enables optimization of the transmission and extent information.

The Group possesses a body of accounting and management rules and methods with mandatory application for all Group subsidiaries. Consolidation instructions are sent to the subsidiaries at the end of each period. These instructions indicate a closing calendar, the team in charge, the consolidation perimeter and the Group accounting principles as stated in the notes and the content of the packages.

The accounting standards define the principles necessary for the homogeneous processing of operations. They specify the mode of registration and valuation of ex-balance sheet commitments. They are compliant with IFRS standards, which constitute the standards to be used for the consolidated accounts since 2005. The Group's Financial Department continues its work of "monitoring" new IFRS standards in preparation, in order to announce and anticipate as much as possible their incidence in the consolidated accounting.

The processing and centralization of cash flows, as well as rate risk coverage, is the responsibility of the Financial Department, which guarantees the registration of commitments and allows them to be recorded in the books (see section 7.4.2 below on this matter).

The investment plans are endorsed by the Board of Directors and any change in relation to the provisions is the object of specific prior authorization.

All accounting and financial items prepared by the consolidated subsidiaries are, at least, the object of a limited examination on the half-yearly closure of the accounts and an audit on the annual closure of the accounts, by the auditors. This work also includes validation of the passage of the accounts between local accounting principles and IFRS standards.

On the occasion of each closure, a file is prepared for each of the subsidiaries (company accounts) and for the holding company (company and consolidated accounts).

The procedures for the internal control of the accounting and financial information are: the budgetary process, the accounting department's follow-up process, etc. In the area of operations, certain procedures aim to guarantee the observance of standards which comprise THEOLIA's core activity.

7.4.2 Cash follow-up

The Group is aware that improvements in its internal controls are necessary, in particular regarding the monitoring of the Group's cash situation, especially in difficult financial conditions.

In February 2010, one of the auditors (Deloitte & Associés) sent the Chairman of the Board of Directors a letter indicating that it had not received all of the information explaining the situation of the Group accounting department from the current management.

Following this letter, the Board asked Grant Thornton, financial experts, to analyze the Group accounting department's reporting procedures and to verify the exact amount available in the accounts as of December 31, 2009 (as communicated to the market on January 19, 2010 and to be detailed in the press release on April 16, 2010). The report, dated March 31, 2010, revealed significant weaknesses in terms of the Group's internal control of financial reporting on the accounts. These weaknesses included:

- inadequacy of the Company's procedures in the collection of financial information from foreign subsidiaries, in particular Germany, making it difficult to reconstitute and verify data communicated by the subsidiaries and thus to obtain reliable account forecasts;

- the difficulty to obtain in advance a relevant estimate of the cash situation due to weaknesses in the cash projections process of the subsidiaries in the very near term ;
- the erroneous nature of the financial information provided to the Board of Directors regarding the amount of available, provisional or actual funds in the accounts; and
- the absence of a centralized process for optimizing the funds in the Group accounts.

The Audit Committee and the Group management are working to define and implement measures to help rapidly improve the process of establishing Group forecasts and account statements. In addition, considering these weaknesses, in-depth work has been conducted by the Group in order to make reliable and to confirm information related to cash position as of December 31, 2009 as stated in the company and consolidated accounts and in the management report, and the projected cash position used to justify the continuity of operation based on the assumption that the financial restructuring is completed.

7.4.3 Financial disclosure

As a listed company, THEOLIA has to comply with AMF regulations concerning the disclosure of financial information.

Thus, all financial information disclosed must be documented internally and verified.

In particular, the information systems must provide the necessary security to preserve the reliability of the operational, financial or regulatory data.

Financial communication is prepared by the Financial Department and distributed according to the procedures dictated by the AMF:

- publication of the quarterly revenues, the company and consolidated accounts with the notes and reports of the Board of Directors on the half-yearly and year-end closing of the Group accounts;
- two presentations per year of the Group income under the aegis of the French Society of Financial Analysts (SFAF); and
- distribution of press releases on the half-yearly and year-end closing of the accounts, as well as on occasions deemed sufficiently significant and which may have an impact on the stock price.

Moreover, those responsible for financial disclosure establish a precise calendar for the diffusion to the financial markets of up-to-date information on the Group in a manner compliant with the regulations of the market authorities. This calendar is disclosed internally.

Finally, the reference document is prepared under the direction of the Company Secretary, who ensures coordination of the various teams participating in its preparation.

7.4.4 Compliance with laws and regulations

As a listed company, THEOLIA is subject to the regulations in force which are common to all companies and to the legal and regulatory provisions specifically concerning listed companies (in particular, the AMF general regulation).

The Legal Department and Internal Control are in charge of implementing and verifying the application of the mechanisms enabling compliance with all of these regulations.

In addition, specific reporting on the follow-up of legal action and contracts has been adopted at Group level, in order to monitor compliance with applicable laws and regulations.

7.5 Monitoring of internal control mechanisms

The positions of Internal Control Manager and Internal Audit Manager were created in 2009. They are tied to the Financial Department.

Their main activities are:

- Formalization of procedures;
- Updating of risk mapping;
- Communication and awareness-raising of service coordinators regarding internal control;
- Establishment of recommendations in the context of audit work;
- The establishment of action plans for risk management;
- Evaluation of internal control; and
- Implementation of work at the express request of the Audit Committee.

In the 2009 financial year and during the beginning of 2010, transverse studies were prepared in order to identify areas for improvement and the reinforcement of internal control.

This work resulted in the establishment of an action plan for the year 2010, entailing in particular:

- The extension of risk mapping to all areas of activity;
- The constant safeguarding of the project portfolio and project follow-up; and
- The use of control in all of the Group's subsidiaries.

SCHEDULE 2: TABLE OF VALID DELEGATIONS GRANTED BY THE GENERAL MEETING

The delegations and authorizations granted to the board of directors by the general meeting granting them the authority to issue shares and other transferable securities are as follows:

GM of May 30, 2008	Type of delegation	Purpose	Term	Termination	Ceiling	Usage as of December 31, 2009	Unused balance as of December 31, 2009.	Overall ceiling (in €)
13	Delegation of authority	Issuance of shares, securities or VMC, eliminating the DPS	26 months	July 30, 2010	€15 million	No	15 million shares	40 million
14	Delegation of powers	Issuance of shares, securities or VMC, freely setting the issue price	26 months	July 30, 2010	10% of the share capital per year	No	10% of the share capital	
15	Delegation of powers	Issuance of shares, securities or VMC, in case of a capital increase maintaining or eliminating the DPS in accordance with resolutions 12, 13 and 14.	26 months	July 30, 2010	15% of the initial issue amount under the same conditions	No	15 % of the amount of the initial issue	
16	Delegation of authority	Capital increase through capitalization of reserves, profits or premiums	26 months	July 30, 2010	10 of the share capital of the Company	No	15 million shares	
17	Delegation of authority	Issuance of shares, securities or VMC, in the case of a public offering initiated by the company	26 months	July 30, 2010	€15 million	No	15 million shares	
18	Delegation of powers	Issuance of shares, securities or VMC, for remunerating contributions in kind granted to the Company	26 months	July 30, 2010	10% of the share capital upon issuance	No	10 % of the share capital on upon issuance	
19	Delegation of powers	Authorization to decrease the share capital through cancellation of shares	18 months	November 30, 2009	10% of the share capital of the Company, for each 24 month period	No	10% of the share capital of the Company, for each 24 month period	
20	Delegation of powers	Authorization given to the Board of Directors to allot bonus shares	26 months	July 30, 2010	10% of the share capital on the allocation	1,657,111	10% of the share capital on the allocation	

GM of May 30, 2008	Type of delegation	Purpose	Term	Termination	Ceiling	Usage as of December 31, 2009	Unused balance as of December 31, 2009.	Overall ceiling (in €)
					date		date decreased by the amount of free shares already allocated	
21	Delegation of powers	Authorization to grant subscription options and/or purchasing shares in favor of staff members and/or corporate officers of the Group companies	38 months	July 30, 2011	10% of the share capital on the allocation date	No	10% of the share capital on the allocation date	

GM of June 11, 2009	Type of delegation	Purpose	Term	Expiration date	Ceiling	Usage as of December 31, 2009	Unused balance as of December 31, 2009.	Overall ceiling (in €)
13	Delegation of authority	Authorization in order to operate on the Company's shares	18 months	December 11, 2010	10% of the share capital at anytime	No	10% of the share capital at anytime	60 million

GM of March 19, 2010	Type of delegation	Purpose	Term	Expiration date	Ceiling (in €)	Usage as of December 31, 2009	Unused balance as of December 31, 2009.	Overall ceiling (in €)
2	Delegation of authority	Capital increase maintaining the DPS	5 months and 12 days	August 31, 2010	100.8 million	N/A	N/A	100.8 million

SCHEDULE 3: SPECIAL REPORT ON FREE SHARES

The present document comprises all the elements of the the Board of directors' special report on free shares pursuant to the provisions of article L. 225-197-4 of the French Commercial Code, as follows:

- number and value of shares allocated for free during the 2009 financial year to the officers by the Company (no allocation has been made by related companies within the meaning of article L.233-16 or by controlled companies within the meaning of article L.233-16): see paragraph 6.4.5 of this Report; and
- number and value of shares allocated for free during the 2009 financial year to the first 10 non-director employees of the Group: see paragraph 6.9 of this Report.

SCHEDULE 4: TABLE OF AUDITORS' COMPENSATION

	JEAN JOUVE (1)				DELOITTE & ASSOCIES				COEXCOM (2)			
	Amount *(Euros ex-tax)*		%		Amount *(Euros ex-tax)*		%		Amount *(Euros ex-tax)*		%	
	2009	**2008**	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
AUDIT												
Audit of the financial statements, certification, review of individual and consolidated accounts												
Issuer	72,150.00	224,250	16.71	33.33	348,300	584,290	54.30	61.74	92,850	-	100	-
Fully consolidated subsidiaries	357,196	384,125	82.71	57.04	221,389.25	328,830	34.51	34.75	-	-	-	-
Other diligences and services directly related to the auditor's mission												
Issuer	-	40,000	-	5.94	61,751.40	22,000	9.63	2.32	-	-	-	-
Fully consolidated subsidiaries	-	-	-	-	10,000	-	1.56	-	-	-	-	-
Sub-total	**429,346**	**648,375**	**99.42**	96.31	71,751.40	935,120	11.19	98.81	92,850	-	100	**-**
OTHER SERVICES TO FULLY CONSOLIDATED SUBSIDIARIES												
Legal, tax, labor	2,500.00	-	0.58	-	-	11,256	-	1.19	-	-	-	-
Others		25,000	-	3.69	-	-	-	-	-	-	-	-
Sub-total	**2,500.00**	25,000	0.58	3.69	**-**	11,256	**-**	**1.19**	**-**	**-**	**-**	**-**
TOTAL	**431,846**	673,375	100	100	**641,440.65**	**946,376**	100	**100**	**92,850**	-	100	-

(1) Statutory auditor until its resignation in August 2009
(2) Statutory auditor since August 31, 2009

CONSOLIDATED ACCOUNTS AS OF DECEMBER 31, 2009

Balance sheet

Income statement

Cash flow statement

Statement of changes in shareholders' equity

Notes

Statement to the financial statements

in thousands of euros

	Note	12/31/2009	12/31/2008
Goodwill	9	79,460	78,084
Other intangible assets	10/11	99,883	94,152
Property, plant, and equipment	10/11	311,858	341,678
Equity interests	12	10,915	21,729
Other non-recurrent financial assets	13	9,867	10,458
Deferred taxes assets	31	8,140	9,483
Non-current assets		**520,123**	**555,584-**
Inventories and work in progress	14	51,814	169,923
Trade receivables	15	32,492	24,885
Other non-current assets	16	22,623	53,900
Tax receivables on income		5,222	3,475
Current Share of financial assets	13	236	296
Cash and cash equivalents	17	94,187	90,823
Current assets		**206,574**	**343,302**
Assets related to discontinued activities	18	17,072	19,817
TOTAL ASSETS		**743,769**	**918,703**
LIABILITIES AND SHAREHOLDER'S EQUITY			
Share capital I	19	39,895	39,747
Issue premiums		307,546	307,695
Other reserves		(176,201)	67,149
Net income – Group share		(20,765)	(244,454)
Shareholder's equity – Group share		**150,475**	**170,137**
Minority interest		(1,823)	(1,489)
Shareholder's Equity		**148,652**	**168,648**
Non-current financial liabilities	21	366,179	442,582
Provisions – non-current share	23	14,439	4,955
Personnel benefits	22	79	61
Deferred tax liabilities	31	25,003	22,033
Other non-current liabilities		561	561
Non-current liabilities		**406,261**	**470,192**
Current financial liabilities	21	124,302	146,666
Provisions – current share	23	-	66
Trade payables and other current liabilities	24	41,285	103,228
Tax and social liabilities	24	10,715	14,352
Corporation tax debts		1,516	2,480
Current liabilities		**177,818**	**266,742**
Liabilities related to discontinued projects	18	11,038	13,121
TOTAL LIABILITIES AND EQUITY		**743,769**	**918,703**

Balance sheet in thousands of euros

	Notes	12/31/2009	12/31/2008
Revenues		**328,593**	**69,956**
Purchases and changes in inventory		(255,366)	(25,945)
External expenses		(33,613)	(36,540)
Taxes and duties		(1,215)	(1,240)
Personnel costs	26	(11,714)	(20,838)
Amortization and provisions	10/11	1,446	(57,458)
Other current operating income and expenses	27	(319)	3,656
Current operating income		**27,811**	**(68,411)**
Other non-current operating income and expenses	28	(140)	(22,584)
Operating income before impairment		**27,671**	**(90,995)**
Impairment of goodwill	29	4,509	(106,577)
OPERATING INCOME (after impairment)		**32,180**	**(197,572)**
Cost of gross financial debt	30	(29,490)	(33,009)
Income from cash and cash equivalents	30	960	6,384
Cost of net financial debt	30	**(28,530)**	**(26,625)**
Other financial income	30	2,685	3,988
Other financial expenses	30	(4,964)	(16,445)
Financial income		**(30,809)**	**(39,082)**
Share in income of associated enterprises	12	(13,470)	(3,842)
Tax expenses	31	437	11,936
Net Income from ongoing activities		**(11,662)**	**(228,560)**
Income net of corporate tax from discontinued activities or those in the process of being sold	18	(9,439)	(16,650)
NET INCOME		**(21,101)**	**(245,210)**
Group income		(20,765)	(244,454)
From minority interests		(335)	(755)
Income per share (in euros)	24	(0.52)	(6.15)
Diluted income per share (in euros)	24	(0.49)	(4.33)

Overall income

in thousands of euros

	12/31/2009	12/31/2008
Net income	**(21,101)**	**(245,210)**
Foreign exchange differences	(125)	112
Total earnings and expenses posted	**(125)**	**112**
OVERALL INCOME	**(21,227)**	**(245,098)**
Earnings per share (in euros)	(0.53)	(6.17)
Diluted earnings per share (in euros)	(0.51)	4.33

Cash flow table

in thousands of euros

	12/31/2009	12/31/2008
Total net income of consolidated companies	**(21,100)**	**(245,210)**
Income from discontinued activities	9,439	16,650
Elimination of amortization, depreciation and provisions	18,652	157,792
Elimination of change in deferred taxes	(425)	(11,936)
Elimination of capital gains/losses from disposals	6,139	(4,887)
Elimination of the share of income from equity	13,470	3,842
Financial expenses	30,318	30,819
Other income & expenses with no effect on cash	2,733	44,863
Gross self-financing margin (A)	**59,225**	**(8,067)**
Effect of WCR variation related to activity (B)	54,280	(129,193)
Corporation tax paid (C)	(1,370)	(8,715)
Flows related to discontinued activities (D)	(2,902)	(1,751)
CASH FROM OPERATIONAL ACTIVITES (a) = (A+B+C+D)	**109,233**	**(147,725)**
Acquisitions of fixed assets	(27,877)	(46,404)
Acquisitions of financial assets	(80)	(16)
Disposals of fixed assets	3,391	3,045
Change in loans	26,304	36,514
Effect of subsidiary acquisitions net of cash acquired	(19,879)	(64,573)
Flows related to discontinued activities	-	(2,295)
Linked account	0	0
NET FLOW GENERATED BY INVESTMENT ACTIVITIES (b)	**(18,139)**	**(73,727)**
Dividends paid to minority shareholders	-	(0)
Treasury shares	(1)	373
Capital increase (decrease)	(0)	1,589
Loans and other debts	37,482	102,304
Repayment of loans and other liabilities	(110,325)	(91,063)
Interests paid	(14,904)	(24,497)
Financing operations with no effect on cash	24	(0)
Flows linked to discontinued activities	-	(890)
NET FLOWS GENERATED BY FINANCING ACTIVITIES (c)	**(87,724)**	**(12,184)**
Effect of variations on exchange rates	(8)	70
CHANGES IN CASH AND CASH EQUIVALENTS (d) = (a) + (b) + (c)	**3,361**	**(233,567)**
Net cash and cash equivalents – opening balance	90,819	325,920
Net cash and cash equivalents of discontinued activities – closing balance	-	1,533
Net cash and cash equivalents – closing balance*	94,180	90,819
CHANGES IN CASH AND CASH EQUIVALENTS	**3,361**	**(233,568)**
* Cash posted on the balance sheet	94,187	90,823
Bank overdrafts	(7)	(4)
Net cash and cash equivalents – closing balance	***94,180***	***90,819***

Table of changes in shareholder equity *in thousands of euros*

	Capital	Premiums	Conversion losses/gains	Consolidated Reserves and Income	Equity Group shqre	Minority interests	Total Shareholder Equity
Situation at 01/01/2008	38.682	307.171	226	58.064	404.143	227	404.420
Expenses and income directly recorded under Equity			112		112		112
Net income				**(244.454)**	**(244.454)**	**(755)**	**(245.209)**
Overall income			**112**	**(244.454)**	**(244.454)**	**(755)**	**(245.097)**
Capital increase	1.065	524			1.589		1.589
Free shares				8.045	8.045		8.045
Cross-holding shares				(709)	(709)		(709)
BSA issue				1.615	1.615		1.615
Change in scope				130	130		130
Other reclassifications				(334)	(334)	(1.011)	(1.345)
Situation at 12/31/2008	39.747	307.695	338	(117.643)	170.137	(1.489)	168.648
Expenses and income directly recorded under Equity			(117)		(117)		(117)
Net income				**(20.765)**	**(20.765)**	**(336)**	**(21.101)**
Overall income			**(117)**	**(20.765)**	**(20.883)**	**(336)**	**(21.219)**
Capital increase	148	(148)					
Free shares and options				939	939		939
Cross-holding shares				(35)	(35)		(35)
Other reclassifications				319	319	2	321
Situation at 12/31/2009	**39.895**	**307.546**	**221**			**(1.823)**	**146.652**

APPENDIX TO THE CONSOLIDATED FINANCIAL STATEMENT

1. General information

The company THEOLIA ("The Company") is a French limited liability corporation, whose head office is located in Aix-en-Provence, France.

The financial year for which the financial statements are presented began on January 1, 2009 and ended on December 31, 2009.

The Company, as well as its subsidiaries ("The Group") conducts their business in the development, construction, operation and sale of wind farms.

The Group operates mainly in Europe.

The financial statements for the Group were adopted by the Board of Directors on April 15, 2010.

2. Accounting principles

2.1 General principles

- **Statement of compliance**

In accordance with EC regulation n° 1606/2002 of July 19, 2002, the consolidated financial statements for January 1 2009 through December 31, 2009 are prepared in accordance with the IFRS (International Financial Reporting Standards) published by the IASB (International Accounting Standards Board) on December 31, 2009 and for which the adoption regulation was published in the Official Journal of the European Union on the date the statements were closed. The IFRS system of reference includes the IFRS, the IAS (international Accounting Standards) as well as their interpretations (IFRIC and SIC) which are available from their website: http://ec.europa.eu.

The accounting policies used on December 31, 2009 are coherent with those of the previous financial year.

New standards, amendments and interpretations applicable as of January 1, 2009

The standards, amendments or interpretations presented below were applied continuously to all periods presented in the financial statements.

Standard N°	Description	Potential effect on the Group's financial statements
IAS 1 revised	**Presentation of financial statements**	**The impact on financial statements is presented below**
IAS 23 amended	Loan costs	This amendment has no effect on the financial statements The Group has already activated directly attributable borrowing costs
Amendment to IAS 32 and IAS 1	Financial instruments subject to early repayment	This amendment does not apply to the Group
Modified amendment to IAS 39 and IFRS 7	Reclassification of financial assets	This amendment does not apply to the Group
Amendment to IAS 39 and IFRIC 9	Embedded deritatives	This amendment does not apply to the Group
Amendment to IFRS 2	Conditions of acquisition and cancellations	This amendment does not apply to the Group
Amendment to IFRS 7 and IFRS 4	Information on financial instruments	Information supplied at note 21
IFRS 8	Operating segments	The effect on the financial statements is presened in note 2.21
IFRS 13	Customer loyalty programes	This interpretation does not apply to the Group
Ifrs 14	IAS 19 – Asset cap	This interpretation does not apply to the Group
Annual improvements (2006-2008)	Amendment IAS 16	The effect on the financial statements is presented in "change of strategy"

New standards, amendments and interpretations applicable as of January 1, 2010

The Group decided not to apply the following standards, interpretations and amendments in advance which were published by the IASB and adopted by the European Union and whose application is not obligatory in these financial statements.

Standard N°	Description	Potential effect on the Group's financial statements
IAS 27 amended	Consolidated and individual financial statements	The analysis of the effect of these standards, interpretations and amendments to the financial statement is being analyzed
IFRS 3 revised	Business combinations	
Amendment IAS 32	Classification of rights	
Amendment IAS 39	Items eligible for hedging	
IFRIC 12	Service provision contracts	
IFRIC 15	Agreements for the construction of a real estate asset	
IFRIC 16	Hedging of net overseas investments	
IFRIC 17	Distribution of non-monetary assets to owners	
IFRIC 18	Transfer of assets from clients	

Standards, amendments and interpretations not yet applicable

The following rules, amendments and interpretations were published by the IASB but have not yet been adopted by the European Union.

Standard N°	Description	Potential impact on the Group's financial statements
IAS 24 revised	Related parties	
Amendment IFRS 1	Additional exemptions	
Amendment IFRS 2	Intra-group transactions	
IFRS 9	Financial instruments	The analysis of the impact of these rules, interpretations and amendments on the financial statements is under analysis
Amendment IFRIC 14	Early payments of minimum finance obligations	
IFRIC 19	Extinction of debt	
Annual improvements (2007-2009)		

- **Change of strategy: Accounting system applicable to the sale of assets**

On September 1, 2009, the THEOLIA management confirmed a change in the Group's economic model. The Group's activity would from now on be focused on Developing, Building, Operating then Selling wind farms. Therefore, all of the farms are intended to be sold.

This means that the sale of these farms forms part of the main activity of the Group, and must therefore be posted under Profits from ordinary activity.

In accordance with IAS 8.16, the application of the accounting principle does not entail a change of principle. The principle applies to transactions which differ in substance from those which applied previously. The change applies prospectively as of September 1, 2009 as part of the review of the IAS 16 standard, applicable as of January 1, 2009.

As a consequence, the repayment schedule must reflect this change, as the assets must be paid off on a new duration of use, and a residual value must be used to determine the repayments.

The reporting which applies to wind farms depending on their life cycle is described below:

- Filing of building permit and creation of the SSP (development): reporting of development costs under fixed assets
- Construction - reporting under current tangible assets of building costs
- Commissioning of the wind farm - keep under capital until the sale is finalized:
- Operation:
  - Purchase/sale flows: transferred to earnings (costs & profits)
  - Amortization: over the planned duration of ownership of the farm
- From disposal of assets under a sales contract, the transfer to an inventory account for their book value is made at that date (IAS 16.68A),
- Transfer – profit of transfer broken down into:
  - Revenues (IAS 16.BC35C)
  - Sale cost of the farm (to be reported under stored purchases)

To give an idea, the sales of wind projects made over the course of the first six months of 2009 represented the equivalent of an income of €3.2m. They were not reprocessed. There were no sales in July and August 2009. The sales of 38.5 MW of wind farms in Germany, Natenco's traditional activity of the sale of Natenco turnkey farms, in the first six months of 2009 were already posted in the revenues.

- **Change of system: 1st application of revised IAS 1**

The application of the revised IAS 1 standard entails the following changes in the presentation of the consolidated financial statements:

- Presentation of an overall profit which includes both profits and costs as reported in profits but also those reported in shareholders' equity; this profit is presented in the changes in shareholders' equity table on a different line so that transactions linked to shareholders can be distinguished from those not linked to shareholders;
- The name of the balance sheet is changed to "the statement of financial position".

- **Change of method: 1st application of the IFRS 8 standard – Operational segments**

Until 2008, sector activity was (in accordance with IAS 14) presented according to two analytical approaches:

- Activities:
    - Construction/sale of farms
    - Sale of electricity generated by wind (for own account and third parties)
    - Non-wind activities
    - Holding activities

- Geographical:
    - France
    - Germany
    - Rest of the world

As at January 1, 2009, and pursuant to IFRS 8 – Operational segments, the Group presents its sector information using only the Activities approach:

- Sale of electricity (produced by the farms owned by the Group)
- Development/Construction/Sale (DCV in French)
    - Development
    - Construction
    - Sale of structured assets (wind farms)
- Operation of wind farms
    - Operation & Maintenance management
    - Sale of the electricity produced by the wind farms being managed (and owned by third parties)
- Non-wind activities
- Corporate (parent company and sub-holding companies composing structuring the legal organizational chart)

The main change resides in the creation of the "Wind farm operation" activity which covers sales of electricity on behalf of third parties, which was previously grouped together with under sales for own own account.

- **Basis for preparing the financial statements**

The comparative information is presented, unless otherwise indicated, as of December 31, 2008.

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

In accordance with IFRS 3, the N-1 accounts (year start and year end) comparatively presented are restated in the event of final goodwill allocation. The same applies to the application of the IFRS 5 standard – Non-current assets held in view of sale and discontinued activities.

- **General valuation principles**

The consolidated financial statements of the Group are produced according to the principles of continuity of operation and of historical cost, with the exception of some financial instruments and financial assets available for sale which are valued at the fair value.

- **Continuity of operation**

At the end of 2008, in a difficult economic environment, which led to a book loss of 245 million euros being posted, the Group set its budget for 2009 on a self-financing basis and had decided upon an asset sale program intended to provide it with the resources necessary to honor its commitments.

Over the course of the financial year, the asset disposal program was implemented as planned.

Furthermore, independently of this, a new strategy was implemented by the Group as of September 2009, which consisted in no being a producer of electricity, but a developer and operator of wind farms.

It should be noted that the Group is currently undertaking a restructuring of its convertible bond and that this restructuring is subject, on the date these accounts were finalized, to a minimum capital increase of 45 million euros before the end of August 2010, based on the expected business forecast and the base assumption of the implementation of the capital increase with irrevocable underwriting as described above, the Group expects to be able to ensure the continuity of its operations over twelve months and has concluded in this context that it was appropriate to apply the continuity of operations principle in preparing its consolidated accounts.

However, if the capital increase is not carried out for this minimum amount, or if it is not done within the scheduled deadlines then the bond restructuring will not be completed and on January 1, 2012 the bondholders would not be able to claim the early reimbursement of the OCEANE convertible bond for an amount of €253 million. The Group believes, at the current time, that it would be unable to meet this repayment maturity.

Furthermore, the Group considers that a failure in the restructuring of the bond loan would increase the risk of financing not being obtained for wind projects currently being developed or of other short term bank credits being terminated. Assuming the Group does not complete its restructuring before July 31, 2010 and/or the ad hoc agent is still in place beyond that date, the banks financing projects in certain Group subsidiaries would be able to claim the early reimbursement of their loans as explained in note 21 of the appendix.

As a result, there is an uncertainty as to Group's capacity to liquidate its assets and pay its debts in the normal course of business. The failure to restructure the convertible bond could oblige the Group to consider a safeguard procedure such as is foreseen in French law and lead to a significant destruction of value. None of the adjustments that may prove necessary in this case has been recorded in the financial statements.

- **Correction of an error – IAS 8**

Pursuant to standard IAS 8, an error noted in the financial statements of the Corseol subsidiary (wind farm) on December 31, 2008 gave rise to the restatement of these same accounts.

A provision for risks of €1.111 million for which the compensation is posted in the balance sheet under the "amortizations and provisions" item was reported in the company accounts after the close of the consolidated financial statements.

This correction has a negative impact on the net income of (€1.111) million during the 2008 financial year which was consequently re-processed for comparative purposes.

2.2 Consolidation methods

- **Controlled entities**

Subsidiaries are consolidated if they are controlled by the Group, and if the Group controls their financial and operating policies. Subsidiaries are fully consolidated from the date on which the actual control is transferred to the Group. They are deconsolidated as of the date on which such control ceases.

Income from subsidiaries acquired or sold during the period is included in the consolidated income statement, from the date control is taken or until the date control is lost.

If applicable, the subsidiaries' financial statements will be restated to harmonize the accounting principles and make them consistent with those of other companies within the scope of consolidation.

All intra-group balances and operations are eliminated at the consolidation level.

- **Associated enterprises**

Associated enterprises are companies in which the Group exerts significant influence in terms of operating and financial policy without owning a controlling interest. In general, these are companies in which the Group owns at least 20% of the voting rights.

The Group's interests in associated enterprises are accounted for by the equity method. The financial statements of associated enterprises are included in the consolidated financial statements from the date significant influence starts until the date significant influence is lost.

The balance sheet value of securities accounted for by the equity method includes the acquisition cost of the securities (including goodwill) plus or minus any changes in the Group share of the net assets of the associated company from the acquisition date. The balance sheet reflects the Group share in the results of the associated company.

- **Business combinations**

Business combinations created after July 1, 2004 are accounted for according to the acquisition method. The cost of the business combination is equal to the total fair value as of the trading date of any assets remitted, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control over the company acquired, and all costs directly attributable to the business combination. If the fair value of the assets and liabilities cannot be calculated by the date the financial statements are closed, then a temporary allocation is made that leads to the calculation of goodwill that is also temporary. The final allocation is made no later than one year after the takeover date.

Any positive differences between the acquisition cost and that portion of the fair value of any assets, liabilities or contingent liabilities identifiable on the date control is transferred are posted under assets as goodwill. Any negative differences are posted directly under income for the period.

When the business combination contract involves an adjustment to the purchase price which depends on future events, the value of this adjustment is included in the cost of the business combination on the date of acquisition if this adjustment is likely and can be measured in a reliable manner.

In the event of the sale of a subsidiary or of a jointly controlled entity, the amount of the goodwill attributable to the subsidiary is included in the calculation of the income from the sale.

Goodwill is not amortized. Pursuant to IAS 36 "Impairment of Assets," it is subject to an impairment test at least once a year, and more frequently if an indication of loss in value appears. The test methods are aimed at ensuring that the recovery value of the cash-generating unit to which the goodwill is attributed or attached is at least equal to its net book value. If a loss in value is noted, then the impairment is posted under operating income as "Other non-current income and expenses." This impairment is irreversible.

When additional purchases are made after the date control is transferred, the transaction is considered a simple operation on securities with the minority shareholders. Identifiable assets or liabilities of the controlled company are not revalued. The positive or negative difference generated between the acquisition cost and the additional portion acquired in the net assets of the company is posted under goodwill.

2.3 Foreign currency

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

- Presentation of the financial statements

Balance sheet items of entities located outside the eurozone are converted at the exchange rate prevailing on the closing date in the functional currency and balance sheet items are converted at the average exchange rate prevailing in the functional currency.

- Foreign currency transactions

Foreign currency transactions are converted at the exchange rate prevailing on the day of the transaction.

2.4 Recognition of income

Income is recognized when the Group has transferred to the buyer any significant risks or benefits of ownership, when it participates neither in the management nor in the actual control of the assets transferred, when it is probable that the economic benefits resulting from the sale will benefit the Group, and when the cost of the transaction can be valued reliably.

In accordance with the new Group strategy, the sale of previously operated wind farms and projects are recorded under revenues for the resale value of the asset (see note 2.1).

- **Electricity production**

Sales recorded from peaking units and wind plants correspond to the sale of the electricity produced and sold to the operator in accordance with the different contracts guaranteeing the selling prices in particular, based on the volumes produced and sold.

The sales of the electricity produced either from farms owned by the Group, or farms owned by third parties who have entrusted the management of said farms to the Group, are recognized in accordance with the quantities produced and delivered over the course of the financial year.

Income from the electricity produced by farms held on behalf of third parties has been included in the Group's financial statements because the contract for the sale of electricity to the grid is made with the Group, not with the client for whom the Group manages the asset. The risks are managed by the Group who has the effective control and management on behalf of the client. On account of this, the Group records its gross revenue in accordance with the standard IAS 18.

- **Purchase of wind farms for resale**

Profit margins are achieved when the wind farm is sold, in proportion to the number of masts sold.

- **Development, Construction and sale of wind farms**

The operations of development and construction of wind farms which will be operated by the Group with a view to their sale only give rise to the reporting of income on the actual date of sale of the wind farms previously classified as non-current assets. They are classified as inventory when the client has been identified (signature of a sales contract) for the sale of a wind farm. The transfer date therefore corresponds to the date the risks and benefits linked to ownership are transferred.

- **Financial income**

Interest income is posted on a pro rata basis according to the effective interest rate method.

- **Dividends**

Dividends are posted under financial income when the right to receive the dividend is acquired.

2.5 Intangible assets

Intangible assets are recorded at their acquisition cost less total depreciation and any impairment.

The cost of borrowings used to finance assets over a long commissioning or manufacturing period are included in the entry cost of the assets.

Depreciation, calculated as of the commissioning date of the asset, is posted under expenses so as to reduce the book value of the assets over their estimated useful life, according to the straight line method.

For contracts and licenses, the depreciation periods used are 2 to 4 years.

From the date of implementation of the new strategy, the development costs of the wind farms are amortized over a period of 2 to 4 years as a result of their expected length of operation before disposal taking into account a residual resale value at the end of those 4 years. In the pastn they had been amortized over the lifetime of the electricity sales contracts (15 to 20 years).

The amortization expense of the intangibles is recorded under the item “Amortization” in the income statement.

The depreciation expense for intangible assets is posted under the heading “Depreciation” in the income statement.

Project-related costs can be generated internally or can be acquired through business combinations.

The main intangible assets accounted for by the Group concern the development costs of the different projects linked particularly to the operation of wind farms. The projects are valued at their production cost. An identifiable intangible asset generated internally resulting from the development of an internal project is posted on the balance sheet if, and only if, the following conditions are met:

- the technical feasibility of the project;
- the intention to complete the intangible asset and commission it or sell it;
- the ability to commission or sell the intangible asset;
- the likelihood of generating future economic benefits;
- the availability of technical and financial resources to complete the development of the project;
- the ability to reliably assess the expenses attributed to the asset during the course of its development.

The intangible assets generated internally are depreciated according to the straight line method over their useful life.

When the conditions for posting a fixed asset generated internally are not met, the development costs are posted as expenses in the financial year during which they are incurred.

When the Group acquires wind projects developed by companies that have been taken over, such companies are valued at their fair value, in accordance with IFRS 3. The fair value of all the contracts acquired is taken into account in the intangible asset thus determined.

Intangible assets comprise mainly wind projects in the development stage. They are included under “assets under construction” and as such are not depreciated.

Such projects cease to be capitalized from the industrial commissioning date. They are then depreciated according to the provisions of the new strategy; the amortizable base corresponds to the difference between the cost of goods sold and the estimated resale cost, the amortization period being set at 4 years (the period of operation expected by the Group before sale to a third party).

2.6 Tangible fixed assets

- **Valuation of tangible assets**

Tangible fixed assets are stated at their acquisition cost less depreciation and potential impairment losses.

Assets acquired under a business combination are valued at the fair value on the acquisition date. At every closing, accumulated depreciation and any impairment losses determined in accordance with IAS 36 “Impairment of assets” are deducted from the acquisition cost.

Depreciation, which is calculated starting on the commissioning date of the asset, is accounted for as expenses so as to reduce the book value of the assets over their estimated useful life, according to the straight line method, and on the following basis:

- Construction	20 years
- Wind farms	2-4 years
- Machinery and equipment	4-10 years
- Fixtures and facilities	5-10 years
- Office and computer equipment	3-5 years
- Office furniture	5-10 years

From the date of application of the new strategy, the wind farms are depreciated over 2 to 4 years depending on the expected duration of operation before the sale taking into account a residual resale value at the end of those 4 years. They were previously depreciated over the life of the electricity sale contracts (15 to 20 years).

Asset depreciation expense is posted under the heading “Depreciation and Amortization” in the income statement

2.7 Lease agreements

The capital financed via lease agreements - finance, transferring to the Group almost all of the risks and benefits inherent to ownership of the leased asset, are processed under the balance sheet assets at the fair value of the leased property or at the present value of the minimum payments under the lease if the latter is lower. The corresponding debt is recorded under financial liabilities.

Payments made under the lease are broken down between the financial expense and the amortization of the debt so as to obtain a constant periodic rate on the balance of the loan appearing under liabilities.

Assets covered by a lease-financing agreement are depreciated over their useful life in accordance with the Group’s rules. In the case of an impairment index, they are subject to an impairment test pursuant to IAS 36 “Impairment of assets.”

Lease agreements in which the lessor retains nearly all the risks and rewards inherent in ownership of the asset are simple leases. Payments made under these agreements are posted as expenses on a straight-line basis over the life of the agreement, corresponding to the useful life.

The assets used for the financial lease agreement are immaterial.

2.8 Impairment of assets

An impairment test is done as follows:

- Once a year for open-ended assets, mainly goodwill and non-depreciable intangible assets
- When impairment indices exist.

Unless an exceptional event arises, the annual test is carried out during the yearly process of medium-term budget planning.

For the purposes of the impairment test, goodwill is attributed to each of the cash-generating units (CGU) liable to benefit from the synergies of the business combination. The CGU correspond to homogenous sets of assets the continuous use of which generates identifiable cash flows separate from the cash flows generated by other assets or groups of assets.

As required by the application of IFRS 8 "operational sectors", Group activities are classified as follows:

- Sale of electricity for own account corresponds to the sale of electricity produced by wind farms owned by the Group,
- Development, construction, sale includes the development, construction and sale of wind farms and projects,
- Operation includes the management of wind farms on behalf of third parties and the sale of the electricity produced by the wind farms that are managed, but not owned by the Group,
- Non-wind activity is not strategic and is currently in the process of being sold.
- Corporate activity mainly includes the THEOLIA SA holding company.

The Wind development, construction and sale activity is sub-divided into as many CGUs as countries involved -mainly France, Germany and Italy.

The Sale of electricity on own account and Operation activities are themselves sub-divided into as many CGUs as there are farms in operation.

Non-wind activity is itself sub-divided into as many CGUs as there are legal entities.

Depreciation is posted up to the surplus of the book value on the recoverable value of the asset.

The recoverable value is the highest amount between the fair value of the asset (or of the group of assets) net of sale costs and its utility value.

The utility value is therefore solely determined using expected updated future cash flow from the use of the asset (or of the group of assets).

The provisional cash flow used is coherent with the provisional business plans produced by the Group management.

The assets tested as of December 31, 2009 are mainly goodwill as well as other depreciable intangible and tangible assets.

These assets belong either to the Development, construction and sale CGU or to the Sale of electricity for own account CGU.

The rates selected to update the associated cash flow depends on the activities attributable to each of the individual goodwill and take into account the risks and activities as well as their geographical location. The rate is determined, according to the assets selected, based on the weighted average cost of capital (WACC) for the Sale of electricity for own account activity, based on the cost of capital for the Development, construction, sale activity.

CGU	Discount rate	
	2009	2008
Development, Construction, Sale		
France	6.76%	7.00%
Germany	6.76%	7.00%
Italy	6.76%	8.00%
Sale of electricity for own account		
Germany	5.73%	7.00%
France	5.73%	7.00%
Morocco	9.00%	9.00%

These different rates have been determined mainly using the following items:

	2009	2008
Risk free rate	4.00%	4.10%
Risk premium	4.00% / 5.00%	4.75%

For Development, construction, sale CGU, the recoverable values correspond to the business plans of the entities concerned by country.

- For Germany, this business plan concerns trading in wind farms
- For France and Italy, these business plans relate to the ability of these entities to develop then build wind farms for operation over 2 to 4 years, then sell them to third parties.

For the Sale of electricity for own account CGU, the main hypotheses chosen are as follows:

- Rate of probability of effective wind hours: P75, which corresponds to the annual level of production whose probability of excess over the long term is 75%.
- Duration of forecast: expected duration of operation, i.e. 20 years from the date the wind farm is commissioned.
- Terminal value: as a general rule, this corresponds to 20% of the original investment;

This method of valuing the wind farms earmarked for sale is the one chosen by the market. The recoverable value of a farm which is to be sold corresponds to the updated sum of its updated future cash flow including a terminal value equivalent to 20% of the original investment.

Any impairment of assets on goodwill is posted as a priority then, if applicable, minus other CGU assets, on a pro rata basis of their book value. Impairment tests on goodwill cannot be reversed. Impairment of assets is posted directly under expenses in the operating profit.

Figures on the sensitivity of goodwill and CGU depreciation can be found in note 11 "Impairment of assets" for all the assets tested.

2.9 Inventory and work in progress

Inventory is valued at cost or at the net realization value, whichever is lower.

The cost of inventories of commodities, goods and merchandise and other supplies consists of the purchase price, not including taxes, of the commodities, direct labor, other direct costs and production overhead less any reductions, discounts or rebates obtained, plus ancillary purchasing costs (transport, unloading costs, customs duties commissions on purchases, etc.). Inventories are valued according to the “first in first out” method.

The inventories recognized by the Group represent:

- Wind projects purchased to be resold (trading activity in Germany)
- Projects earmarked for sale after 2 to 4 years of operation according to the new Group strategy.

Their net liquidation value is determined based on their degree of progress and on the latest transactions conducted in that business sector. The Group analyzes this net production value at least once a year and more frequently using an impairment index. Impairments are eventually recognized on projects the development of which is not certain and for which the probability of operation, either by the Group or by a third party, is not sufficient.

Wind farm developments are considered intangible assets.

Wind farms (previously posted under intangible and tangible assets) earmarked for sale are reclassified under inventory when these assets are about to be sold and the client has been identified (when there is a signed sales contract).

2.10 Financial assets and liabilities

Financial assets include capital assets (unconsolidated equity interests and other equity interests), loans and financial borrowings as well as asset derivatives.

Financial liabilities include borrowings and financial debts, bank loans and liability derivatives.

Financial assets and liabilities are recorded on the balance sheet under current/non-current assets and liabilities depending on whether or not their maturity is more than one year, with the exception of derivatives classified as current items.

This heading also includes, where applicable, non-current financial debts:

- which are to be repaid early at the initiative of the lender;
- those that become due because of failure to adhere to covenants.

The fair value is determined using the following hierarchy:

- prices (non adjusted) quoted on active markets for identical assets or liabilities (Level 1);
- data other than the prices mentioned at Level 1, which are directly or indirectly observable (Level 2); and
- data relating to assets and liabilities which are not based on observable market data (non observable data) (Level 3).

- **Variable-income financial assets and liabilities at fair value**

Variable-income financial assets and liabilities valued at fair value are designated as such when the transaction is initiated.

These assets are posted at acquisition cost, and are valued at each accounting closure at fair value. This change in fair value is posted under income in the category “Other financial incomes” and “Other financial expenses.”

As an option, the Group may classify certain assets/liabilities in the category of assets/liabilities valued at fair value in the following three cases:

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

In practice, the main assets and liabilities affected are the hedge derivatives linked to bank loans and short term financial investments.

- **Financial assets held to maturity**

This category shows fixed-term assets acquired and fixed or anticipated interest payments when the Group has the intention and capacity to hold them to maturity. These assets are posted at amortized cost, and interest posted at the effective interest rate is posted to income under “Other financial expenses.”

- **Financial loans and receivables**

Financial loans and receivables are valued at amortized cost less any depreciation. Interest valued at the effective interest rate is posted under income in the category “Other financial income.”

- **Financial assets available for sale**

Financial assets available for sale include non-consolidated equities, as well as debt securities not labeled in the other categories. They are valued at each account closing, at fair value. Unrealized gains or losses are posted under equity capital except in the case of depreciation.

- **Financial debt and supplier debt**

Financial debt and supplier debt are valued at amortized cost. Interest calculated according to the effective interest rate method is posted under the category "Cost of gross financial debt" in the income statement.

The note 2.17 provides additional information regarding loans.

- **Derivative financial instruments**

  - **Type**

The Group may resort to derivative financial instruments (swaps/caps) to hedge against interest rate risk from its variable-rate financing policy.

  - **Valuation and posting**

Derivative financial instruments are posted at original fair value. They are subsequently valued at fair value. The change in fair value of derivative instruments is posted to income, unless these instruments are designated as cash flow hedging instruments or net investment. In this case, changes in fair value are posted directly to equity capital for the portion of the hedge deemed effective. The non-effective portion is maintained under financial income.

  - **Derivative financial instruments qualified for hedging**

As of December 31, 2009 derivative instruments contracted by the Group were not recorded as related to hedging for accounting purposes.

2.11 Trade receivables and other debtors

Trade receivables derive from sales of assets, wind farms and services realized by the Group within the context of its activity. Other debtors essentially include tax receivables (VAT accounts) and social receivables.

The client receivables are at amortized cost.

An impairment is posted when there are objective indicators indicating that amounts owed might not be recovered, in whole or in part. Specifically, for assessing the recoverable value of trade receivables, balances owed at the close are subject to an individual examination and the necessary provisions are applied if a risk of non-recovery is found to exist.

2.12 Cash and cash equivalents

The category "Cash and cash equivalents" includes liquidity as well as immediately available money-market investments subject to negligible risk of change of value used to meet cash needs.

Money-market investments are valued at market value as of the closing date. Changes in value are posted to income from cash and cash equivalents.

2.13 Share capital

Common stock is classified as an equity instrument.

Costs directly attributable to the issuance of new shares or options are posted to shareholders' equity after deducting issuance income, net of taxes.

THEOLIA shares held by the Group are applied against shareholders' equity, until cancellation or disposal of the shares. In the event of a sale of these shares, net revenue from costs directly attributable to the transaction and the tax incidence are included in the Group share of attributable shareholders' equity.

THEOLIA is not required to meet capital adequacy ratios.

2.14 Stock warrants (BSA) and bonus share plans

- **Stock warrants**

Prior to 2009, the Group allocated stock warrants to members of the Board of Directors. These transactions, for which payment is share-based, and settled in stock, are assessed at fair value (excluding the effects of acquisition conditions other than market conditions) on the allocation date. The fair value calculated on the acquisition date is posted to expenses in accordance with the straight-line method during the rights-acquisition period, based on the number of shares the Group expects it will be required to issue, adjusted for the effects of the rights acquisition other than market conditions.

Fair value is assessed by using the most appropriate model (Black-Scholes-Merton or binomial). The life expectancy used in the model was adjusted based on management estimates, the effects of nontransferability, restrictions on conditions of exercise, and information as to the exercise behavior of members of personnel.

- **Free shares**

The Group allocates free shares to certain of its employees. The value of these shares is determined on the allocation date.

- **Accounting**

Benefits corresponding to rights allocated in the form of stock warrants or bonus shares are posted, depending upon the beneficiary:

- under personnel expenses,
- or under operating income and expenditure.

2.15 Personnel benefits

- **Types of system**

By legal obligation or custom, the Group contributes to additional retirement plans or other long-term employee benefits. The Group offers these benefits through fixed-contribution systems.

The only defined-benefit plans correspond to retirement severance paid to employees of entities based in France.

In the context of defined-contribution plans, the Group has no obligation other than to pay contributions. Contributions paid to the plan are posted to expenses for the period.

- **Type of commitments**
  - **Severance plan**

Severance payments correspond to the collective agreement applicable to the Group and involve retirement or career-end severance paid in the event of voluntary employee departure or retirement. Severance payments correspond to the defined-benefits plan.

- **Additional retirement plans**

No additional plan over and above the minimum legal pension for employees has been signed by the Group for its employees or directors.

- **Valuation of commitments**

Contributions to defined-contribution systems are posted to expenses as they become due for services rendered by the employees.

Commitments from defined-benefit systems, as well as their cost, are calculated according to the projected unit of credit method. Valuations are performed each year. Actuarial calculations are provided by outside consultants.

These systems are not financed and their commitment is subject to a liability on the balance sheet. The primary system relates to career-end severance (retirement severance). Actuarial variances correspond primarily to changes in assumptions and the difference between results according to actuarial assumptions and actual results of defined-benefit plans. These actuarial variances are posted directly to income for the period. Expenses posted to the income statement, under operating income, for defined-benefit plans, include the cost of services rendered during the year, the cost of past services, actuarial variances, and the effects of any applicable plan reduction or liquidation.

Given its low importance, the financial cost corresponding to the expense of reversing the provision is posted to personnel expenditures, under operating income for the period.

Since the Group's creation, defined-benefits plans in the Group have not undergone any changes that would generate any cost of past services

2.16 Other provisions

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

Provisions are restated if the time effect is significant. An increase in a time-sensitive provision is then posted to financial expenditures.

Within the framework of a restructuring, a provision may only be established if the restructuring was subject to an announcement and a detailed plan or a start of execution at the close of the period.

Litigation (mainly involving labor courts) is applicable when a Group obligation to a third party exists at the close. The provision is valued according to the best estimate of the foreseeable expenditure.

Any dismantling costs are not subject to provision, as the Group considers that the recovery value of the steel of the wind turbines equals their dismantling liability.

2.17 Borrowings

Borrowings are posted at original fair value, less associated transaction costs. These costs (loan issue costs and premiums) are taken into account in calculating the amortized cost in accordance with the effective interest rate method.

At each accounts closing, financial liabilities are then valued at amortized cost in accordance with the effective interest rate method.

Borrowings are broken down as follows:

- current liabilities for the portion to be reimbursed within twelve months after the close,
- and non-current liabilities for payments due after twelve months.

Convertible bonds are analyzed as hybrid instruments, with a debt component and an equity capital component taking into account the issuance fees:

- the debt component is determined by the present value of the contractual payment flows at a rate of a similar instrument without a conversion option (pure debt) based on the market conditions at time of issue;

- the equity component is valued by the difference between the issue price and the value of the debt component, net of the effects of deferred taxes.

2.18 Deferred taxes

The “tax expense” category includes tax due for the period and deferred tax included in the income for the period.

Deferred taxes are recorded, using the variable carry-forward method, for temporary differences at year end between the tax base of the assets and liabilities and their book value, as well as tax deficits. No deferred liability tax is determined for the initial accounting of goodwill.

A deferred tax asset is posted for tax deficits and unused tax credits to the extent that it is likely that the Group will have future taxable earnings to which these unused tax losses and tax credits might be allocated.

Deferred tax assets and liabilities are valued at the tax rates for which the application is expected over the period during which the asset will be realized or the liability settled, based on the tax rates (and tax regulations) adopted or quasi-adopted at the closing date.

Deferred taxes are calculated entity by entity. They are offset when taxes are withheld by the same tax authority and they correspond to the same tax entity (tax consolidation group).

Deferred tax payable is posted as income or an expense to the income statement unless it corresponds to a transaction or event posted directly to shareholders' equity.

Deferred taxes are presented in specific categories of the balance sheet under non-current assets and liabilities

2.19 Calculation of current operating income

The income statement is presented by type of expenditure.

Current operating income corresponds to operating income restated for other non-current income and expenses that are unusual or non-recurring, i.e.:

- impairment of goodwill and fixed assets determined within the context of impairment tests under IAS 36;

- restructuring expenses or those related to employee adjustment measures constituting significant amounts, relating to major events or decisions;

- gains and losses from dilution; and
- expenses and income that would result from litigation of a significant amount, deployment activities or major capital transactions (expenses from incorporating a new activity, etc).

2.20 Earnings per share

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

2.21 Sector information

Pursuant to standard IFRS 8 and for improved readability, the Group has redefined its business segments as follows:

- Sale of electricity for own account corresponds to the sale of electricity produced by the wind farms owned by the Group,
- Development, construction, sale includes the development, construction and sale of wind projects and farms,
- Operation includes the management of the wind farms on behalf of third parties and the sale of electricity produced by the wind farms which are managed but not owned by the Group,
- Non-wind activity is a non-strategic area and is currently in the process of being sold.
- Corporate mainly refers to the THEOLIA SA holding company.

Moreover, the Group considered that the implementation of the new strategy on September 1, 2009, which consisted of the following:

- developing and building wind farms
- operating them for 2 to 4 years
- transferring them at the end of this operation period

did not have an influence on the definition of its existing operating sectors.

The note on Sector Information sets out, by business segment, information on product and income as well as some information concerning assets, liabilities and investments.

Sector assets are operational assets used by a segment within the context of its operating activities. They include attributable goodwill, intangible and tangible fixed assets, as well as current assets used in the segment’s operating activities. They do not include deferred tax assets, other holdings, or receivables and other non-current financial assets.

Sector liabilities are liabilities that result from the activities of a segment, which are directly attributable to this segment, or which might reasonably be assigned thereto. They include current and non-current liabilities, with the exception of financial debts and deferred liability taxes.

3 Judgments and estimates

The production of the financial statements according to the IFRS standard has led the Group Directors to make estimates and formulate hypotheses which affect the book value of certain asset and liability items, income and expenditure, as well as information given in certain notes of the appendix.

The key assumptions are as follows:

- Likelihood of success and commissioning of the different wind projects;
- Adjustment assumptions applied in the various selected valuation models;
- Hypotheses for the financing of different wind projects.

Accounts and information subject to significant estimates specifically concern intangible fixed assets, tangible fixed assets, goodwill, other non-current assets, derivative financial instruments, provisions for risks and expenses, and deferred taxes.

Since these assumptions are uncertain in nature, actual performance may differ from these estimates. The Group regularly reviews its estimates and evaluations in order to take into account past experience and incorporate economic factors considered relevant.

Certain principles applied require the judgment of Group Management in the choice of assumptions adopted in calculating financial estimates, which by their nature contain a certain level of uncertainty. These estimates are based on comparable historic data and various assumptions which, depending upon the circumstances, are considered more reasonable and likely.

Below, Management presents the accounting principles used by the Group in preparing the consolidated financial statements, which imply the exercise of its judgment and recourse to estimates, and which have a significant impact on the financial statements consolidated under IFRS.

Without calling the above into question, estimates were prepared in a context of a rapidly changing environment and markets. In this context, knowledge of new information or the occurrence of new events, which cause us to significantly question certain assumptions now deemed reasonable, may not be excluded.

3.1 Tangible and intangible fixed assets and goodwill

The Group has access to estimations and must use certain assumptions in order to (i) assess the duration of the expected use of the assets in order to determine their amortization period and (ii) report, if applicable, an impairment of the value of any asset on the balance sheet.

The estimates used to determine the expected duration of use of the assets are applied by all Group entities.

With a view to ensuring the correct valuation of its assets on the balance sheet, the Group regularly reviews certain indicators which would lead, if necessary, to an impairment test being carried out.

Group Management believes that the performance of annual depreciation tests is subject to estimates and judgment as determining these recoverable values entails the use of assumptions with regard to the following:

- Determining the necessary discount rates to obtain the present value of the future cash flows generated by the assets or by the cash generating units; the results of a change in the discount rate are presented in note 11.

- Determining the future operating cash flows as well as their terminal value;

- Estimating the increase in 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 rates, the operational margin rates and the operational cash flow rates generated by a specific asset, the Group uses each entity's budget for the assets belonging to the Development, construction, sale CGU. For assets belonging to the Sale of electricity for own account CGU, the usage value for THEOLIA is representative of the future cash flows from each farm over the 2 to 4 years of operation taking into account a residual value at the end of this period. These flows are determined using the electricity sale contracts.

These estimates concern goodwill and all tangible and intangible assets.

3.2 Deferred taxes

The recoverable value of deferred taxes assets is reviewed on every closing date. This value is reduced if it is no longer likely that sufficient taxable profit will be available to allow the use of the benefit associated with all or some of these deferred tax assets.

The Group's Board of Directors must therefore identify the deferred tax assets and liabilities and determine the recorded value of the deferred tax assets. When a subsidiary has recently posted tax losses, the existence of a taxable income in the future is assumed to be unlikely, unless the recognition of a deferred tax asset is justified by way of:

- losses linked to the occurrence of exceptional circumstances which will not recur in the near future and/or

- the prospect of exceptional gains, and

- expected future results from long-term contracts.

4 Management of risk related to financial instruments

4.1 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 the risk of loss or insolvency of one of its distributor clients to be limited, as most of the distributors in the past have been well-established, the occurrence of such an event could have a major negative effect on the Group's activity, financial situation and income, or its ability to meet its objectives.

As part of its activity of the sale of operational wind farms, the Group has an extensive client base, which includes buyers, private and public, individuals, industrial and financial.

The Group strives not to create or maintain any dependency vis-à-vis any of these buyers. This allows it to better identify and manage the exposure which is inherent to these activities.

As of December 31, 2009, the accumulated revenues realized with the first ten clients accounted for 80.60% of total Group revenues; the revenues realized with the first five clients accounting for 71.02% of total Group revenues.

The main Group clients are the buyers of the electricity produced by the Group in France, Germany and Morocco as well as the buyers of wind farms.

4.2 Liquidity risk

Liquidity risk corresponds to the obligation to repay the debt (mainly OCEANE bonds) and to the financing of future requirements, which correspond to business development projects and general Group requirements.

Liquidity risk is the risk that the Group might not be able to meet its obligations in time or under normal conditions. The Group’s Finance Department is responsible for liquidity, financing and management of due dates. The Group manages the liquidity risk on a consolidated basis depending on operating needs.

Detail of its debts can be found in note 21.

Some loan agreements include early repayment clauses in the event of failure to adhere to financial covenants (see note 21)

Group financing falls into 3 categories:

- Group corporate debt: mainly corresponds to the OCEANE convertible bond
- Germany corporate debt: finance is subject to financial covenants, particularly concerning adherence to financial structure ratios by the borrower (financial debt: equity ratio or financial debt:EBITDA ratio);
- Project debt: financing for the construction of wind farms (France, Germany and Morocco) is subject to financial covenants, particularly concerning adherence to cash flow ratios (cash flow

generated by activity: debt servicing ratio) and financial structure (financial debt: shareholder equity ratio).

Information on adherence to banking commitments as of December 31, 2009 appears in note 21.

Moreover, the OCEANE bond agreement in particular requires that the parent company retains control and that the listing of the bond on the Euronext Eurolist stock market is maintained.

4.3 Foreign exchange risk

At present, the Group's exposure to foreign exchange risks is low, as most of its operations take place within the eurozone (France and Germany in particular). Nevertheless, the Group is developing and making investments in some countries which entail it being exposed to a foreign exchange risk (Morocco, India and Brazil). As of December 31, 2009, this risk remained low. It is partially controlled by the management of expenses and receipts in the currency of the entity concerned. However, increased exposure to foreign exchange risks could have a major negative effect on the Group's activity, financial situation and income, or its ability to meet its objectives.

Currently, the sensitivity of the Group to foreign exchange risks is slight and does not require the investment of securities to hedge this risk.

As of December 31, 2009:

- 5.15% of assets were in a currency other than the euro
- 1.20% of financial debt was in a currency other than the euro
- 1.92% of revenues was in a currency other than the euro

4.4 Interest rate risk

The financing for wind projects implemented by the Group entails significant debt (of around 65% to 90%) at both fixed and variable rates. A significant increase in interest rates could have an impact on the profitability of future Group projects and/or the development of its wind portfolio.

In order to limit this risk, for current loan agreements, the Group has a policy of hedging rate risks via interest rate condition contracts (rate swaps). From an economic point of view, the implementation of these rate swaps allows variable rate loans to be converted into fixed rate loans and offer protection against a fluctuation in the amount of interest to be paid.

In general, banking establishments require hedging of 80 to 100% of the finance amount and throughout the whole loan duration.

The Group does not apply hedging accounting. Changes in the fair value of derivatives are therefore posted to income for the financial year.

In the event of a 1% interest rate increase, the financial cost associated with non-hedged borrowings would increase from €1.484m and would be distributed as follows:

- Loans France	+ €44m
- Loans Germany	+ €1.440m
- Loans Italy	N/S

5 Significant events during the financial year

- **A new strategy: "Develop, operate and sell"**

Backed by a portfolio of projects under development and positioned in three of the four largest and most dynamic onshore wind markets in Europe (France, Italy and Germany), and in some emerging markets (Morocco, India and Brazil) identified as potential growth centers over the medium term, the Group will focus on developing wind projects up to their commissioning, then it will sell them after having operated them for two to four years, so as to benefit from enhanced visibility on provisional cash-flows and thus boost the return on investment for its shareholders. By offering low risk assets with high cash flow visibility for sale, THEOLIA can make itself available to a wide range of potential buyers, both financial and industrial.

The Group will propose that buyers continue operating the sold farms, thus securing continuous income over the long term.

This new strategy will allow the Group to optimize the performance of its equity, by increasing its rotation on the projects in progress, while at the same time providing reassurance to shareholders that a fair return on their investment will be achieved. This change was announced on August 31, 2009.

- **Change in the scope of activities**

    - **Increase in the interest in THEOLIA Emerging Markets**

THEOLIA SA bought back shares in THEOLIA Emerging Markets, held by Mr. Jean-Marie Santander. This operation was carried out at the nominal share value.

The conditions in the contract signed at the end of 2008 were lifted on January 14, 2009. Since this date, the Group has held 95.24% of THEOLIA Emerging Markets shares, compared to 47.62% previously.

    - **Closure of subsidiaries**

In a press release of January 29, 2009, the Board of Directors presented the conclusions of its review of the Group’s geographical repositioning.

THEOLIA has chosen to focus on three large European markets: Italy, France and Germany.

Given their significant growth potential, the Group is considering India, Brazil and Morocco as potential future key markets.

Finally, the Group announced its decision to withdraw from Spain, Greece, the Czech Republic, Poland and Croatia. The operations of sale or closure of these subsidiaries are in progress.

- **Composition of the General Management**

At the beginning of April 2009, the Board of Directors decided to renew, for an indefinite period, the term of office as Chief Executive Officer of THEOLIA of Mr. Marc van’t Noordende. Mr. Marc van’t Noordende has been the interim Chief Executive Officer of THEOLIA since September 29, 2008.

The Board of Directors also appointed Mr. Olivier Dubois as an officer of the company, Deputy Chief Executive Officer of the Group as of May 1, 2009.

It should be noted that on February 9, 2010 these two officers were revoked by the Board of Directors (Cf. note 6).

- **Sale of non-wind assets and interests**

In accordance with the Group strategy of concentrating on its wind activities, THEOLIA sold, at the end of December 2008, all of its interests (24.02%) in Thenergo to Hestiun Limited. At the beginning of May 2009, the Group collected the 15 million euros due for this sale. The depreciation noted at the close of 2008 was reversed in full during the financial year. The impact on income is € 15,000 and affects the "Amortizations and provisions" item. This is matched under the "Other current assets" item.

This sale was the Group's first significant realization as part of its program to sell its non-wind assets and interests.

In April 2009, the Group also sold the Swiss company Biocarb (manufacture of biofuel) and in July 2009, the transfer of its activity of hydraulic project development in Canada and two of its peaking units. The securities and debts of Biocarb and its activities in Canada were sold for the symbolic amount of 1 euro.

On November 30, 2009, the company SERES Environnement, which belongs to the Environmental division of the Group, concluded a contract on the transfer of its breathalyzer activity to Alcohol Countermeasure Systems (ACS), a Canadian company specializing in the design and sale of instruments for the prevention of drunk driving. The other activities of this company are still earmarked for transfer.

- **Reactivation of sales of German wind farms to third parties**

As announced in November 2008, the Group decided to resume, as of the 2009 financial year, its sales of German wind farms to third parties. As such, 35.5 MW were sold during the first quarter of 2009 and 3 MW were sold during the second quarter of 2009, particularly in the context of its trading activity.

- **Progress of the program to sell around 200 MW of wind projects and assets**

  - **Sale of a wind portfolio of 32 MW in France to Energiequelle**

At the end of June 2009, THEOLIA sold to Energiequelle 32 MW of wind projects in France.

This portfolio included the following 3 wind projects, which are all located in north-eastern France:

- Baudignecourt (Meuse) representing 12 MW, under construction,
- Charmois (Meuse) representing 12 MW, with the permit obtained,
- Chermisey (Vosges) representing 8 MW, with the permit obtained.

The construction permits are free of third party claims.

  - **Sale to RheinEnergie of 101 MW of wind farm projects in Germany**

In August 2009, THEOLIA sold to RheinEnergie AG 100.6 MW of operational wind farms and wind projects.

The portfolio includes 19 wind farms in Germany. Of the 100.6 MW sold, around 80 MW were operational and the balance was expected to begin production by the end of the year.

The sale was made by Natenco, the German subsidiary of THEOLIA, which will operate the farms throughout their lifetime on behalf of the buyers.

- **Sale of a 9.2 MW wind project in France to Boralex**

In October 2009, THEOLIA sold a 9.2 megawatt (MW) wind project to Boralex, an important international player in the renewable energy sector.

The project, located in the *département* of la Somme (France), will be equipped with four Enercon turbines, each with a capacity of 2.3 MW. The building permit is free of third party claims.

- **Sale of a portfolio of 47 MW wind projects in France to Boralex**

In December 2009, THEOLIA sold a wind portfolio of 47 megawatts (MW) in France to the Canadian company Boralex.

This portfolio included:

- a farm in operation since December 2006, located in the *département* of Côtes d'Armor with a capacity of 7 MW,
- a project under construction located in the *département* of Seine-Maritime, with a capacity of 30 MW,
- a project under construction located in the *département* of Eure-et-Loir, with a capacity of 10 MW.

For these two projects, construction is assured by THEOLIA France; their industrial commissioning is scheduled for mid-2010.

- **Draft agreement for a financial restructuring and debt reduction plan (OCEANE)**

In June 2009, in anticipation of the difficulties which would be encountered in repaying the 253 million euros of the bond loan on January 1, 2012 in the event of an early repayment request on the entire bond, THEOLIA's management requested, as a preventive measure, the nomination of an ad hoc representative. Its purpose was mainly to assist THEOLIA until the end of the debt restructuring in negotiations with its main bondholders with a view to restructuring its bond debt, in liaison with the financial and legal advisers chosen by the Group.

THEOLIA announced on December 29, 2009 the signature of agreements with its main bond holders, representing 65.5% of the nominal amount of the issue, with a view to making the necessary modifications to the OCEANE issue contract.

The restructuring of the convertible loan is subject to a capital increase of a maximum of 100 million euros, which will strengthen the THEOLIA equity, accelerate the reduction of its debt and give it the financial means to adopt a pace more suited to the development of its project portfolio.

An independent financial expert, Ricol Lasteyrie, was appointed by the Board of Directors to rule on the equity of the proposed operations. It presented its preliminary analyses to the Board on December 21, 2009. Its final report can be viewed on the Group's website.

The implementation of this restructuring plan should ensure both the continuity of the operations of the Company beyond 2011 and the pursuit of its new strategy. The plan is based on 3 conditions:

- favorable vote by 2/3 of bonds at a meeting of bond holders. At a meeting held on February 18, 2010 the bondholders approved the plan.
- favorable vote by 2/3 of shareholders at a shareholder meeting. At a meeting held on March 19, 2010 the shareholders approved the plan.
- the completion of a capital increase of at least € 45 million undertaken by the Board of Directors is planned for the end of the first half of 2010.

6 Post-closing events

- **Financing of a 30 MW wind project in Italy**

Maestrale Green Energy, an Italian subsidiary of THEOLIA, secured finance for a 30 megawatt (MW) project located in the province of Enna on Sicily. This financing, purged of all objections, of 51 million euros has been signed with the Unicredit and WestLB banks.

Construction of the project began in the second half of 2009 and the commissioning of the farm is expected to take place during the first half of 2010.

- **Change in the governance of THEOLIA**

At the board meeting of February 9, 2010, Eric Peugeot, Chairman of the Board of Directors, was named Chief Executive Officer of THEOLIA. He replaces Marc van't Noordende in this role, who had been in the role since September 2008, and implemented the first phase of the company's development.

Eric Peugeot will be supported in his role by 2 Deputy chief executive officers: Jean–François Azam who will be Director of Operations and François Rivière, in charge of Finance.

The board considered that the two former directors, Marc van't Noordende and Olivier Dubois, no longer had the support necessary from all parties concerned. In this context, the nomination of Eric Peugeot is likely to favor an emergence of a majority of shareholders and bondholders in favor of the financial restructuring.

- **Agreement to restructure the financial debt of bond holders and shareholders**

At the combined general meeting of March 19, 2010, the THEOLIA shareholders approved the financial restructuring of the convertible bond by a very wide majority.

The meeting also authorized the modification of the terms of the OCEANE bond issue contract, as approved by the general meeting of OCEANE bond holders held on February 18, 2010, as well as granting the board of directors the authority to decide on a capital increase which does not rule out the preferential subscription rights of shareholders.

7 Changes in the scope of consolidation

As of December 31, 2009, the scope of consolidation included, other than the parent company:

- 163 companies in which it held directly or indirectly exclusive control (compared to 129 as of December 31, 2008).

- 7 companies in which it exercises a considerable influence (compared to 8 as of December 31 2008).

An exhaustive list of these companies can be found in note 35 "List of Group companies".

8 Business combinations

Assets and liabilities previously acquired

- **Maestrale Green Energy (Developer of wind farms in Italy)**

in thousands of euros	Maestrale Group	Goodwill	Price adjustments	Price adjustments	Maestrale Group (GW allocated)
Date of acquisition	***11/22/2007***				
Goodwill		5,831	23,078	(109)	28,800
Intangible fixed assets	2,498				2,498
Tangible fixed assets	2,222				2,222
Non-current financial assets	3,615				3,615
Deferred taxes assets	5				5
Inventory	583				583
Clients	163				163
Other current assets	1,857				1,857
Cash and cash equivalents	538				538
Non-current financial liabilities	6,673				6,673
Other non-current liabilities	1				1
Current financial liabilities	487				487
Provisions	29				29
Trade and other creditors	3,342				3,342
Tax and social liabilities	19				19
Deferred tax liabilities	0				-
Total net assets acquired	**931**	**5,831**	**23,078**	**(109)**	**29,731**
Stock purchase price	5,560		23,078	(109)	28,529
Acquisition costs	1,202				1,202
Total cost of acquisition	**6,761**	**-**	**23,078**	**(109)**	**29,731**
Net goodwill	**5,831**		**23,078**	**(109)**	**28,800**

(1) Price supplement

The goodwill posted at December 31, 2008, amounting to € 28.909m fluctuated by -€1.09m during the financial year following price supplement adjustments connected with the building permits being obtained for the Giunchetto, Pergola and Bovino projects.

The Maestrale Group acquisition would see price supplements being paid as part of the obtaining of building permits for the first 100 MW. They are calculated so that the value of each MW developed amounts to € 500,000. In practice, the amount of the price supplement will be € 500,000/MW less development costs already invoiced by the developer.

Thus, the additional goodwill posted remains allocated to Maestrale Green Energy and demonstrates the company's ability to develop and sell wind farms and proves the future income which will come from these activities.

The methods for calculating the price supplements connected with the acquisition of the Italian developer Maestrale Green Energy are presented below:

As of December 31, 2008:

Name of projects ***in thousands of euros***	**Number of MW**	**Price per MW**	**Project Value**	**Development**	**Price Supplement**
Giunchetto	30	500	14,875	(5,172)	9,703
Bovino	24	500	12,000	(4,500)	7,500
Pergola	25	500	12,500	(8,125)	4,375
Martignano					1,500
TOTAL	**79**	**500**	**39,375**	**(17,797)**	**23,078**

Note: The price complement linked to the Martignano project is all inclusive and is not calculated based on development costs.

As of December 31, 2009:

Name of projects ***in thousands of euros***	**Number of MW**	**Price per MW**	**Project Value**	**Development**	**Price Supplement**
Giunchetto	30	500	14,875	(5,172)	9,703
Bovino	45	500	22,500	(14,909)	7,591
Pergola	25	500	12,500	(8,325)	4,175
Martignano					1,500
TOTAL	**100**	**500**	**49,875**	**(28,406)**	**22,969**

Note: The price complement linked to the Martignano project is all inclusive and is not calculated based on development costs.

In 2009, due to the application of the extra payment rule for the first 100 MW which obtained construction permits, the permits for the Bovino project were issued before the permits for the Giugianello project.

9 Goodwill

▪ Change in the item

	Gross value	Impairment	Net value
Values at the beginning of 01/01/2009	**212,155**	**134,071**	**78,084**
Impairment	-	2,862	(2,862)
Business combinations	9	-	9
Disposals	(8,412)	(8,009)	(403)
Price supplements			-
Reclassification of assets available for sale		-	-
Other changes	4,632	-	4,632
Reclassification of abandoned activity	-	-	-
Values at close 12/31/2009	**208,383**	**128,923**	**79,460**
Cumulated impairment			

The other changes correspond to the following operations:

- Purchase of minority SSP shares in development as well as the developer Ventura +€ 3.887m
- Change in price supplements connected with the acquisition of Maestrale Green Energy - €1.09m
- Acquisition of minority interests in TEM (of which € 892,000 goodwill posted in 2008) +€ 817,000
- Other changes +€ 37,000

Impairment can be broken down as follows:

- Depreciation of the goodwill associated with the purchase of minority interests in TEM -€ 1.709m
- Depreciation on the farms operated in France -€ 123,000
- Depreciation on the farms operated in Morocco -€ 436,000
- Depreciation on the farms operated in Germany -€ 563,000
- Other depreciations - € 31,000

Disposals concern the sale operations performed during the financial year. These are as follows:

- Sale of wind farms in Germany - € 5.436m
- Sale of wind farms in France - € 1.411m
- Sale of companies from the non-wind sector - € 1.565m

The goodwill transferred in this way was almost fully depreciated at the close of the previous financial year. The non-depreciated balance concerns the sale of wind farms in Germany.

- **Allocation of goodwill by the Cash Generating Unit**

Categories		Gross value	Impairment	Value at 31/12/2009	Net value at 31/12/2008
Development and construction of wind farms in France		11,319	-	11,319	2,681
Development and construction of wind farms in Germany	(1)	75,957	44,636	31,321	36,105
Development and construction of wind farms in Italy		28,801	-	28,801	28,909
Development and construction of wind farms in Spain		1,650	1,645	5	5
Development and construction of wind farms in other countries		1	-	1	
Wind energy production activity	(2)	88,835	80,823	8,012	10,384
Non-wind activity		109	109	-	0
Corporate activity		1,711	1,709	2	
Total		**208,383**	**128,923**	**79,460**	**78,084**

Reclassification over the financial year of -(€4.779m) linked to Natenco SAS previously classified incorrectly in CGU Germany.

The development, construction, sale activity comprises as many CGUs as there are countries involved.

The sale of electricity for own account comprises as many CGUs as there are wind farms in operation.

10 Intangible and tangible assets

▪ Intangible assets

The item "Depreciation for impairment" can be analyzed by CGU as follows:

	Project in development	Development costs [1]	Software and similar rights	Other intangible assets	TOTAL
Gross values at 01/01/2009	**40,130**	**4,176**	**602**	**91,638**	**136,546**
Acquisitions and assets generated internally	4,753	72	69	9	**4,903**
IFRS 5 reclassification					**-**
Industrial commissioning		-	-	-	**-**
Business combinations	9,487	-	-	-	**9,487**
Decrease	(25)	-	-	(300)	**(325)**
Disposals	(4,867)	(21)	-	(10,239)	**(15,127)**
Changes in method of consolidation		-	-	-	**-**
Impact of change in scope of consolidation		-	-	-	**-**
Currency translation adjustment	10	-	-	(515)	**(505)**
Other changes	8,977	-	-	-	**8,977**
Reclassification of discontinued operations	-	-	-	-	**-**
Gross values at 31/12/2009	**58,465**	**4,227**	**671**	**80,593**	**143,956**
Total depreciation and amortization at 01/01/2009	**(9,934)**	**(488)**	**(460)**	**(31,511)**	**(42,394)**
Amortization	-	(209)	(113)	(4,163)	**(4,485)**
Depreciation for impairment	(1,204)	-	-	2,675	**1,471**
Business combinations	-	-	-		**-**
Reversals on sales	179	-	-	990	**1,169**
Impact of change in method of consolidation		-	-		**-**
Currency translation adjustment	(7)	-	-	247	**240**
Other changes	(75)	-	-	(22)	**(97)**
Reclassification of discontinued operations	-	-	-	22	**22**
Total depreciation and amortization at 31/12/2009	**(11,041)**	**(697)**	**(573)**	**(31,762)**	**(44,073)**
Net value at 01/01/2009	**30,196**	**3,688**	**142**	**60,127**	**94,152**
Net values at 31/12/2009	**47,424**	**3,530**	**98**	**48,831**	**99,883**

(1) Most of the item covers the development costs of wind projects

	IAS 36 Impairment	Non-IAS 36 impairment	Total
Wind development, construction, sales, France		(685)	(685)
Wind development, construction, sales, Germany			-
Wind development, construction, sales, Italy		(519)	(519)
Wind development, construction, sales, Spain			-
Wind development, construction, sales, other countries			-
Electricity sales, own account	+2,675		+2,675
Non-wind activity			-
Corporate activity			-
TOTAL	**+2,675**	**(1,204)**	**+1,471**

The gross value of current wind projects rose by €18,335 K, due to the following: acquisitions, progress of projects developed internally, and allocations of goodwill.

The acquisitions and non-current assets generated internally during the year for €4,753 K primarily reflect the wind projects in development in France for €1,157 K and Italy for €3,596 K.

The business combination transactions, representing €9,487 K primarily reflect the acquisition of rights and licenses for a wind project in Italy carried by GARBINO EOLICA SRL.

Disposals of projects in development represent the following transactions:

- Sale of a portfolio of 32 MW in wind projects in France to Energiequelle €(3,285) K
- Sale of a portfolio of 47 MW of wind projects in France to Boralex €(1,056) K
- Sale of a 9.2 MW wind project in France to Boralex €(348) K
- Other disposals €(178) K

"Other changes" represents the allocation of the goodwill on the price supplement paid in the acquisition of the Bovino Italian project carried by Avalon Ltd.

Depreciation for impairment of projects in development can be analyzed as follows:

- The Giunchetto wind project in Italy was depreciated in the amount of €(519) K in the accounts of the developer Maestrale Green Energy;
- The projects located in France were depreciated for €(685) K because of the risks related to the development phases.

The gross value of the development costs did not change significantly because of the absence of any commissioning during the year.

The item "other intangible assets" decreased for a total of €(11,045) K in gross value, primarily because of the sale of the Heckelberg wind farm in Germany corresponding to a gross value of €(10,239) K.

Second, as the use of the NATENCO Gmbh brand expired (3 years), the residual value was depreciated for the total amount of €(300) K. Moreover, it should be noted that NATENCO Gmbh is now THEOLIA Naturenergien Gmbh.

The impairment of €2,675 K of the other intangible assets was generated by the following:

The review of the maintenance plan for the wind farm in Morocco led to the recognition of a depreciation of €(2,093) K.

In 2009, the useful values (in the context of impairment tests) were determined with discount rates lower than the previous year (see Note 2.8). The result was an increase in the useful values and the recognition of reversals on the 2008 depreciations in the amount of €+4,907 K.

However, depreciation had to be posted on a German farm for €(139) K.

- **Tangible assets**

	Land	Fitting & fixtures	Projects under construction	Technical facilities (1)	Assets under concession	Other tangible assets	TOTAL
VGross values at 01/01/2009	**6,737**	**3,442**	**30,097**	**388,350**	**-**	**3,551**	**432,177**
Acquisitions	20	36	25,020	970	-	149	**26,195**
Business combinations	-	33	-	922	-	-	**955**
Disposals	(495)	(507)	(18,491)	(43,952)	-	(249)	**(63,694)**
Currency trans. adjustments	-	(15)	28	(2)	-	31	**42**
Other changes	-	2	(1,314)	7,207	-	(33)	**5,862**
Reclassification of discontinued operations	-	-	-	200	-	-	**200**
Gross values at 31/12/2009	**6 ,262**	**2,991**	**35,340**	**353,695**	**-**	**3,449**	**401,737**
Total depreciation and amortization at 01/01/2009	**(1,220)**	**(1,664)**	**(3,847)**	**(81,876)**	**-**	**(1,894)**	**(90,499)**
Amortization	-	(289)	-	(16,071)	-	(676)	**(17,036)**
Depreciations for impairment	-	-	396	5,489	-	18	**5,903**
Business combinations	-	-	-	(12)	-	-	**(12)**
Reversals on disposals	43	500	620	8,942	-	72	**10,177**
Impact of change in consolidationmethod							**-**
Currency trans. adjustments	-	(3)	-	(1)	-	(1)	**(5)**
Other changes	-	(5)	-	1,589	-	7	**1,591**
Total depreciation and amortization at 31/12/2009	**(1,177)**	**(1,461)**	**(2,831)**	**(81,940)**	**-**	**(2,474)**	**(89,881)**
Net values at 01/01/2009	**5,517**	**1,778**	**26,250**	**306,474**	**-**	**1,657**	**341,678**
Net values at 31/12/2009	**5,085**	**1,530**	**32,509**	**271,755**	**-**	**975**	**311,858**

(1) Most of this item covers wind farms in operation

The item "Depreciation for impairment" is analyzed by CGU as follows:

	IAS 36 depreciation	Non-IAS 36 depreciation	Total
Wind development, construction, sales, France		+60	+60
Wind development, construction, sales, Germany			-
Wind development, construction, sales, Italy			-
Wind development, construction, sales, Spain			-
Wind development, construction, sales, other countries	+336		+336
Electricity sales, own account	+5,489		+5,489
Non-wind activity		+18	+18
Corporate activity			-
TOTAL	+5,825	+78	+5,903

The main changes in property, plant and equipment were on projects under construction and the technical facilities (wind farms), which decreased €(29,412) K in gross value because of the disposals made during the year in line with the group's new strategy.

The gross value of the projects under construction increased by €5,243 K. The primary changes were as follows:

Increase: €+25,020 K

- France:
  - Plateau de Ronchois wind farm €+5,986 K
  - Other farms €+2,059 K

- Italy (primarily on the Giunchetto wind farm) €+16,910 K
- Other countries €+64 K

Disposals of current projects can be analyzed as follows: €(18,491) K

- Sale of a portfolio of 32 MW of wind projects in France to Energiequelle and the sale of a portfolio of 47 MW in wind projects and a 9.2 MW project in France to Boralex representing total tangible assets of €(18,084) K;
- Deconsolidation of the Canadian subsidiary THEOLIA Première Nation INC for €(648) K;
- Other adjustments in the amount of €241 K.

Other changes reflect a credit related to the Spanish PESA project for €(1,336) K.

The depreciation for impairment primarily represent PESA (Spain) for €+336 K.

The reversals on disposals are related to the deconsolidation of the Canadian subsidiary THEOLIA Première Nation for €+620 K.

The gross value of the technical facilities decreased by €34,655 K. This change can be analyzed as follows:

The principal disposals for a total €(43,952) K were as follows:

- As a result of the sale of 101 MW of wind farms in Germany to RheinEnergie, the tangible assets booked on the Group's balance sheet declined by €(30,022) K because of the sale of the Heckelberg farm;
- The sale of a delivery station in Germany generated a decrease of €(3,230) K
- The sale of a 47 MW wind portfolio in France to Boralex (incl. Parc de Bel Air) €(10,060) K

Other changes in the amount of €+7,207 K primarily reflect:

- Reclassification of wind turbine assets in Germany to inventories held for sale pursuant to the Group's new strategy, in the amount of €(5,660) K;

- Reclassification of the German solar facility from inventories to assets pending subsequent sale, in the amount of €+12,800 K.

The Acquisitions and business combinations for €+922 K primarily concern Germany.

Depreciation for impairment in the amount of €+ 5,489 K can be analyzed as follows:

- Wind farms located in Germany €+5,668 K
- Wind farm in France €(179) K

Reversals on disposal for €+8,942 K primarily reflect the deconsolidations in Germany for €6,901 K and in France for €+1,995 K€ (Parc de Bel Air).

The other changes in the technical facilities represent the reclassifications between financial statements between amortization and gross values, primarily on the Wolgast wind farm in Germany for €+1,654 K.

11 Impairment of goodwill, intangible and tangible assets

The methodology and assumptions used for the impairment tests are described in Note 2.8 "Impairment."

As in 2008, and to take into account decreases in market values and fewer transactions, the Group systematically calculated a useful value, with the exception of the Spanish company PESA (which belongs to the CGU Development, construction, sale) for which the Group used an LOI (Letter Of Intention) to determine the recoverable value. This LOI expired on the closing date. However, negotiations are still in progress and do not call into question the value used.

- **Production of wind energy, own account – Germany**

The impairment tests led to a depreciation on the German wind farm (Zabelsdorf) in the amount of €(563) K affecting goodwill and the Falkenwald farm for €(142) K affecting intangible assets.

- **Production of wind energy, own account – France**

A farm located in France (SNC Les Eoliennes du Plateau) resulted in a depreciation of €(301) K, chargeable against:

- goodwill: €(123) K
- tangible assets: €(179) K

- **Production of wind energy, own account – Morocco**

Updating discounted future cash flows on the basis of provisional and actual operating data led to recognition of a depreciation of €(2,529) K, chargeable against:

- goodwill: €(436) K
- intangible assets: €(2,093) K

The summary of the provisions for depreciation as defined by IAS 36 per CGU is as follows:

CGU	Country	Provisions for depreciation	On goodwill	On intangible assets	On tangible assets
Wind development, construction, sale	France	-	-	-	-
	Germany	-	-	-	-
	Italy	-	-	-	-
	Spain	-	-	-	-
Electricity sales, own account	France	(302)	(123)	-	(179)
	Germany	(705)	(563)	(142)	-
	Morocco	(2,529)	(436)	(2,090)	-
Non-wind activity		-	-	-	-
Corporate activity		-	-	-	-
Total		**(3,536)**	**(1,121)**	**(2,232)**	**(179)**

○ **Sensitivity analysis**

The sensitivity analysis was conducted by using two axes:

- One axis for the Group's activity: the change of + or - 10% in wind hours used for each farm in operation
- One axis outside the Group: the change of + or - 1 point in the discount rates used

The amount in the table below represents the net reversal recognized at December 31, 2009 for impairment tests.

The other amounts indicate the net reversals or (depreciations) which the Group would have recognized if the assumptions for discount rates and/or wind hours had changed.

Recoverable value of the assets tested:

Change in discount rate \ Change in wind hours	10%	0%	-10%
1%	578,395	536,687	494,657
0%	643,327	$\boxed{598,572}$	553,485
-1%	721,478	673,322	624,824

Net impairment noted:

Change in discount rate \ Change in wind hours	10%	0%	-10%
1%	7,838	2,880	(5,655)
0%	11,451	$\boxed{7,375}$	1,306
-1%	13,698	9,824	6,539

Thus, for example, a 1-point increase in the rate would have resulted in a lower reversal of €4,495 K (7,375 - 2 880).

The threshold for transition from net reversal to a net depreciation would have taken place:

- By increasing the discount rates used by **147** basis points, or:
  - **8.23%** in discount rate for the Wind Development, Construction, Sale CGU; and
  - **7.20%** in discount rate for Electricity Sales for Own CGU;
- Or by decreasing the wind hours used by **11.41%.**

The impact of the depreciations on the posted income is detailed in Note 30.

- **Reversal on depreciations**

  - **Wind development, construction, sale**

On the basis of the assumptions described in Note 2.8 "Impairment", only a reversal of depreciation on the Spanish company PESSA was recognized in the amount of €+336 K affecting the tangible assets.

  - **Wind energy production, own account – Germany**

A total reversal of €10,575 K for the activity of wind energy production, own account – Germany.

This reversal can be analyzed as follows:

CGU	Country	Reversals on provisions	On intangible assets	On tangible assets
Wind development, construction, sales	France	-	-	-
	Germany	-	-	-
	Italy	-	-	-
	Spain	336	-	336
Electricity sales, own account	France	-	-	-
	Germany	10,575	4,907	5,668
	Morocco	-	-	-
Non-wind activity		-	-	-
Corporate activity		-	-	-
Total		**10,911**	**4,907**	**6,004**

12. Associated enterprises

As of December 31, 2009, the income for entities consolidated using the equity method represents the following companies:

In thousands of euros	% of control	Share of net position of associates	Share of income/loss of associates
Erneuerbare Energie Ernte Vier Gmbh	48,00%	(126)	(16)
Naturstromez	43.80%	-	-
Ecolutions	33.53%	10,497	(13,331)
THEOLIA India Wind Power	50.00%	544	(107
THEOLIA Sitac Wind Power	50.00%	0	(0)
Asset Electrica	50.00%	0	(15)
Total at 12/31/2009		**10,915**	**(13,469)**

The companies Asset Electrica, Sitac Wind Power and Seres China, held at 50%, are not fully consolidated because of the lack of exclusive control. The group does not hold a majority of the votes on the Boards of Directors of these companies. In addition, the governance rules are not subject to joint control.

In 2009, the item changed as follows:

	Ecolutions	Asset Electrica	EEEV	THEOLIA Wind Power (dont participations)	Total
Value of stock at beginning of years	**24,772**	**(3,579)**	**(110)**	**646**	**21,729**
Allocation of goodwill		5	-		5
Depreciation of the interest	(10,649)				(10,649)
Increase in percentage of control (relution)	(642)				(642)
Capital increase					-
Group share of income/loss for the year	(2,682)	(15)	(16)	(107)	(2,820)
Other changes	(303)	3 590		5	3,292
Valeur of stock at year end	**10,497**	**0**	**(126)**	**544**	**10,915**

In the last quarter of 2009, the events within Ecolutions led the Group to depreciate the amount of the interest in this company. In effect, the recent changes in strategic direction and management have been indices of impairment and the position has been tested in accordance with the standard IAS 36.

The main financial data for the associates is as follows:

	Ecolutions	Asset Electrica	EEEV	THEOLIA Wind Power (inc. interests)	Total
% held	33.53%	50.00%	48.00%	50.00%	
Financial data at 100%					-
Revenues	375	-	187	4,745	5,307
Operating expenses	(8,338)	(26)	(120)	(381)	(8,865)
Net income	(7,995)	(31)	(33)	(213)	(8,272)
- Group share of consolidated income	(2,681)	(15)	(16)	(107)	(2,818)
Goodwill		5			5
Shareholders' equity at 12/31/2009	31,305	(7,189)	(261)	1,088	29,943
- Group share of equity	10,497	(3,595)	(125)	544	7,321
Value of the stock in associates	**10497**	**0**	**(126)**	**544**	**10,915**

13. Financial assets

- **Maturity of financial assets as of 12/31/2009 :**

12/31/2009	Less than 1 yr	1 to 5 years	More than 5 yrs	**TOTAL**
Unconsolidated securities	-	634	293	927
Other financial assets	-	-	-	-
Related receivables	-	-	2,000	2,000
Loans	-	4,572	-	4,572
Other non-current receivables	-	-	1,957	1,957
Deposits & securities	129	403	8	540
Other financial assets	107	-	-	107
Financial assets	**236**	**5,609**	**4,258**	**10,103**

- **Maturity of financial assets at 12/31/2008**

12/31/2008	Less than 1 yr	1 to 5 yrs	More than 5 yrs	TOTAL
Unconsolidated securities	-	-	2,909	2,909
Other financial assets				
Related receivables	243	15	1,987	2,245
Loans	-	-	5,182	5,182
Other non-current receivables	-	-		-
Deposits & seccurities	53	209	155	417
Other financial assets				
Financial assets	**296**	**224**	**10,233**	**10,753**

- **Analysis**

Non-current financial assets integrate the loans made to the customers of THEOLIA Naturnergien in the context of the activity to sell wind farms. At the end of the year, the net amount of these loans totaled €4,572 K compared with €5,182 K at the end of the previous year.

The receivables attached to the equity interests represent the advances made to THEOLIA Wind Power India for €2,000 K.

Securities available for sale totaled €927 K and primarily represent equity interests in companies in the renewable energy sector. At the close of the previous year, this item also includes units in investment funds which were reclassified as "Other non-current receivables."

Following the 2008 sale of its interest in Thenergo €(15,000 K), the Group has the possibility of exercising a purchase option under the following conditions:

- 110% of the sale price until December 24, 2009
- 120% of the sale price until December 24, 2010

Pursuant to IAS 39, this option is booked at fair value in the accounts closed at December 31, 2009 with a contra entry as income. The impact on the financial income for the year was €+107 K.

14. Inventories

	12/31/2009	12/31/2008
Wind projects	42,324	137,033
Other energy projects	-	12,954
Materials	15,205	25,565
Depreciation	(5,715)	(5,629)
Net value	**51,814**	**169,923**

Inventories by geographic region break down as follows:

	2009			2008
	Gross value	Depreciation	Net value	Net value
Germany	31,160	(1,550)	29,611	149,374
France	1,938	(826)	1,112	1,735
Italy	772	-	772	291
Rest of world	2,158	(220)	1,938	1,533
Corporate	21,500	(3,119)	18,381	16,991
	57,528	**(5,715)**	**51,814**	**169,923**

Inventories in German equaling €31,160 K, consist of wind projects stored as part of the "trading" activity in the amount of €17,101 K and turbine components in the amount of €14.060 K. Because of the many sales made in 2009, the inventory level at the end of the year was down sharply from 2008. The risks on certain projects required the recognition of a provision of €(1,550) K.

Inventories for the "rest of the world" segment were:

The projects developed in Brazil €794 K
The spare parts used for maintenance of the farm in Morocco €1,144 K

The farms currently being operated have not been reclassified as inventory because at year end, their sale had not been finalized, nor were they in the process of being finalized.

The inventory for €21,500 K was for THEOLIA. It primarily represents Suzlon turbines acquired in 2008 for a total of €20,110 K. Because of the decline in their recoverable value, an impairment of €(3,119) K was posted at the end of the preceding year. At the end of the year, the Group estimated that their sale value was unchanged.

15. Trade creditors

- **Change**

	Gross value 12/31/2009	Provisions 12/31/2009	Net value 12/31/2009	Net value 12/31/2008
Trade creditors	36,449	(3,957)	32,492	24,884
Total	**36,449**	**(3,957)**	**32,492**	**24,884**

Trade creditors (gross) in the amount of €36,449 K, can be analyzed as follows:

Germany: €30,118 K
France: €4,072 K
Other countries: €1,677 K

The depreciation recognized is primarily related to the receivables on the sales of wind farms. The depreciation to be recognized is calculated receivable by receivable based on the date and the level of risk estimated by management.

- **Schedule at 12/31/2009**

12/31/2009	Outstanding amounts not due	Amounts due			TOTAL
		0 to 6 months	6 to 12 months	> 12 months	
Trade creditors	9,706	19,157	1,825	5,182	**35,867**
Doubtful receivables	-	-	-	582	**582**
Provisions and trade creditors	-	(3)	-	(3,959)	**(3,957)**
Total trade creditors	**9,706**	**19,154**	**1,825**	**1,805**	**32,492**

Gross receivables due for less than 6 months are on the Development, Construction, Sale business for €16,702 K and for €2,113K for the electricity sale activity.

Receivables due for more than 12 months consists of receivables from the sales of wind farms made by Natenco prior to 2009 in the amount of €4,719 K. These receivables were depreciated in the amount of €(3,511) K.

All receivables are analyzed for the recovery risk. A provision for impairment of the receivables was recorded for receivables presenting a risk. The non provisioned receivables beyond 12 months are limited and subject to careful review by the Group. As a result of this review, the Group did not determine it was necessary to make additional provisions.

The balance of this amount represents the receivables related to the non-wind business.

16. Other current assets

	Gross value 12/31/2009	Impairment 12/31/2009	Net value 12/31/2009	Net value 12/31/2008
Suppliers, advances & installments	5,130	-	5,130	14,196
Receivables on disposal of assets	3	-	3	-
Tax receivables (ex-corp. tax)	12,580		12,580	32,579
Soc. security receivables	95		95	100
Current accounts	185	(28)	157	190
Other debtors	4,519	(2,696)	1,823	2,938
Prepaid expenses	2,777		2,777	3,824
Currency trans. adjustments	59		59	73
Total	**25,348**	**(2,724)**	**22,623**	**53,900**

Advances and installments primarily represent payments made in the amount of €4,096K for the reservation of turbines by THEOLIA SA and for €815K by THEOLIA Naturnergien.

The tax receivables primarily consist of the deductible VAT not yet paid on the acquisitions of projects or wind equipment, including:

Turbines acquired by THEOLIA SA:	€4,772 K
Progress on wind projects in Italy	€3,807 K
Progress on wind projects in France	€2,287 K
Wind projects acquired in Germany (THEOLIA Naturnergien):	€1,382 K
Other	€331 K

17. Cash and cash equivalents

- **Position**

	12/31/2009	12/31/2008
Marketable securities (net)	25,503	24,874
Treasury shares	-	-
Liquid assets	68,684	65,950
Total cash and cash equivalents	**94,187**	**90,824**
Bank loans	(7)	(4)
Net cash	**94,180**	**90,820**

- **Details of cash available / not available**

	12/31/2009	12/31/2008
Cash available	69,266	34,223
Cash blocked	24,914	56,596
Total cash and cash equivalents	**94,180**	**90,819**

The Group's cash consists of a portion that is available and a blocked portion.

As of December 31, 2009, the cash available amounted to €69,264 K, including €30,013 K at THEOLIA SA and €39,251 K in the subsidiaries. This cash is allocated directly for the operations of the companies, sometimes with limited possibilities of return to the holding company.

Blocked cash totaled €24,914 K. This blocked portion corresponds to cash that the project support companies cannot, due to financing conditions, give back to shareholders or use for current operations. It mainly corresponds to pledges with banks to the degree that it contributes to the reimbursement of these subsidiaries' loans.

Marketable securities totaled €25,504 K, including €22,694 K for THEOLIA SA. They represent secured investments and consist essentially of money market cash SICAV (approximately 90% of the investments).

The policy to manage financial risks is presented in Note 4 to the financial statements.

18. Assets held for sale, activities discontinued, sold or in the progress of being sold

In the context of its reorganization, the Group decided to sell all its assets considered to be non-strategic, primarily the assets of the non-wind operations. This decision was approved by the Board of Directors of THEOLIA in November 2008. As of December 31, 2009, the process of withdrawal had moved forward since certain assets and liabilities were sold during the year. Negotiations are currently in progress for the other elements of this item.

The assets and liabilities in question, which represent an activity, are recognized in the following companies:

Environment division:

- Seres environnement
- Ecoval 30
- Nemeau
- Therbio

Dispatchable power production plants:

- CS2M
- SAPE
- SAEE

  These companies sold their assets during the year and will be closed in 2010.

The offer of these assets for sale was recognized in the annual financial statements as of December 31, 2008 pursuant to IFRS 5 "Non-current assets held for sale and discontinued activities."

Thus, all the transactions for the year relating to the environment division and the peaking units were combined on the line of the income statement "Net income from activities to be sold." The assets and liabilities were combined on a line on the asset and liabilities side of the balance sheet "Assets/liabilities connected with discontinued activities."

The asset values were depreciated on the basis of the probable selling prices. Thus, a depreciation of €(6,034) K was recognized.

▪ Information on the financial statement

At December 31, 2009

in thousands of euros	THEOLIA Group before IFRS 5 31/12/2009	IFRS 5 re-processing	THEOLIA Group IFRS 5 re-processed 31/12/2009
Goodwill	80,058	(598)	79,460
Intangible assets	99,507	376	99,883
Tangible assets	318,620	(6,762)	311,858
Equity securities	10,935	(20)	10,915
Non-current financial assets	9,953	(86)	9,867
Deferred tax assets	8,795	(655)	8,140
NON-CURRENT ASSETS	**527,869**	**(7,746)**	**520,123**
Inventory	54,015	(2,201)	51,814
Clients	35,615	(3,123)	32,492
Other current assets	25,330	(2,707)	22,623
Current tax	5,227	(5)	5,222
Current financial assets	365	(129)	236
Cash and cash equivalents	95,348	(1,161)	94,187
CURRENT ASSETS	**215,900**	**(9,326)**	**206,574**
		17,072	17,072
TOTAL ASSETS	**743,769**		**743,769**
Capital	39,895		39,895
Premiums	307,546		307,546
Reserves	(176,201)		(176,201)
Income	(20,765)		(20,765)
Shareholders' equity - Group portion	**150,475**		**150,475**
Minority stakes	(1,823)		(1,823)
Shareholders' equity	**148,652**		**148,652**
Non-current financial liabilities	371,252	(5,073)	366,179
Deferred tax liabilities	25,003		25,003
Retirement provision	539	(460)	79
Provisions (non-current)	14,547	(108)	14,439
Other non-current liabilities	691	(130)	561
Non-current liabilities	**412,031**	**(5,770)**	**406,261**
Current financial liabilities	125,189	(887)	124,302
Provisions (current)			
Suppliers and other creditors	44,121	(2,836)	41,285
Tax and social security debts	12,260	(1,545)	10,715
Current tax	1,516		1,516
Current liabilities	**183,086**	**(5,268)**	**177,818**
		11,038	11,038
TOTAL DEBTS AND SHAREHOLDERS' EQUITY	**743,769**		**743,769**

As of December 31, 2008

in thousands of euros	THEOLIA Group before IFRS 5	IFRS 5 re-processing	THEOLIA Group re-processed
Goodwill	78,682	(598)	78,084
Intangible assets	94,428	(275)	94,152
Tangible assets	349,908	(8,229)	341,678
I			
Equity securities	21,685	44	21,729
Non-current financial assets	10,560	(102)	10,458
Deferred tax assets	9,959	(476)	9,483
NON-CURRENT ASSETS	**565,221**	**(9,637)**	**555,584**
Inventory	172,655	(2,732)	169,923
Clients	28,361	(3,477)	24,885
Other current assets	55,746	(1,846)	53,900
Current tax	3,596	(121)	3,475
Current financial assets	422	(126)	296
Cash and cash equivalents	92,701	(1,878)	90,823
CURRENT ASSETS	**353,481**	**(10,180)**	**343,302**
Assets to be transferred		19,817	19,817
TOTAL ASSETS	**918,703**		**918,703**
Capital	39,747		39,747
Premiums	307,695		307,695
Reserves	67,150		67,150
Income	(243,343)		(244,455)
Shareholders' equity - Group portion	**170,137**		**170,137**
Minority stakes	(1,489)		(1,489)
Shareholders' equity	**168,648**		**168,648**
Non-current financial liabilities	448,419	(5,838)	442,581
Deferred tax liabilities	22,033		22,033
Retirement provision	499	(438)	61
Provisions (non-current)	5,113	(158)	4,956
Other non-current liabilities	681	(120)	561
Non-current liabilities	**476,745**	**(6,553)**	**470,192**
Current financial liabilities	148,368	(1,703)	146,666
Provisions (current)	16		16
Suppliers and other creditors	106,191	(2,963)	103,228
Tax and social security debts	16,254	(1,902)	14,352
Current tax	2,480		2,480
Current liabilities	**273,310**	**(6,568)**	**266,742**
Liabilities relating to assets to be transferred		13,121	13,121
TOTAL DEBTS AND SHAREHOLDERS' EQUITY	**918,703**		**918,703**

Information on the profit and loss account

As of December 31, 2009

in thousands of euros	THEOLIA Group before IFRS 5 31/12/2009	IFRS 5 re-processing	THEOLIA Group Re-processed IFRS5 31/12/2009
Revenues	**338,367**	**(9,775)**	**328,593**
Other income from ordinary activities	3,306	(279)	3,027
Income from ordinary activities	344,823	(10,053)	334,770
Purchases and inventory changes	(257,577)	2,211	(255,366)
Self-constructed assets	(394)	394	0
External costs	(38,766)	5,153	(33,613)
Staff costs	(16,214)	4,500	(11,714)
Duties, taxes and similar payments	(1,664)	450	(1,215)
Net allocations to amortizations and provisions	(1,256)	2,702	1,446
Other operational income and expenditure	(1,682)	(1,665)	(3,346)
Current operating income	**24,119**	**3,692**	**27,811**
Impairment	4,509		4,509
Other non-current income and expenditure	188	(328)	(140)
Operating income	**28,816**	**3,364**	**32,180**
Net cost of debt	(28,876)	346	(28,530)
Other financial income and expenditure	(8,295)	6,016	(2,279)
Financial income	**37,171**	**(6,362)**	**30,809**
MEE portion of income	(13,470)	0	(13,470)
Taxes	724	(287)	437
Profit net of activities maintained	**(21,102)**	**9,439**	**(11,663)**
Net profit from activities due to be transferred	0	(9,439)	(9,439)
NET INCOME	**(21,101)**	**0**	**(21,101)**
Group portion	(20,765)	0	(20,765)
Minority portion	(335)		(335)

At December 31, 2008

Thousands of euros	THEOLIA Group before IFRS 5 12/31/2008	Restatements IFRS 5	THEOLIA Group Restated IFRS5 12/31/2008
Revenues	**82,633**	**(12,678)**	**69,956**
Other income from ordinary operations	6,106	(58)	6,049
Income from ordinary ops	88,739	(12,735)	76,004
Purchases and changes in inventories	(29,229)	3,284	(25,945)
Production of assets	(588)	588	
External expenses	(42,676)	6,136	(36,540)
Personnel expenses	(25,977)	5,139	(20,838)
Tncome and other taxes	(1,647)	407	(1,240)
Net amortization and provisions	(58,115)	657	(57,458)
Other operating income and expenses	(2,068)	(324)	(2,393)
Income from continuing operations	**(70,385)**	**1,975**	**(68,410)**
Impairment	(121,197)	14,621	(106,577)
Other non-current income and expenses	(22,934)	349	(22,584)
Operating income/loss	**(214,517)**	**16,945**	**(197,572)**
Cost of net debt	(26,988)	363	(26,625)
Other financial income and expenses	(12,780)	324	(12,457)
Financial income/loss	**39,769**	**(687)**	**39,082**
Share of income/loss of associates	(5,003)	1,160	(3,842)
Income taxes	14,079	(2,143)	11,936
Net income from continuing operations	**(245,210)**	**16,650**	**(228,560)**
Net income from operations held for sale		(16,650)	(16,650)
NET INCOME/LOSS	**(245,209)**		**(245,209)**
Group share	(244,454)		(244,454)
Minority interests	(755)		(755)

19. Shareholders' equity and minority interests

Share capital

- **Number of shares outstanding**

	Par value (€)	Number of Shares at 01/01/2009	Bonus shares	Number of shares at 12/31/2009
Number of shares	1	39,747	148	39,895
Number of securities	**1**	**39,747**	**148**	**39,895**
Share capital		**39,747**	**148**	**39,895**

* Inc. 54,037 treasury shares

As of December 31, 2009, the capital was composed of 39,895,207 shares with a par value of €1.

Double voting rights are given to all fully paid-up shares which have been registered for at least two years in the name of the same shareholder, either a French national or a resident of a member State of the European Economic Community.

No dividend was paid either before or after the closing date.

Minority interests

Most of the minority interests correspond to the rights of a partner bank which has assisted the Italian Group Maestrale Green Energy in the development of a wind farm in Italy since its formation, primarily by granting a loan. This partner is committed in the program support company in the amount of the sums paid.

At year end, this shareholder's share on the balance sheet for €(1,713) K was less than the loan made. As the project support company is under construction, it does not generate revenues, which explains the deficit result at the end of the year.

20. Share-based compensation

- **Summary of changes in stock warrants (BSA)**

BSA exercisable as of Dec 31, 2008	**3,940,650**
BSA cancelled	18,000
Balance as of Dec 31, 2009	**3,922,650**

The Group did not allot warrants or any other option giving rights to capital during 2009.

The expense recognized for the year was €56 K and represents the stock warrants granted previously.

- **Details of stock warrants**

	BSA CS4	BSA CS5	BSA bis	BSA DA06	BSA EP06
Subscription price	0.0001	0.0001	0.00039	0.0001	0.0001
Exercise proce	4.85	4.85	3.9	15.28	15.28
Deadline	12/31/2013	12/31/2014	05/02/2010	05/17/2012	05/24/2012
Parity	1.187	1.187	1.187	1	1
Balance at 12/31/2008	**50,000**	**50,000**	**300,000**	**7,000**	**29,093**
Balance at 12/31/2009	**50,000**	**50,000**	**300,000**	**7,000**	**29,093**

	BSA JMSPC06	BSA LF06	BSA SG06	BSA SO06	BSA EP07
Subscription price	0.0001	0.0001	0.0001	0.0001	0.0001
Exercise proce	15.28	15.28	15.28	15.28	15.28
Deadline	06/11/2012	05/19/2012	05/16/2012	05/19/2012	01/01/2013
Parity	1	1	1	1	1
Balance at 12/31/2008	**64,000**	**29,093**	**31,451**	**7,000**	**29,093**
Balance at 12/31/2009	**64,000**	**29,093**	**31,451**	**7,000**	**29,093**

	BSA LF07	BSA SO07	BSA SG07	BSA GF	BSA GE1
Subscription price	0.0001	0.0001	0.0001	0.0001	0.001
Exercise proce	15.28	15.28	15.28	15.28	16.5
Deadline	01/01/2013	01/01/2013	01/01/2013	06/28/2009	01/03/2011
Parity	1	1	1	1	1
Balance at 12/31/2008	**29,093**	**29,093**	**31,451**	**18,000**	**1,500,000**
Expired or non exercisable during the year				*18*	
Balance at 12/31/2009	**29,093**	**29,093**	**31,451**	**0,000**	**1,500,000**

	BSA GE2	BSA JMS PC 800M	BSA SG08	BSA LF 08	BSA EP08
Subscription price	0.001	0.0001	0.0001	0.0001	0.0001
Exercise proce	17.5	12.174	12.95	12.95	12.95
Deadline	01/02/2012	12/31/2012	07/02/2013	07/02/2013	07/02/2013
Parity	1	1	1	1	1
Balance at 12/31/2008	**1,500,000**	**80,460**	**31,451**	**29,093**	**29,093**
Balance at 12/31/2009	**1,500,000**	**80,460**	**31,451**	**29,093**	**29,093**

	BSA SO 08	BSA PC 880 M 2008
Subscription price	0.0001	0.0001
Exercise proce	12.95	15.64
Deadline	41312	12/31/2012
Parity	1	1
Balance at 12/31/2008	**29,093**	**37,093**
Balance at 12/31/2009	**29,093**	**37,093**

Pursuant to the provisions of IFRS 2 governing share-based compensation, only the plans granted after 7 November 2002 have been value and recognized as personnel expenses or other operational expenses.

The conditions for exercising the warrants are the following for each category of BSA:

BSA CS 4: hold an office in the company as of December 31, 2008

BSA CS 5: hold an office in the company as of December 31, 2009

BSA LF/SG/EP/SO 07: on the exercise date, hold an office as director in the company

At the end of the year, these conditions continue to be met.

- **Free shares**

Free shares were allotted on the following dates:

- In 2005:	16,000
- October 13, 2006:	407,500
- February 6, 2007:	175,215
- January 8, 2008:	100,000
- January 8, 2008:	313,500
- February 11, 2009:	44,407
- June 11, 2009:	199,426
- December 17, 2009	1,413,278

which is a total of 2,669,326 shares

The bonus share allotments were valued at the price on the date of allotment (which was, for the 2009 allotments €2.55 for the allotment on February 11, 2009, €3.12 for the allotment on June 11, 2009 and €3.40 for the allotment on December 17, 2009).

The shares allotted in February and December 2009 will be fully vested at the end of a vesting period of two years from the date of the allotment (assuming employment in the company). In addition, the shares granted in December 2009 are also based on presence and performance criteria.

At year end, 2,070,611 shares can be created, corresponding to the 2009 and 2009 allotments.

The expense of €(884) K recognized for the year represents:

- shares granted in 2007: €(66) K
- shares granted in 2009: €(818) K

The estimated expense based on the criteria of employment and performance remaining to be recognized is €(3,298)K. This expense takes into account shares awarded to former executives as their contracts stated that these free shares would be considered as definitively allocated. The Group reserves the right to use the legal means available to it to contest the final allocation of these shares.

21. Financial debts and derivatives

- **Change in financial debts**

	Loans from credit institutions	Convertible bond loan	Lease financing debts	Bank Overdrafts & Equivalents	Other financial debts	TOTAL
01/01/2009	**376,686**	**204,223**	**8**	**4**	**8,325**	**589,246**
Increase	38,761	14,506	-	-	1,163	**54,430**
Redemption	(106,522)	-	-	3	(4,013)	**(110,532)**
Business combinationss	814	-	-	-	95	**909**
Change in Scope	(42,496)	-	(8)	-	(1,367)	**(43,871)**
Translation differential	(32)	-	-	-	(125)	**(157)**
Reclassification of the equity option						**-**
Other changes	-	-	-	-	456	**456**
Closing values as of 12/31/2009	**267,211**	**218,729**	**-**	**7**	**4,534**	**490,481**

The change in financial debt, a decline of €98,765 K, is due to the events explained below:

Increase in borrowings from credit institutions: €38,761 K

- Financing of Compagnie Eolienne du Détroit €5,836 K
- Financing of some wind farms for own account €10,326 K
- Financing of the THEOLIA Naturnergien activity €13,901 K
- Financing of wind farms in Germany €6,526 K
- Other €2,172 K

Reduction in borrowings from credit institutions: €106,522 K

- Refinancing of project financing loans €(12,149) K
- Refinancing of THEOLIA Naturenergien corporate loans €(9,600) K
- Reimbursement of operating parks loan €(27,916) K
- Reimbursement of loan for operating farms sold in 2009 €(51,596) K
- Reimbursement of loan taken out under CED refinancing €(5,261) K

Change in the scope of consolidation €42,496K

- Disposal of wind farms in operation in Germany €(36,505) K
- Disposal of wind parks operating in France €(5,991) K

The change in the OCEANE convertible bond, or €14,506 K is related to the payment of 2008 interest and to the recognition of additional interest owing to the hybrid nature of the loan (existence of a shareholders' equity and liability component) and to application of the Effective Interest Rate (EIR).

The decrease in the other financial liabilities or €(4,013) K concerns mainly the reimbursement of the hedging derivatives after they were closed out on two project support companies under construction in France.

The increase in the other financial liabilities, or €1,163 K, concerns the negative change in the rate hedges put in place in the operational wind farms in France.

- **Covenants**

Group financing falls into three categories:

- Group corporate debt - Oceane bonds
- Germany corporate debt - this finance comes with financial agreements, particularly relating to adherence to financial ratio structures by the borrower (financial debt:equity ratio or financial debt:EBITDA ratio)
- Project debt - this financing, linked to the construction of wind farms (France, Germany Morocco) comes with financial agreements concerning in particular, adherence to cash flow ratios (cash flow generated through activity:debt servicing ratio) and financial structure ratios (financial debt:equity ratio).

As of June 30, 2009, the Group did not respect some of its financial commitments which were required to obtain financing for two wind farms in France and Morocco:

- for the farm operated in France by Centrale Éolienne des Sablons (CESA) with a bank debt of around 9.6 million euros, the minimum six monthly ratio to cover the service of the debt which had not been adhered to during the first half of 2009 due to the unusually weak sales during this period has now been reached in the second half of 2009. THEOLIA is keeping a close eye on this ratio.
- For the farms operating in Morocco, which are subject to a bank debt of about 4.9 million euros (as of June 30,2009), the minimum six monthly debt service ratio was not adhered to during the first half of 2009, mainly due to the delay in cash flow between the first and second half of the year. This ration has been adhered to in the second half of 2009.

For each of the projects above, no waiver was obtained from the lending banks (which could therefore claim that a default had occurred resulting from failure to adhere to these ratios).

Some project finance documents stated that the transactions recently performed by the Company as part of its Restructuring strategy constituted cases of default. The Company has obtained waivers from these banks in the event of defaults.

For the following farms, whose debt liabilities amount to 59.9 million euros in total as of December 31, 2009, the waivers obtained by the Company are temporary waivers, which were granted subject to the following conditions:

- to finance the Centrale Éolienne des Sablons (CESA), the Centrale Éolienne des Plos (CEPLO), the Centrale Éolienne du Moulin de Froidure (CEMDF) and the Centrale Éolienne de Sallen (CESAL), the Company obtained a waiver up to the earliest of the following dates: July 30, 2010, the date the Company does not adhere to the announced Restructuring schedule, 15 days following the date of payment-delivery of the capital increase which must take place as part of the Restructuring and (iv) the end of the ad hoc mandate described and
- for the finance for the Centrale Éolienne de Seglien Ar Tri Milin (CESAM) and the Centrale Éolienne de Fonds de Fresnes (CEFF), the Company obtained a waiver until July 31, 2010.

In the event that the Company does not carry out the Restructuring before July 31, 2010, and/or if the ad hoc executive remains in their post beyond this date, the banks concerned may demand that their loans are paid back, which may have a significant negative effect on the Group.

Finally, on December 31, 2009, the Company proceeded to the reorganization of its business activities in France. The Company transferred to THEOLIA France 100% of the Ventura shares that it held, and at the end of this transfer, Ventura and Natenco SAS were dissolved and all of their assets were transferred to THEOLIA France, without these companies having to be liquidated. Some financing documents class such an operation as a default. The Company has obtained or is in the process of obtaining waivers to resort to in these cases of default with the banks concerned:

- for the financing of the Centrale Éolienne de Fonds de Fresnes (CEFF) and Centrale Éolienne de Seglien Ar Tri Milin (CESAM), the Company obtained a waiver; and
- for the financing of the Centrale Éolienne des Plos (CEPLO), the Centrale Éolienne du Moulin de Froidure (CEMDF), the Centrale Éolienne de Sallen (CESAL) and Centrale Éolienne des Sablons (CESA), the waiver is in the process of being approved by the lenders and its entering into force is subject to commitments being honored by the borrowers concerning the provision of post merger information and the transfer of the contract and of the road, rail and waterways usage authorization.

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

It should be noted that the liabilities concerned have not been re-posted to the current part, despite the suspensive condition attached to the waivers, €55.1 million of the €59.9 million. The difference had already been posted to the current part.

The same treatment has been carried out for the loan related to the wind farm in Morocco (CED) where the non-current part, €2 million, has been re-posted to the current part.

The following table explains the change in current debt of the item “loans from lending institutions”..

Loans from lending institutions	Current part
Value as of the opening 01/01/2009	**138,339**
Change in lines of credit (THEOLIA Naturenergien)	(12,509)
Reimbursements- operating wind farms	(27,916)
Reimbursements- operating wind farms sold in 2009	(41,277)
Change in current part of long term loans (not including the loans related to the default clauses in the covenants)	2,255
Refinncing of CED	(5,261)
Loans being refinanced in 2008	(13,655)
Loans being refinanced in2009	8,400
Bank debt Wind Farms France (default event)	**59,941**
Current part (according to maturity)	*4,855*
Re-posting of the non current part due to default event related to covenants	*55,086*

Bank debt Wind farms Morocco (default event)	**3,982**
Current part (according to maturity)	*1,927*
Re-posting of the non current part due to default event related to covenants	2,055
Other movements	2,662
Value at close as of 12/31/2009	**114,961**

The contract for the issuance of the OCEANE convertible bond stipulates the following:

- The control by the Group's parent company to be maintained;
- That the Company's stock must continue to be listed on Eurolist by Euronext market;
- Should the Company or any of its major subsidiaries fail to pay a debt or a guarantee of a financial debt equal to at least one million euros, then the debt shall be payable early.

Moreover, the loss of half the share capital of the Ecoval 30 Company (non-wind activity) at the end of 2009 is a covenant break clause. The debt amount at year end stands at 5.7 million euros and is posted under the item "liabilities from abandoned activities". The Company is now being recapitalized as of the closing date of these financial statements.

As of December 31, 2009, the financial debt covenants in Germany had all been adhered to.

At the date the financial statements were prepared, two banks contributing finance to THEOLIA Naturenergien GmbH (previously called Natenco GmbH), wished to reduce their exposure and both decreased the maximum amount of their revolving credit of 10 million euros to 3 million euros which corresponds to the amounts drawn by THEOLIA Naturenergien GmbH.

In February 2010, Südwestbank indicated by mail that it would maintain the credit facility granted to THEOLIA Naturenergien until June 30, 2010, provided that the Restructuring was approved by the general shareholder meeting (which took place on March 19, 2010). Südwestbank also indicated that its decision would be influenced by the fact that all of THEOLIA's banking partners would remain stable and that Südwestbank could meet with the new management of THEOLIA Naturenergien in April 2010.

On March 22, 2010, Südwestbank and Volrarberger indicated orally that they were willing to examine the modalities of a reopening of the credit lines granted to THEOLIA Naturenergien at their previous level (10 million euros each), provided that the capital increase planned as part of the Restructuring was carried out and that a new management team was appointed within THEOLIA Naturenergien.

- **Analysis of loans by payments**

The table below displays the financial debt according to the expected payments (capital and interest) in the short and medium/long term:

	Less than 1 yr	1 to 5 yrs	More than 5 yrs	TOTAL
	Current	Non -current		
Loans from credit institutions	125,821	105,775	93,348	324,944
Convertible bond loan	4,800	213,929	-	218,729
Lease financing debts	-	-	-	-
Sub-total loans	**130,621**	**368,527**	**93,348**	**592,496**
Bank overdrafts and equivalents	7	-	-	7
Other financial liabilities	4,534	-	-	4,534
Total financial liabilities	**135,162**	**368,527**	**93,348**	**597,037**

The convertible bond is presented here in accordance with the payments planned in the context of the contract signed with the bondholders (before restructuring of the debt).

The short-term portion of financial liabilities as of December 31, 2009 is broken down quarterly as shown below:

	< 3 months	< 6 months	< 9 months	< 12 months	Total
Financial liabilities (current portion)	49,179	7,527	61,854	12,061	**130,621**

The short-term debt, or € 130,621K, is further broken down as follows:

- Part of the mid/long term bank debts of the wind frms in France and Morocco set up as short term debts due to bank covenants €57,141 K
- Short-term portion of long-term liabilities (1) €32,396 K
- Current loans related to the financing of the THEOLIA Naturenergien activity €21,831 K
- Non-current loans fully classified as short-term (2) €8,400 K
- Interest on convertible bond payable in 2010 €4,800 K
- Interest expense due €6,053 K

(1) This item concerns the loans financing the wind farms in operation and under construction for the short-term redeemable portion of those loans.
(2) This item concerns long-term loans attached to wind farms in operation or at the end of construction in Germany, the sale of which is planned for 2010.

- ## Analysis by type of rate

	12/31/2009	12/31/2008
Fixed rate	360,439	381,070
Variable rate	130,042	208,177
TOTAL	**490,481**	**589,247**

A portion amounting to €218,729K of the fixed rate loans refers to THEOLIA. The remainder loan concerns loans related to projects abroad.

- ## Convertible bond

Redeemable amount:

The Group has the option of early redemption, at its discretion or at the initiative of the bondholders, on or after January 1, 2012.

Year	Amount redeemable		
01/01/2014	260,111,549	11,538,462	22,5430
01/01/2012	253,151,549	11,538,462	21,9398

When the Effective Interest Rate is used, an additional expense must be shown, as follows:

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

The put included in this contract is exercisable in 2012. The restructuring of this debt now underway is going to change the exercise date of this put.

- ## Derivatives

There are 2 types of financial derivatives:

The derivatives set up to manage the rate risk on variable rate loans are recognized at their fair value until December 31, 2009. The adjustments in fair value are recorded as income.

As of December 31, 2009, the rate swaps accounted for in this way total € (4,318) K compared with € (7,947) K at December 31, 2008.

Following the sale in 2008 of its stake in Thenergo (€15,000K), the Group has the option of exercising a call option under the following conditions:

- 110 % of the sale price until December 24, 2009
- 120 % of the sale price until December 24, 2010

Pursuant to IAS 39, this option is recognized at its fair value in the financial statements at December 31, 2009, with a contra under profit/loss. The effect on financial income for the period is €107K.

Information on the fair value of the financial assets and liabilities

The table below shows the book value on the balance sheet of assets and liabilities by accounting category defined in accordance with IAS 39, as well as their fair value.

12/31/2009	Accounting categories						Fair value			
	Hedging derivatives	Assets (liabilities) valued at by result	Assets available for sale	Loans and receivables	Liabilities cost amortised	**Total net value on the balance sheet**	Listed price	Internal model with observable parameters	Internal model with non-observable parameters	**Fair value**
Unconsolidated equityshares			927			**927**				**927**
Other non-current financial assets				8,529		**8,529**				**8,529**
Deposits and pledges				411		**411**				**411**
Non-current financial assets	**-**	**-**	**927**	**8,940**	**-**	**9,867**	**-**	**-**	**-**	**9,867**
Trade receivables				32,492		**32,492**				**32,492**
Financial assets current accounts										
Cash equivalents		25,503				**25,503**	25,503			**25,503**
Cash on hand				68,684		**68,684**				**68,684**
Current portion of financial assets				236		**236**				**236**
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 loan					213,929	**213,929**				**213,929**
Other bank loans and other financial debts					152,250	**152,250**				**152,250**
Loans related to lease financing restatements					-	**-**		-		**-**
Non-current financial debts	**-**	**-**	**-**	**-**	**366,179**	**366,179**	**-**	**-**	**-**	**366,179**
Liability derivatives		4,318				**4,318**		4,318		**4,318**
Bond loan					4,800	**4,800**				**4,800**
Other bank loans and other financial debts					114,961	**114,961**				**114,961**
Trade payables					25,482	**25,482**				**25,482**
Other current financial debts					15,803	**15,803**				**15,803**
Financial liabilities current accounts					151	**151**				**151**
Bank overdrafts					7	**7**				**7**
Current financial 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**

At 12/31/2008

12/31/2008	Accounting categories						Fair value			
	Hedging derivatives	Assets (liabilities) valued at by result	Assets available for sale	Loans and receivables	Liabilities cost amortised	**Total net value on the balance sheet**	Listed price	Internal model with observable parameters	Internal model with non-observable parameters	**Fair value**
Unconsolidated equityshares			2,909			**2,909**				**2,909**
Other non-current financial assets				7,184		**7,184**				**7,184**
Deposits and pledges				365		**365**				**365**
						-				
Non-current financial assets	**-**		**2,909**	**7,549**	**-**	**10,458**				**10,458**
Trade receivables				24,885		**24,885**				**24,885**
Financial assets current accounts				296		**296**				**296**
Cash equivalents		24,874				**24,874**	24,874			**24,874**
Cash on hand				65,949		**65,949**				**65,949**
Current portion of financial assets								-		**-**
Current financial assets	**-**	**24,874**	**-**	**91,130**	**-**	**116,004**	**24,874**		**-**	**116,004**
Total assets	**-**	**24,874**	**2,909**	**98,679**	**-**	**126,462**	**30,056**	**93,497**	**2,909**	**126,462**
										-
Bond loan					204,223	**204,223**				**204,223**
Other bank loans and other financial debts					238,350	**238,350**				**238,350**
Loans related to lease financing restatements					8	**8**				**8**
Non-current financial debts	**-**	**-**	**-**	**-**	**442,581**	**442,581**	**-**	**442,581**	**-**	**442,581**
Liability derivatives		7,947				**7,947**		7,947		**7,947**
Bond loan					138,339	**138,339**				**138,339**
Other bank loans and other financial debts					63,707	**63,707**				**63,707**
Trade payables					39,520	**39,520**				**39,520**
Other current financial debts					376	**376**				**376**
Financial liabilities current accounts					5	**5**				**5**
Bank overdrafts										
Current financial liabilities	**-**	**7,947**	**-**	**-**	**241,947**	**249,894**	**-**	**7,947**	**-**	**249,894**
Total liabilities	**-**	**7,947**			**684,528**	**692,475**	**-**	**7,947**	**-**	**692,475**

22. Provisions for employee benefits

▪ Components of the expense for the period

	12/31/2009	12/31/2008
Pension expenses	**22**	**72**

▪ Change in the provision

	12/31/2009	12/31/2008
Provision at opening	**61**	**251**
Expense for the year	22	72
Reclassification of discontinued activity	(1)	(263)
Provision at closing	**79**	**61**

- **Principal actuarial hypotheses**

	12/31/2009	12/31/2008
Discount rate	5.09%	4.75%
Change in management salaries	1.00%	3.00%
Change in non-management salaries	1.00%	2.00%
Mortality table	INSEE 2008	TGH 05 and TGF 05
Retirement age	Age 65	Age 65

It should be noted that actuarial differences are immaterial.

23. Other provisions

	Provision for disputes	Provisions for subsidiary risks	Other provisions	**Total**
Closing values as of 12/31/2008	**2,296**	**-**	**1,675**	**4,971**
Allocations	1,460	6,034	1,308	**8,803**
Reversals	(1,666)	-	(778)	**(2,444)**
Business combinations	-	-	136	**136**
Currency translation	-	-	(10)	**(10)**
Other changes	(891)	3,525	279	**2,983**
Closing value as of 12/31/2009	**2,199**	**9,629**	**2,610**	**14,439**
Current portion				**-**
Non-current portion	2,199	9,629	2,610	**14,438**

Provisions for disputes amount to €2,199 K at the end of the period. They concern mainly the following disputes:

- Disputes funded by provisions for THEOLIA SA €704 K
- Business-related disputes (France) €1,461 K
- Business-related disputes (Other countries) €34 K

The amount of €354 K for THEOLIA SA disputes refers to the Windream One dispute and €200 K in disputes are corporate in nature. In the first instance, the Company obtained a favorable outcome in the courts, but it left the amount of the provision at €354 K owing to an appeal in progress.

Provisions for risks on subsidiaries are listed below:

- That portion accounted for by the equity method of Spanish company Asset Electrica, for €3,595K;
- Risks on current assets related to discontinued activities for €6,034 K.

Due to the net negative situation of the share processed via equity accounting of the company Asset Electrica is also negative, which leads to an equivalent provision being posted because the Group is determined to make up the difference in value.

The other provisions, which amount to €2,610 K, are broken down below:

- Corporate disputes in Morocco (TEM) €807 K
- Provision for nor-recovery of tax credit €1,411 K
- Other €393 K

24. Trade and other creditors

	12/31/2009	12/31/2008
Prepayments	56	2,566
Payables	25,482	63,708
Other	15,747	36,954
Total	**41,285**	**103,228**

Trade creditors include the development, construction and wind farm sales activity in the amount of €17,328 K, which can be broken down as follows:

- France: €360 K
- Germany: €11,741 K
- Italy: €5,060 K
- Other countries €167 K

The electricity sales activity for own account represents € 4,716 K to creditors.

The other liabilities, or €15,747 K, concern mainly the following:

- Suppliers of capital assets (mainly for wind projects): €5,275 K
- Additional prices to be paid following the acquisition of projects in Italy: €5,345 K
- Liabilities for the acquisition of companies (Germany): €3,672 K
- Other liabilities €1,455 K

	12/31/2009	12/31/2008
Corporate liabilities	1,932	2,169
Tax liabilities	8,783	12,183
Total	**10,715**	**14,352**

Tax liabilities refer mainly to the VAT collected and not yet repaid.

25. Sector information

In accordance with the application of IFRS 8 "Operating Segments," the Group's activities are broken down into the following categories:

- The **Sales of Electricity for Own Account Activity** corresponds to the sale of the electricity produced by the **wind farms owned by the** Group;
- The **Development, Construction, Sale Activity** includes the development, construction and sale of **wind projects and wind farms;**
- **The Operation Activity** includes the management of wind farms for third parties as well as **the sale of the electricity** produced by the wind farms managed but not owned by the **Group.**
- **The Non-Wind Activity** is not strategic and is in the process of being sold.
- **The Corporate Activity** comprises mainly the THEOLIA SA holding company.

▪ **At December 31, 2009**

Financial statement	Sale of electricity for own account	Development construction sale	Operation	Non-wind activities	Corporate	Total
Goodwill	8,012	71,446	-	0	2	79,460
Intangible assets	47,360	52,514	-	0	9	99,883
Property, plant & equipment	262,252	35,829	84	12,160	1,533	311,858
Other non-current asets	5,978	8,414	(2)	10,533	4,000	28,923
Total non current assets	**323,601**	**168,204**	**82**	**22,693**	**5,544**	**520,123**
Inventory	1,186	49,238	-	0	1,390	51,814
Receivables	9,884	21,923	237	321	127	32,492
Cash and cash equivalents	26,380	33,510	546	2,348	31,403	94,187
Other current assets	5,714	10,985	783	526	10,074	28,081
Total current assets	**43,164**	**115,656**	**1,566**	**3,194**	**42,994**	**206,574**
Assets held for sale	-	-	-	713	16 359	17,072
TOTAL ASSETS	**366,765**	**283,860**	**1,648**	**26,600**	**64,896**	**743,769**
Non-current financial liabilities	118,769	29,009	-	4,471	213,929	368,233
Current financial liabilities	91,632	22,077	-	5,791	4,803	122,248
Payabless	4,764	27,674	36	870	7,941	41,285
Liabilities held for sale	-	-	-	11,037	-	11,038
Other liabilities	27,636	11,835	782	5,004	7,053	52,311
TOTAL LIABILITIES	**242,801**	**90,595**	**818**	**27,173**	**233,727**	**595,117**

Other information						
Tangible and intangible investments	15,025	26,547	1	2,253	1,205	75,035
Workforce at year-end						

12/31/2009 (in thousands of euros)

Income statement	Wind activities: 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	6,118	**57,865**
Germany	32,425	197,990	38,438	1,610		**270,463**
Italy						
Rest of world	6,300			83	(0)	**6,382**
Inter-activity sales					(6,118)	**(6,118)**
Total	**51,918**	**236,465**	**38,499**	**1,710**		**328,593**
Current operation income	**15,220**	**(2,596)**	**(1,040)**	**(797)**	**17,024**	**27,812**
Impairment	7,008	(808)		18	(1,709)	4,509
Other non-current income and expenses	303	(318)	(2)	599	(722)	(140)
Operating income	**22,530**	**(3,722)**	**(1,042)**	**(179)**	**14,593**	**32,181**
Share in the results of associates	(16)	(123)		(13,330)		(13,470)

▪ As of December 31, 2008

Statement of financial position	Wind activities: Sale of electricity for own account	Wind activities: Development construction sale	Wind activities: Operation	Non-wind Activities	Corporate	Total
Goodwill	10,384	67,700	0	-0	0	78,084
Intangible assets	58,412	35,682	18	0	40	94,152
Property, plant & equipment	310,211	30,246	84	2	1,135	341,678
Other non-current assets	3,491	10,346	0	25,295	2,540	41,673
Total non-current assets	**382,498**	**143,975**	**102**	**25,297**	**3,716**	**555,587**
Inventory	11,145	145,778	-0	13,001	0	169,923
Receivables	7,967	15,508	416	920	73	24,885
Cash and cash equivalents	30,833	34,753	995	2,746	21,495	90,824
Other current assets	10,123	37,320	73	3,073	7,082	57,672
Total current assets	**60,069**	**233,359**	**1,485**	**19,740**	**28,651**	**343,303**
Assets held for sale	0	0	0	9,638	10,179	19,817
TOTAL ASSETS	**442,566**	**377,333**	**1,586**	**54,675**	**42,546**	**918,707**
Non-current financial liabilities	217,126	21,233	0	-1	204,223	442,581
Current financial liabilities	41,068	89,675	3	10,772	5,147	146,666
Payables	7,229	60,602	254	1,143	34,001	103,229
Liabilities held for sale	0	0	0	13,121	0	13,121
Other liabilities	25,756	14,295	-0	259	4,147	44,457
TOTAL LIABILITIES	**291,178**	**185,806**	**257**	**25,294**	**247,518**	**750,053**
Other information						
Tangible and intangible investments	38,040	9,229	-	698	169	96,103
Workforce at year-end	-	115		92	30	444

12/31/2008 (in thousands of euros)

Income statement		Wind activities			Non-wind Activities	Corporate	Total
		Sale of electricity for own account	Development construction sale	Operation			
Revenue							
	France	12,264	(1,236)	38	584	4,621	**16,272**
	Germany	36,924	(17,000)	43,415	(12,994)		**50,346**
	Italy						
	Rest of world	6,352			1,608	1,036	**8,995**
Inter-activity sales						(5,657)	**(5,657)**
Total		**55,540**	**(18,236)**	**43,454**	**(10,802)**		**69,956**
Current operating income		**11,782**	**(31,115)**	**1,240**	**(2,179)**	**(48,139)**	**(68,411)**
Impairment		(44,847)	(58,547)		(3,219)	37	(106,577)
Other non-current income and expenses		485	(507)		(16)	(22,547)	(22,584)
Operating income		**(32,580)**	**(90,168)**	**1,240**	**(5,414)**	**(70,649)**	**(197,572)**
Share in the results of associates		(110)	(3,500)		(232)		(3,842)

Comments from the financial statement at December 31, 2009

Sales of Electricity for Own Account

Revenues from Sales of Electricity Sales for Own Account posted by the wind farms owned by the Group fell from €55,540 K in 2008 to €51, 918 K in 2009, which is a slight decrease of seven percent, or €(3,622) K owing to the following factors:

- Unfavorable weather conditions in the first three quarters of 2009;
- Asset disposals made in 2009.

The installed capacity for own account amounts to 319 megawatts (MW) as of December 31, 2009, compared with 360 MW at December 31, 2008, which is a decline of 11 percent.

Current operating income amounts to €15,220 K compared with €12,894 K and accounts for 30 percent of revenues. The improvement in this item comes mainly from the application of the new strategy. In fact, to sell wind farms after a two-to-four year period in operation, a residual value close to the estimated sale price must be calculated. This results in a reduction of both the amortizable base and the amortization period. For the financial year 2009, amortization amounts to € (19,667) K compared with € (25,542) K in 2008.

As of September 1, 2009, the date the new strategy was applied, the farms already in operation are (for the most part) worth substantially less than the estimated sale price. Therefore, amortization was suspended from that date on.

Operating income was €22,530 K compared with € (31,468) K in 2008. This major difference is due to the outcomes of impairment tests. In 2008, these tests were conducted, leading to goodwill and wind asset write downs in the amount of € (44,847) K. At the end of the period, the impairment item is positive and is up €7,008 K. It breaks down mainly as follows:

- Impairment of goodwill from the wind farm in Morocco (CED) €(439) K
- Impairment of goodwill from a wind farm in Germany €(594) K
- Write downs of non-current assets:

- Wind farm located in Germany €(142) K
- Wind farm located in Morocco €(2,093) K
- Wind farm located in France € (302) K

- Reversal of 2008 write downs of non-current assets:
    - Wind farms located in Germany + € 10,575 K

Wind Development, Construction and Sales

Revenues from the Development, Construction, Sale activity amount to €236,465 K in 2009 compared with € (18,236) K in 2008. 234 MW of wind assets and projects were sold in 2009, thus exceeding the 200 MW objective set by the Management.

- As it had announced, in Germany the Group resumed its turnkey wind farm sales program as part of its trading activity. Thus wind farms with total power of 145.7 MW, including 137 MW of installed capacity, were sold in 2009. Revenues from those sales in Germany in 2009 stood at 195 million euros.
- It should be noted that revenues from the sale to RheinEnergie of the portfolio of 100.6 MW of wind farms and wind projects was not fully accounted for in 2009; there is a balance of 10 million euros to be recognized in 2010.
- In France, 88 MW of capacity were sold, including seven MW of installed capacity.

Since September 1, 2009, all sales by THEOLIA of wind projects or wind farms in operation have been booked as revenues, in accordance with IAS 16, as amended, applicable since January 1, 2009. This accounting treatment had a positive impact of 65 million on 2009 revenues. Applying this standard in 2008 would have had no effect on consolidated revenues due to the lack of sales of wind projects and wind farms in the year.

Current operating income stands at € (2,596) K compared with € (31,115) K for 2008. The results of this activity are broken down between:

- Wind farm development and construction €(4,230) K
- Sale of wind farms +€1,635 K

Development activities are carried out in France, Italy, Brazil and Greece (in the process of being closed down). These activities generate revenues only in France. The subsidiaries located in other countries do not have outside sources of income because they work exclusively for the Group. Their profits and losses are broken down below:

In the first half of the year, the sale of wind farms under development yielded a negative result of € (2,434) K.

As a result of wind farm sales in the France division, internal margins previously canceled at the developers (Development, construction, sale activity) were capitalized for a total amount of + €3,175 K.

Development and construction sales resulted in a sufficient margin to absorb the structural costs not capitalized in the cost price of the projects for this entire business sector.

Wind farm sales in France and Germany generated €1,883 K in current operating income.

The cost of maintenance and insurance for the turbines currently stored in Italy (Suzlon turbines) is charged to this activity for a total of € (746) K.

Operating income stands at € (3,722) K compared with € (90,168) K in 2008. The difference is due to:

- The lack of margin for 2008, hence the failure to absorb structural costs;
- The recognition in 2008 of a number of impairments on goodwill and non-current assets.

The transition of current operating income to operating income, or an impairment of € (1,126) K is due to the following:

- Impairments: €(808) K
  - Wind farm in Spain +€ 336 K
  - Write downs on a project in Italy €(519) K
  - Write downs of projects under development in France €(624) K
- Other non-current income/expenses €(318) K

<u>Operations</u>

Revenues stand at +€38,499 K compared with + € 43,454 K in 2008. Like the electricity sales sector for own account, the poor weather conditions adversely affected the income generated by this activity.

This activity concerns mainly electricity sales for third parties and the income associated with the operational management by the Group.

Revenues from the Operations business include electricity sales from wind farms managed for third parties. It stands at 38.4 million euros in 2009, and fell slightly from 2008 levels owing to unfavorable wind conditions over a large part of the year 2009. For the record, it must be specified that for some new Operations and Maintenance (O&M) contracts signed in 2009, the Group no longer receives the proceeds from the sales of electricity that comes from those farms. Only the management services billed to the owners of those farms are recognized as revenue. At December 31, 2009, the Group managed 458 MW for third parties compared with 311 MW at December 31, 2008.

Operating income is a negative € (1,040) K, down from + €1,240 K in 2008, or a decrease of € (2,280) K. The gross margin is generally between three and five percent. Given this low margin, the operating costs for this activity cannot be absorbed.

This change is due mainly to the following factors:

- Decline in gross margin €(581) K
- Increase in sub-contracting costs €(956) K
- Increase in personnel costs €(606) K
- Other €(137) K

Non-Wind Activities

Revenues stand at + €1,710 K compared with € (10,802) K in 2008. The negative turnover of 2008 comes from the cancellation of a sale of a solar power plant which occurred in 2007, due to the buyer being unable to obtain financing. The 2009 sales include income from the following activities:

- Sale of electricity from the solar farm in Germany + €1,490 K
- Sale of bio-diesel (biofuel) + €83 K
- Other + €137 K

Current operating income is € (792) K and includes € (679) K in amortization (of which €640 K for the solar farm operated in Germany) and € (961) K in provisions for disputes (construction of a water treatment unit).

There is little activity in this sector because of the Group's decision to discontinue non-wind activities.

The item "share in income from associates" concerns the Ecolution Company.

Corporate Activity

Current operating income from the Corporate Activity amounts to + €17,024 K of which + € 19,992 K is related to THEOLIA SA.

The expenses in the Corporate sector correspond mainly to the following activities:

- Overhead (strategy)
- Relations with the stock market and investors
- External growth operations
- Research and financing operations through market calls

Results correspond to the following:

- Reversal of provisions on the Hestiun amount owed by Hestiun (sale of the Thenergo shares) +€15,000 K
- Reversal of provisions for an installment on the turbines reserved + €10,000 K
- Share-based payments to the employees and corporate officers of THEOLIA SA €(884) K
- Layoffs (transactions…) €(361) K
- Remaining sponsorship costs €(356) K
- Other THEOLIA SA structural costs €(3,047) K

Operating income amounts to + €14,593 K compared with € (70,649) K in 2008. In particular, it includes impairments as well as other non-current income and expenses, as shown below:

- Impairment of goodwill resulting from the purchase of the minority share of the TEM stock €(1,709) K
- AMF sanctions committee (decision released December 7, 2009) €(300) K
- Other €(422) K

During the year, THEOLIA SA purchased the stock in the TEM Company. This purchase, at the nominal value, resulted in the recognition of goodwill in the amount of €1,709 K. The Group wanted to obtain exclusive control of the company TEM, the latter having as its only asset a 35% stake in Ecolutions, due to the value of this subsidiary. Ecolutions' situation deteriorated end of 2009, .The goodwill was posted when the TEM securities to Jean-Marie Santander were depreciated in full on December 31, 2009.

26. Personnel expenses

	12/31/2009	12/31/2008
Employee compensation	7,953	9,360
Social security and insurance expense	2,859	3,257
Other personnel expenses	18	33
Other employee benefits and share-based payments (IFRS 2)	884	8,190
Total personnel expenses	**11,714**	**20,840**

Employee compensation is down by € (1,407) K because of the following factors:

- Effects of THEOLIA SA restructurings €(882) K
- Reduction of the workforce at the THEOLIA Emerging Markets Moroccan subsidiary €(595) K
- Closing of the Spanish subsidiary THEOLIA Iberica €(139) K
- Increase in the workforce in Germany + €466 K
- Increase in the workforce in France (developer) + €177 K
- Effect of the sale of the Biocarb Company €(222) K
- Other factors €(212) K

The expense related to share-based payments is down sharply owing to the granting of bonus shares, mainly at the close of 2009, and to the introduction of a rights acquisition period;

rkforce at close of the year	12/31/2009	12/31/2008
Managers, employees and contributors	270	295
Total	**270**	**295**

27. Other operating income and expenses

	12/31/2009	12/31/2008
Share-based payments (granting of stock warrants	(55)	1,615
Income from ordinary activities	3,027	6,049
Other operating income and expenses	(3,291)	(4,008)
Total	**(319)**	**3,656**

Other Income from ordinary activities comes mainly from:

- Payments to be collected under contracts guaranteeing income from electricity: €1,385 K
- Other income, particularly from re-invoicing and commercial leases: €1,247 K.

Other operating income and expenses concern the following operations;

- Loss from the sale of wind projects under development €(2,797) K
- Income from the deconsolidation of Canadian subsidiaries + €980 K
- Impairment of wind assets in France following final adjustments in the amount of construction contract € (595) K

- Other operating expenses €(870) K

28. Other Non-current income and expenses

	12/31/2009	12/31/2008
Disposal of Thenergo stock	-	(22,649)
Effect on changes in scope		
Other non-current income and expenses	140	65
Total	**(140)**	**(22,584)**

29. Impairment

▪ Breakdown of item

The impairments recognized at the end of the period are presented in the table below:

	12/31/2009	12/31/2008
Impairment intangible assets	2,103	(27,713)
Impairment PP&E	5,271	(1,283)
Impairment goodwill	(2,865)	(77,581)
Total	**4,509**	**(106,577)**

Note that the net impairments on capital assets as at 31/12/2009 correspond to provision takeover

- ## Breakdown by geographical area and by activity

	12/31/2009	Writedown	Goodwill	12/31/2008
Wind park construction and development activity	(624)	(624)		(809)
Wind energy production activity	(302)	(179)	(123)	(2,519)
Non-wind activity	18	18		(574)
Corporate	(1,709)		(1,709)	
Impairment - France	**(2,617)**	**(785)**	**(1,832)**	**(3,901)**
Wind park construction and development activity	-			
Wind energy production activity	9,841	10,435	(594)	(71,985)
Non-wind activity	-			
Impairment - Germany	**9,841**	**10,435**	**(594)**	**(71,985)**
Wind park construction and development activity	336	336		(12,938)
Impairment - Spain	**336**	**336**	**-**	**(12,938)**
Wind park construction and development activity	(519)	(519)		
Wind energy production activity	-			
Non-wind activity	-			
Impairment - Italy	**(519)**	**(519)**	**-**	**-**
Wind farm construction and development activity	-			
Wind energy production activity	(2,532)	(2,093)	(439)	(14,950)
Non-wind activity	-			
Impairment - Morocco	**(2,532)**	**(2,093)**	**(439)**	**(14,950)**
Wind farm construction and development activity	-			(194)
Wind energy production activity	-			
Non-wind activity	-			(2,609)
Impairment – rest of the world	**-**	**-**	**-**	**(2,803)**
Total	**4,509**	**7,374**	**(2,865)**	**(106,577)**

30. Net financial result

- ### Analysis of the item

Income from cash and cash equivalents	12/31/2009	12/31/2008
Interest income generated by cash and cash equivalents	308	3,574
Income from disposals of cash equivalents	572	2,794
Other income	80	15
Income from cash and cash equivalents	**960**	**6,384**

Cost of gross financial debt	12/31/2009	12/31/2008
Interest expense on financing operations	(29,490)	(33,009)
Effect of accretion		
Income and losses from the extinction of debts		
Total	**(29,490)**	**(33,009)**
Cost of net financial debt	**(28,530)**	**(26,625)**

Cash income amounts to €960 K and comes from investments made by THEOLIA Naturnergien, the German wind plants in operation, THEOLIA SA and the other entities in Morocco.

The interest expense breaks down as follows:

OCEANE bond	€13,226 K
Wind farms in Germany	€6,480 K
Wind farms under development in Italy	€ 247 K
Solar farm in operation in Germany	€584 K
Wind farms in operation in France	€5,168 K
Wind farms under development in France	€57 K
Financing of the THEOLIA Naturnergien activity	€3,383 K
Wind farms in operation in Morocco	€325 K
Other	€20 K

- **Breakdown of other financial income**

Other financial income	12/31/2009	12/31/2008
Change in the fair value of financial instruments	108	23
Reversals of provisions	94	-
Foreign exchange gains	1,163	1,613
Other financial income	1,321	2,352
Other financial income	**2,685**	**3,988**

The reversals of provisions concern mainly Germany (+€75 K) as well as the Eastern European subsidiaries (€19 K) for a total of + €94 K.

Other financial income concerns mainly the late interest on loans and non-Group commercial receivables in Germany.

- **Breakdown of other financial expenses**

Other financial expenses	12/31/2009	12/31/2008
Variations negative JV / hedging derivatives /debts	(891)	(8,949)
Difference negative JV on investment securities and other speculative instruments	(174)	(38)
Foreign exchange losses	(1,569)	(1,124)
Net expenses on disposals of investment securities	-	-
Other financial expenses	(2,330)	(6,333)
Other financial expenses	**(4,964)**	**(16,445)**

TOTAL OTHER FINANCIAL INCOME AND EXPENSES	**(2,279)**	**(12,457)**

The exchange rate loss € (1,569) K comes from interest on current accounts or loans, as well as foreign exchange differences on third party accounts denominated in currency. This concerns mainly the subsidiaries located in Morocco and Brazil.

Other financial expenses, mainly on Germany, for around € (850) K concern commissions on bank guarantees.

31. Taxes on earnings

▪ Analysis of tax expense

In thousands of euros	12/31/2009	06/30/2008
Corporate income tax owed	(976)	180
Deferred taxes	1,413	11,756
Total	**437**	**11,936**

The valuation of deferred tax assets and liabilities is based on the manner in which the THEOLIA Group expects to recover or settle the book value of the assets and liabilities, using the tax rates expected to be applied to the year in which the asset is realized or the liability paid.

A deferred tax asset is recognized only if it is probable that the THEOLIA Group will have future taxable income to which this asset can be charged.

▪ Proof of taxes

Description	12/31/2009	12/31/2008
Consolidated net income	**(21,101)**	**(245,210)**
Tax expense recognized	(437)	(11,936)
Share of income from equity affiliates in net income	13,470	3,842
Share of income from equity affiliates reclassified as discontinued activities	-	983
Taxes related to discontinued activities	(259)	(2,143)
Consolidated net income before taxes	**(8,327)**	**(254,464)**
Theoretical tax rate applicable	33.33%	33.33%
Theoretical tax expense	2,775	84,813
Tax expense recognized (including discontinued activities)	696	14,079
Tax difference	**(2,079)**	**(70,734)**
Items reconciled:		
Permanent differences	(2,480)	2,725
Badwill from acquisitions		-
Share-based payments (IFRS2)	(313)	(3,220)
Profit from dilution / P/L from deconsolidation	4,654	(9,083)
Tax credits	73	97
Foreign exchange differences		
Rate variance France / Foreign countries	30	(8,538)
Impairment	(811)	(26,922)
IDA capitalization	787	(5,111)
Tax losses not capitalized	(4,127)	(20,976)
Other	107	294
Total	**(2,080)**	**(70,734)**

- ## Type of deferred assets

Assets

In thousands of euros	12/31/2009	12/31/2008
Intangible assets	261	102
Property, plant & equipment	591	301
Eliminations internal margins	1,331	2,116
Eliminations internal disposals	3,129	2,980
Provisions for pension commitments	21	19
Financial instruments	1,682	2,927
Taxes carried forward	26,765	27,276
Other assets	1,034	250
Deferred tax assets/liabilities offset	(26,671)	(26,487)
Total	**8,140**	**9,483**

Liabilities

In thousands of euros	12/31/2008	12/31/2007
Intangible assets	14,482	12,655
Property, plant & equipment	11,327	8,720
Derogatory depreciation	17,338	15,781
Ajustment depreciation period	645	-
Financial instruments	8,958	12,190
Other liabilities	(1,076)	(826)
Deferred tax assets/liabilities offset actifs/passifs	(26,671)	(26,487)
Total	**25,003**	**22,033**

Tax losses, mainly in France, resulted in the capitalization of deferred tax assets in the amount of €26,765 K. These amounts, with the exception of Germany for €3300 K are justified by the existence of deferred tax liabilities concerning the same entities.

- ## Change in deferred taxes

In thousands of euros	Deferred tax assets	Deferred tax liabilities	Net deferred taxes
Opening	**9,483**	**22,033**	**(12,550)**
Expenses/ Income	(95)	1,280	(1,375)
Change in scope	(1,805)	(668)	(1,137)
Effect on reserves	563	2,358	(1,795)
Translation differences	(6)	-	(6)
Closing	**8,140**	**25,003**	**(16,863)**

- **Use of losses**

	12/31/2008	New losses generated	Impact of change in rate	Other	12/31/2009
Deferred taxes capitalisable as losses	27,276	90	-	(601)	26,765
Deferred tax assets recognized	**27,276**	**90**	**-**	**(601)**	**26,765**

- **Tax assets not recognized**

In thousands of euros	12/31/2009	12/31/2008
Unlimited	(25,438)	(21,311)
Total	**(25,438)**	**(21,311)**

32. Earnings per share

Description	12/31/2009	12/31/2008
P/L owed to shareholders in the Company (in € K)	(20,765)	(244,454)
Weighted average number of shares outstanding (in thousands)	39,853	39,747
Basic earnings per share (in euros)	**(0.52)**	**(6.15)**
P/L owed to shareholders in the Company (in € K)	(20,765)	(244,454)
Number of shares outstanding as of 12/31/2009	39,895	39,747
Adjustments related to stock warrants		4,415
Convertible bonds	-	11,538
Adjustments related to free shares awarded	2,071	562
Number of shares on a diluted basis	41,966	56,262
Diluted earnings per share (in euros)	**(0.49)**	**(4.33)**

Stock warrants not yet exercised as well as convertible bonds were not included in the dilution calculations owing to an exercise price much higher than the current THEOLIA price.

33. Related parties

- **Transactions with associated companies**

Transactions with associated companies concern operations with companies in which the Group exerts notable influence and which are accounted for by the equity method.

Transactions with associated companies are conducted based on the market price.

- **Transactions between the Group and directors**

These include transactions conducted during the financial year with the FC Holding Company, of which Mr. Willi Balz was a member of the THEOLIA Board of Directors until October 20, 2009 (when his resignation was accepted), as summarized in the table below:

In thousands of euros	12/31/2009	12/31/2008
Operating income	42,177	70
Operating expenses	(457)	(5,477)
	41,720	**(5 407)**

In thousands of euros	12/31/2009	12/31/2008
Operating receivables	2,601	2,154
Operating debts	(1,164)	(1,887)
	1,437	**267**

The operating income generated with the FC Holding Company, or €42,177 K, was earned in the normal course of disposing of wind farms in Germany, and this occurred prior to the appointment by the June 11, 2009 Shareholders' Meeting of Mr. Willi Balz as a member of the THEOLIA SA Board of Directors.

Mr. Marc Van't Noordende had, prior to his appointment as administrator, a service contract under which Longview Management Services offered transitional managerial services to the order of € 195 K for the 2008 financial year and € 275 K for the 2009 financial year. This contract ended on April 30, 2009.

Mr. George Hersbach, administrator of THEOLIA, signed a consultancy provision contract under which the company Heartstream Corporate Finance B.V. offered consultancy services as part of the transfer by the Group of a wind farm in Germany. The conditions for remuneration are as follows: success premium of 1.25 % of the value of the farm transferred. This contract ends on July 1, 2010 and did not have any effects in 2009.

- **Transactions between the Group and subsidiary directors**

Mr. François Bouffard, Mr. Arnaud Guyot and Mr. Cedric de Saint Jouan occupied the posts of Deputy Chief Executive Officers and transferred on September 8, 2009 the company rights held on the companies CEBDP, CECAN, CELHV, CEHAB and CESOU held by VOL-V for € 478 K to THEOLIA France SAS, as well as the company rights within Ventura SA to THEOLIA France SAS for € 3349 K.

The Group also granted a co-surety on September 16, 2009 until January 31, 2012 to guarantee the amounts due to VOL-V for an amount of € 966 K.

- **Executive compensation**

The compensation of executives with a technical function within the Company is broken down below.

In thousands of euros	12/31/2009	12/31/2008
Salaries and bonuses	581	572
Share-based payments	676	5,237
Executives' fees		
Directors' fees	400	261
Other compensation	280	1,223
	1,937	**7,293**

The compensation due under the antitrust clauses by the Group with its previous executives amount to 18 months of the fixed gross pay for one and 12 months' fixed gross pay for the other; however, these compensations are not due to directors in the event of serious error or failings. The contracts made with these directors also state that the company has the right to extend the duration of the antitrust obligation for an additional period of six months for one and 12 months for the other, provided that a request is made prior to expiry of the first year, the Group in this case having to pay to the director an additional antitrust compensation of an amount equal to six months of their gross fixed pay.

Given the conditions under which the Group directors departed from their roles, the Group does not intend to pay them an additional remuneration as the variable portion or under the antitrust clause for the 2009 financial year.

The item "salaries and premiums" includes the variable portion of the remunerations of the former company executives (dismissed on February 9, 2010). Pursuant to the prudence principle, the Group has however set aside amounts of € 151 K in these financial statements.

The amount of directors' fees paid to the members of the THEOLIA Board of Directors amounted to €400 K (€261 K in 2008).

For the year 2009, the Group booked a charge (note 20) for share-based payments of €676 K for free shares for the corporate officers of THEOLIA SA.

The other compensation includes compensation paid to the Managing Director in connection with the transition management.

34. Commitments, contingent assets and liabilities

1. Commitments given

As part of its normal business activities, the Group generally sets up a subsidiary in each country where it has a presence. When the Group develops a wind project in a country, the corresponding subsidiary constitutes a SSP to hold the assets and liabilities specific to the project. This subsidiary is the main debtor in financing the project. These receiving structures can be direct Company subsidiaries in some jurisdictions, or indirect subsidiaries via intermediary holding companies.

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

However, as a holding company of the Group, the Company may be obliged by its lenders, suppliers and clients to contribute loans, liquidities or other types of support to its direct and indirect subsidiaries in the form of guarantees and other commitments. When a subsidiary is not consolidated in the consolidated IFRS financial statements of the Group, these loans, liquidities or other types of support to deal with market risk do not appear in the consolidated balance sheet of the Group.

These off-balance sheet commitments comprise the following:

- letters of credit to ensure working capital funds for subsidiaries;
- guarantees for wind farm suppliers;
- subsidiary finance guarantees for the development of wind projects;
- guarantees on repayment obligations of the purchase price to clients; and
- other commitments.

Further, in some cases, non-consolidated entities may also contribute to the Group loans, liquidities or other types of support to deal with market risks which also constitute off-balance sheet commitments.

Commitments undertaken by the Company or other Group companies

The table below gives a synthesis of the current off-balance sheet commitments within the Company as at December 31, 2009.

Type of contract	Subsidiaries involved	Beneficiary	Purpose	Duration/ Term	Amount (in millions of euros)
Guarantee	THEOLIA Naturenergien GmbH (formerly Natenco GmbH)	Südwestbank	Initial guarantee of a maximum amount of 7.5 million euros under the credit line guarantee for an amount of 10 million euros to finance the working capital requirement of THEOLIA Naturenergien GmbH.	1 year renewable	7.5
Guarantee	THEOLIA Naturenergien GmbH	Vorarlberger Bank	Initial guarantee of a maximum amount of 7.5 million euros under the credit line guarantee for an amount of 10 million euros to finance the working capital requirement of THEOLIA	1 year renewable	7.5

Type of contract	Subsidiaries involved	Beneficiary	Purpose	Duration/ Term	Amount (in millions of euros)
			Naturenergien GmbH.		
Letter of comfort	THEOLIA Deutschland		THEOLIA awarded a letter of comfort to the banks of this company		2.0
Joint guarantee	Aero-Chetto Srl	Vesta Italia Srl	Joint guarantee awarded on September 24, 2008 guaranteeing the obligations undertaken by the subsidiaries of Maestrale Green Energy, Aero-Chetto Srl, under the terms of a sales contract of 35 wind farms on August 8, 2008	31 December 2011	36.4
Joint guarantee	CESAM CEFF	Credit establishments	Signature of two different commitments of joint guarantees with the ROYAL BANK OF SCOTLAND for SAS SEGLIEN and SAS CEFF ;		17.2
Pledge on SSP securities	SSPs	Credit establishments	Some Group companies – about which more is included at note 34 of the Annex to the consolidated financial statements for the 2009 financial year – may be led to grant guarantees as part of the financing for wind farms and projects by financial establishments or for the dismantling of wind farms (1)	Variable depending on the term of the loan granted	74.7
Pledge on SSP securities	CED	BMCI	Pledging of CED securities to BMCI on June 9, 2008 following the acquisition of CED in Morocco on January 6, 2008 and as part of the refinancing of the CED debt by BMCI.	March 15, 2012	5.9
Pledge on opened accounts	THEOLIA Naturenergien GmbH	Banking establishments	Pledging with different banking establishments of a certain number of accounts open in their books with a view to guaranteeing the costs which may be revealed when dismantling some German	Variable	7.9

Type of contract	Subsidiaries involved	Beneficiary	Purpose	Duration/ Term	Amount (in millions of euros)
			farms.		
Lease contract for the head office	THEOLIA SA	LA HALTE DE SAINT PONS SAS	Contractual commitment of January 28, 2008 to lease the premises of the company headquarters for 9 years (as of March 1, 2008) with no possibility of early termination.	February 28, 2016	4.4
Joint guarantee	ECOVAL 30	SOCIETE GENERALE	Joint guarantee on the loan signed on June 27, 2005 by Ecoval 30 with Société Générale which matures on June 14, 2012. Under the terms of this guarantee, the latter remains in principle in place in the event that Ecoval 30 is transferred by THEOLIA to a third party.	June 14, 2012	2
Guarantee	ECOVAL Technology	BFCC	Guarantee awarded in 2005 for an overall maximum amount of 140,000 euros. This guarantee is now blocked to the tune of 111,086 euros due to the dispute with the purification plant and drinking water station in Cabries.	N/A	0.1
Guarantee	Ventura SA	Vol-V	Group joint guarantee on amounts owed by Ventura SA and THEOLIA France SAS to VOL-V	January 31, 2012	1
Guarantee	THEOLIA SA	ALCOLOCK France	Guarantee commitment given to buyer of breathalyser business.	1 year from date of transfer	0.1
Total					[166.7]

Guarantees to finance wind farms:

The companies in the group have to grant guarantees in connection with the financing of wind farms by financial institutions or for the dismantling of windmills.

These guarantees are pledges of the stock of the companies owning the wind projects for the duration of the long-term loan. The table below shows the assets pledged by the Group at December 31, 2009.

Country	Entities	Capital assets	Intangible assets	Property, plant & equipment
France	SNC Plateau	798	-	-
	CESA	30	-	-
	Royal Mind	2,492	-	-
	CEFF	61	-	-
	CESAM	680	-	-
	THEOWATT	40	-	-
	CEPLO	184	-	-
	CESAL	645	-	-
	CEMDF	56	-	-
	CORSEOL	1,908	-	-
		6,892	**-**	**-**
Morocco	CED	45,385	-	-
Italy	Aerochetto	530	-	-
Germany	THEOLIA WP WERBIG GMBH & CO. KG	2,606	-	-
	BUSMAN WIND GMBH (LADBERGEN I)	548	-	-
	UPEG WINDPARK GMBH (LADBERGEN II)	554	-	-
	UPEG WINDPARK GMBH (LADBERGEN III)	555	-	-
	ASLEBEN	15,075	-	-
			-	**-**
	SAERBECK	[illegible]		
TOTAL AT 12/31/2009		**74,704**	**-**	**-**

In addition to the asset pledges to the banks summarized in the table above, the master agreements with the banks call for a joint commitment by THEOLIA, THEOLIA France and Theowatt to provide the SSP [semi-private companies], through capital contributions and/or loans from shareholders, the sums corresponding to the percentage of wind farm construction costs agreed upon with the banks. Likewise, under those agreements, THEOLIA, THEOLIA France and Theowatt are jointly and severally liable for covering, through new capital contributions and/or loans from shareholders, any and all overruns in the construction budget validated with the banks.

These commitments concern following project support (SSP) companies:

1. Centrale Éolienne des Plos ("CEPLO"),

2. Centrale Éolienne du Moulin de Froidure ("CEMDF"),

3. Centrale Éolienne de Sallen ("CESAL"),

Lastly, the master agreements with the banks contain a joint guarantee by THEOLIA regarding the repayment of any amounts owed in connection with bridge loans granted by the banks to the SSP for the purpose of financing the VAT related to the construction of the Wind Farms.

Dismantling of wind farms

The decision to no longer keep the wind farms in operation until the term of the electricity sale contract releases the Group from any dismantling commitment *vis à vis* the lessors.

2. Commitments received

Lastly, on December 24, 2008, THEOLIA SA announced the sale of its entire stake (4,716,480 shares) in Thenergo to Hestiun Limited for 15 million euros. The Company retains the option to buy back those shares if it wishes at the agreed upon price of 110 percent of the sale prices in under twelve months (option not exercised) and 120 percent of that same price in under twelve additional months.

35. List of Group Companies

Companies % interest		% control	Methods of consolidation	Country	Activity
SA THEOLIA	100.00%	100.00%	Full consolidation	Parent	Holding
THEOLIA DEUTSCHLAND GMBH	100.00%	100.00%	Full consolidation	Germany	Corporate
THEOLIA DEUTSCHLAND VERWALTUNGS GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
THEOLIA WINDPARK WERBIG GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
DRITTE BUSMANN WIND GmbH & Co. BETRIEBS KG (LADBERGEN I)	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
ZWANZIGSTE (20) UPEG GmbH & Co. KG (LADBERGEN II)	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
NEUNZEHNTE (19) UPEG GmbH & Co. KG (LADBERGEN III)	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
ECOVAL TECHNOLOGY SAS	100.00%	100.00%	Full consolidation	France	Non-wind activities
SERES ENVIRONNEMENT	100.00%	100.00%	Full consolidation	France	Non-wind activities
THERBIO	99.99%	99.99%	Full consolidation	France	Non-wind activities
ECOVAL 30 SA	97.66%	97.67%	Full consolidation	France	Non-wind activities
NEMEAU SAS	99.99%	100.00%	Full consolidation	France	Non-wind activities
CENT EOL DE FRUGES LA PALETTE	99.94%	99.94%	Full consolidation	France	Development Construction Sale
WP SAERBECK GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
CENT EOL AQUEDUC	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE SORBIERE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
THEOLIA FRANCE	100.00%	100.00%	Full consolidation	France	Corporate
THEOLIA PARTICIPATIONS	100.00%	100.00%	Full consolidation	France	Corporate
CS2M	100.00%	100.00%	Full consolidation	France	Non-wind activities
SAEE	100.00%	100.00%	Full consolidation	France	Non-wind activities
SAPE	100.00%	100.00%	Full consolidation	France	Non-wind activities
ROYAL WIND	100.00%	100.00%	Full consolidation	France	Corporate
CEFF	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DE SEGLIEN	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DES PLOS	100.00%	100.00%	Full consolidation	France	Sale of electricity

CENT EOL DU MOULIN DE FROIDURE	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DES SABLONS	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DE SALLEN	100.00%	100.00%	Full consolidation	France	Sale of electricity
CENT EOL DES COSTIERES	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DES GARGOUILLES	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE CROIX BOUDETS	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DU MAGREMONT	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE LA VALLEE DE LA TRIE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
THEOLIA IBERICA	100.00%	100.00%	Full consolidation	Spain	Corporate
ASSET ELECTRICA	50.00%	50.00%	Equity Method	Spain	Development Construction Sale
PESA	100.00%	100.00%	Full consolidation	Spain	Development Construction Sale
NATENCO HOLDING Gmbh	100.00%	100.00%	Full consolidation	Germany	Development Construction Sale

Companies	% interest	% control	Methods of consolidation	Country	Activity
NATENCO GMBH	100.00%	100.00%	Full consolidation	Germany	Development Construction Sale
CORSEOL SA	95.20%	95.20%	Full consolidation	France	Sale of electricity
LES 4E	100.00%	100.00%	Full consolidation	France	Development Construction Sale
AIOLIKI ENERGEIA CHALKIDIKI AEBE	100.00%	100.00%	Full consolidation	Greece	Development Construction Sale
THEOLIA BRAZIL	100.00%	100.00%	Full consolidation	Brazil	Development Construction Sale
WP WOLGAST INVESTITIONS GmbH & Co. OHG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
NATENCO WP VERWALTUNG GMBH	100.00%	100.00%	Full consolidation	Germany	Corporate
WP BETRIEBS GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
SOLARKRAFTWERK MERZIG Gmbh & Co. KG	100.00%	100.00%	Full consolidation	Germany	Non-wind activities
WP TUCHEN RECKENTHIN INVESTITIONS GMBH & CO KG	100.00%	100.00%	Full consolidation	Germany	Operation of wind farms
CENT EOL DE CANDADES	100.00%	100.00%	Full consolidation	France	Development Construction Sale
ERNEUERBARE ENERGIE ERNTE ZWEI GmbH & Co. KG	89.60%	80.00%	Full consolidation	Germany	Sale of electricity
WINDPARK RABENAU Gmbh	100.00%	100.00%	Full consolidation	Germany	Operation of wind farms
WP GROSS WARNOW GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Development Construction Sale
AIOLIKI ENERGEIA SITHONIA AEBE	80.00%	80.00%	Full consolidation	Greece	Development Construction Sale
ERNEUERBARE ENERGIE ERNTE VIER GmbH & Co. KG	48.00%	48.00%	Equity Method	Equity Method	Sale of electricity
Avalon Ltd.	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale
MGE Idea Srl	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale
THEOWATT	100.00%	100.00%	Full consolidation	France	Corporate
CENT EOLIENNE DES SOUTETS	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENTRALE EOL CHEM DE FER	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENTRALE EOL FORET BOULTACH	100.00%	100.00%	Full consolidation	France	Development Construction Sale
THEOLIA GREECE	95.00%	95.00%	Full consolidation	Greece	Development Construction Sale
THEOLIA CEE Gmbh	100.00%	100.00%	Full consolidation	Austria	Development Construction Sale
THEOLIA EMERGING MARKETS	95.23%	95.23%	Full consolidation	Morocco	Corporate
NATENCO WINDPARK 1 MANAGEMENT GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
NATENCO WINDPARK MANAGEMENT GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
FALKENWALD R.E.W. Gmbh & Co. ELF WIND-KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP ZABELSDORF GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP KRIBBE-PREMSLIN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity

WP GROSSVARGULA GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDPARK ALSLEBEN I Gmbh & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDPARK NETZBETRIEB Gmbh & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
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
Aerochetto Srl (Giunchetto 29.75 MW)	90.00%	90.00%	Full consolidation	Italy	Development Construction Sale
MPH 1 SA (Giuggianello 28 MW)	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale
THEOLIA MAROC	95.23%	95.23%	Full consolidation	Morocco	Development Construction Sale
THEOLIA POLSKA	99.90%	99.90%	Full consolidation	Poland	Development Construction Sale

Companies	% control	% interest	Methods of consolidation	Country	Activity
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
WINDENERGIE COESFELD-LETTE GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Development Construction Sale
WINDWIN GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDWIN VERWALTUNGS GmbH	100.00%	100.00%	Full consolidation	Germany	Corporate
CENT EOL DE COUME (CECOU)	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE MOTTENBERG	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE DAINVILLE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENT EOL DE DEMANGE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
WINDREAM ONE	100.00%	100.00%	Full consolidation	France	Non-wind activities
WiWi WINDKRAFT GmbH & Co. WiWo KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
CED	100.00%	100.00%	Full consolidation	Morocco	Sale of electricity
Belmonte Green Energy Srl	90.00%	90.00%	Full consolidation	Italy	Development Construction Sale
SNC LES EOLIENNES DU PLATEAU	100.00%	100.00%	Full consolidation	France	Sale of electricity
SNC BIESLES	100.00%	100.00%	Full consolidation	France	Development Construction Sale
SNC DAINVILLE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
SNC DEMANGE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
SNC LES PINS	100.00%	100.00%	Full consolidation	France	Development Construction Sale
SNC SAINT BLIN	100.00%	100.00%	Full consolidation	France	Development Construction Sale
SNC L'ARDECHE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
THEOLIA SITAC WIND POWER PVT LIMITED (INDIA)	50.00%	50.00%	Equity Method	India	Development Construction Sale
Mendicino Green Energy Srl	90.00%	90.00%	Full consolidation	Italy	Development Construction Sale
WP Kreuzbuche Gmbh & Co.KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
SERES MAGHREB	100.00%	100.00%	Full consolidation	France	Non-wind activities

SERES CHINA	50.00%	50.00%	Equity Method	France	Non-wind activities
SAS TEMPO HOLDING	100.00%	100.00%	Full consolidation	France	Corporate
CEBRE	100.00%	100.00%	Full consolidation	France	Development Construction Sale
THEOLIA WIND POWER PVT (INDIA) ME	50.00%	50.00%	Equity Method	Equity Method	Development Construction Sale
NATURSTROMNETZ Gmbh ME	43.81%	43.81%	Equity Method	Germany	Sale of electricity

Companies removed from the scope of consolidation

Companies	% interest	% control	Methods of consolidation	Country	Activity
THEOLIA CANADA	99,98%	99,98%	Full consolidation	Other countries	Non-wind activities
BIOCARB	96,73%	96,73%	Full consolidation	Other countries	Non-wind activities
THEOLIA PERMIERES NATIONS INC	99,98%	100,00%	Full consolidation	Other countries	Non-wind activites
CENT EOL DU GRAND CAMP	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOL DU PLATEAU DE RONCHOIS	100,00%	100,00%	Full consolidation	France	Development Construction Sale
CENT EOL DE CHASSE MAREE	100,00%	100,00%	Full consolidation	France	Development Construction Sale
NATENCO SRO	100,00%	100,00%	Full consolidation	Other coutnries	Development Construction Sale
SNC NATENCO SAS	100,00%	100,00%	Full consolidation	France	Development Construction Sale
WP HECKELBERG-BREYDIN GmbH & Co. KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
THEOLIA HUNGARIA	100,00%	100,00%	Full consolidation	Other countries	Development Construction Sale
WINDFARM MARKISCH LINDEN GmbH & Co. KG	100,00%	100,00%	Full consolidation	Germany	Operation of wnd farms
SNC LES EOLIENNES DE BEL AIR	100,00%	100,00%	Full consolidation	France	Sale of electricity
CE CHERMISEY	100,00%	100,00%	Full consolidation	France	Developmentt ConstructionSale
CE BEAUDIGNECOURT	100,00%	100,00%	Full consolidation	France	Development Construction Sale
SNC LE CHARMOIS	100,00%	100,00%	Full consolidation	France	Development ConstructionSale
WP Stolzenhain Gmbh & Co. KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WP Schenkendoebern Gmbh & Co. KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
ATTILA Management GmbH	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WP NETPHEN GmbH & Co.KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WP GOTTBERG GmbH & Co.KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WF HAMM GmbH & Co.KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WF HOXBERG GmbH & Co.KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WF IDESHEIM GmbH & Co.KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WF ILLERICH GmbH & Co.KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WF LEOPOLDSHOEHE GmbH & Co.KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WF NEUKIRCHEN-VLUYN GmbH & Co.KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WF OSTBEVERN GmbH & Co.KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WF FRANKENHEIM GmbH & Co.KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WF SCHOENHOEHE GmbH & Co.KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WF VERDEN GmbH & Co.KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WF WEIMAR GmbH & Co. KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
WF WILLICH GmbH & Co.KG	100,00%	100,00%	Full consolidation	Germany	Sale of electricity
ATTILA HOLDING 1 Gmbh	100,00%	100,00%	Full consolidation	Germany	Sale of electricity

Companies added to the scope of consolidation

Companies	% interest	% control	Methods of consolidation	Country	Activity
GARBINO EOLICA SRL	100.00%	100.00%	Full consolidation	Italy	Development Construction Sale
SNC VESAIGNES	100.00%	100.00%	Full consolidation	France	Sale of electricity
WP WALTROP GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP KLEIN STEIMKE GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WINDKRAFTANLANGE NEUSTADT 5 GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
ATTILA HOLDING GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WF MEERBUSCH GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP KEFENFROD GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
WP WOPPENROTH GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
CWP GmbH	100.00%	100.00%	Full consolidation	Germany	Sale of electricity
COLONNE D ERCOLE SRL	52.00%	100.00%	Full consolidation	Italy	Development Construction Sale
WP KRUSEMARK GmbH & Co. KG	100.00%	100.00%	Full consolidation	Germany	Development Construction Sale
CENTRALE EOLIENNE LES HAUTS VAUDOIS	100.00%	100.00%	Full consolidation	France	Development Construction Sale
CENTRALE EOLIENNE DE CHAMIN PIERRE	100.00%	100.00%	Full consolidation	France	Development Construction Sale

Business combinations

Companies	% interest	% control	Methods of consolidation	Country	Activity
VENTURA	100.00%	100.00%	Full consoldiation	France	Development Construction Sale
NATENCO SAS	100.00%	100.00%	Full consoldiation	France	Development Construction Sale
WINDPERLE GmbH & Co. KG	100.00%	100.00%	Full consoldiation	Germany	Wind farm operation
WINDPARK VERDEN 1 GmbH & Co. KG	100.00%	100.00%	Full consoldiation	Germany	Wind farm operation
WINDPARK VERDEN 2	100.00%	100.00%	Full consoldiation	Germany	Wind farm

Companies	% interest	% control	Methods of consolidation	Country	Activity
GmbH & Co. KG					operation
WINDPARK MINDEN GmbH & Co. KG	100.00%	100.00%	Full consoldiation	Germany	Wind farm operation
NATENCO WINDPARK BETEILIGUNGS GmbH	100.00%	100.00%	Full consoldiation	Germany	Corporate
NATENCO WINPARK ALSLEBEN BETEILIGUNGS GmbH (Krusemark)	100.00%	100.00%	Full consoldiation	Germany	Sale of electricity
WP NIENBERGE GmbH & Co. KG	100.00%	100.00%	Full consoldiation	Germany	Wind farm operation
THEOLIA SOUTH AMERICA	100.00%	100.00%	Full consoldiation	Other countries	Development Construction Sale

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED ACCOUNTS AS OF DECEMBER 31, 2009

Coexcom	**Deloitte & Associés**
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THEOLIA

Société Anonyme

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BP 80199

13795 Aix-en-Provence Cedex 3

Statutory Auditors' report

on the consolidated financial statements

Year ended December 31, 2009

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report also includes information relating to the specific verification of information given in the management report. This report should be read in conjunction *with, and is construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

In accordance with our appointment as statutory auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2009 on:

- the audit of the accompanying consolidated financial statements of THEOLIA;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements, based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2009 and of the results of its operations for the year then ended in accordance with IFRSs as adopted in the European Union.

Without qualifying the above opinion, we would draw your attention to:

- The uncertainty bearing on the company's existence as a going concern, as mentioned in Note 2.1 "General accounting principles - Going-concern convention" to the consolidated financial statements,

- Note 2.1 "General accounting principles – Standards, amendments and interpretations apply from January 1, 2009 – Change in accounting policies" to the consolidated financial statements, which set out change in accounting policies resulting from the application, from January 1, 2009, of new standards, amendments and interpretations,

- Note 5 "Highlights of the period – Disposal of non-wind energy assets and interests" to the consolidated financial statements, which refers to the reversal of the provision for the Hestiun Ltd receivable following its full payment during the period.

II. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*Code de Commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- As mentioned in the first part of this report, Note 2.1 “General accounting principles – Going concern convention” of the Notes to the consolidated financial statements discloses the uncertainty bearing on the existence of the company as a going concern. We have examined the actions contemplated by the company in the circumstances.

In our opinion, on the basis of our work and the information we have obtained to date and as part of our assessment of the accounting policies implemented by your company, the Note to the consolidated financial statements provides information relevant to the position of the company in respect of the uncertainty bearing on its existence as a going concern.

- As indicated in Note 2.5 “Intangible assets” of the Notes to the consolidated financial statements, the Group recognizes as intangible assets the development costs of the various wind power station projects meeting the requirements of IFRSs as adopted in the European Union. We have examined the activity and profitability forecasts on which the appropriateness of this recognition method is based, the method used for determining their amortization and recoverable amount, and have verified that Note 2.5 discloses appropriate information.

- At each year-end, the Group systematically tests its goodwill and assets with an indefinite life for impairment and also determines whether there is an indication of long-lived asset impairment loss, under the methods described in Note 2.8 “Impairment loss” of the Notes to the consolidated financial statements. We have examined the methods implemented in this impairment test, and the cash flow forecasts and assumptions used, and have verified that Note 2.8 discloses appropriate information.

- At each year-end, the Group systematically reviews the deferred tax asset recoverable amount and also determines whether or not it is probable that sufficient taxable profit will be available to enable it to utilize the benefit of these assets, under the method described in Note 3.2 “Deferred taxes” of the Notes to the consolidated financial statements. On the basis of the information made available to us, our work consisted in assessing the data and assumptions on which the income forecasts are based and we have verified that Note 3.2 to the consolidated financial statements discloses appropriate information.

These assessments were made as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of our unqualified opinion in the first part of this report.

III. Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group management report. We have no matters to report regarding its fair presentation and consistency with the consolidated financial statements.

Marseille, April 20, 2010

The Statutory Auditors

Coexcom	Deloitte & Associés
French original signed by	French original signed by
Frédéric DUCHEMIN	**Anne-Marie MARTINI**

ANNUAL ACCOUNTS AS OF DECEMBER 31, 2009

Balance Sheet

Income Statement

Cash Flow Statement

Notes

BALANCE SHEET - ASSETS

French standards (in € thousands)	Notes	Gross	Amortization Provisions	Net as of 12/31/2009	Net as of 12/31/2008
Fixed assets					
Intangible fixed assets	**4.1**				
Concessions, patents and similar rights		682	174	508	540
Other intangible fixed assets		3,832	3,832		
Property, plant & equipment	**4.2**				
Buildings		513	87	427	482
Other property, plant & equipment		590	312	278	414
Financial assets	**4.3**				
Equity interests		309,020	82,953	226,067	186,018
Receivables from equity interests		197,032	39,463	157,569	167,520
Loans		44,819	13,359	31,459	43,165
Other financial assets		391	45	346	364
Total		**556,878**	**140,225**	**416,654**	**398,504**
Current assets					
Inventories	**4.4**				
Goods & merchandise		20,110	3,119	16,991	16,991
Receivables	**4.5/4.6**				
Trade and other receivables		20,473	1,834	18,639	12,521
Receivables from suppliers		62		62	390
Prepayments on orders		4,042		4,042	12
Personnel		8		8	11
Gov. Income taxes		104		104	209
Gov. Taxes on sales		4,772		4,772	4,813
Other receivables		2,495	308	2,187	879
Other					
Investment securities	4.8	22,693		22,693	14,940
Cash and cash equivalents	4.8	7,461		7,461	4,054
Prepaid expenses	4.6	575		575	551
Total		**82,796**	**5,261**	**77,535**	**55,370**
Expenses to be attributed to several periods	4.9	3,790		3,790	4,737
Loan redemption premiums	4.9	(7,038)		(7,038)	(3,777)
Positive translation differential					101
TOTAL ASSETS		**636,426**	**145,485**	**490,940**	**454,935**

LIABILITIES AND SHAREHOLDERS' EQUITY

French standards (in € thousands)	Notes	Net as of 12/31/2009	Net as of 12/31/2008
Shareholders' equity			
Share capital		39,895	39,747
Issuance premiums		314,823	314,971
Retained earnings		(166,143)	(3,132)
Profit (loss) for the period		36,668	(163,011)
Regulated provisions		1,006	531
Net position		**226,249**	**189,107**
Contingency reserves	**4.12**	**704**	**1, 338**
Liabilities			
Convertible bond loans	4.13	244,800	240,000
• Overdrafts, bank loans	4.13	3	5,256
• Group and associates		7,726	600
Accounts payable	4.15	4,736	12,807
Taxes, incl. payroll taxes	4.15		
• Personnel	4.15	394	599
• Social organizations	4.15	785	504
• Gov. Income taxes			
• Gov. Taxes on sales	4.15	876	620
• Other tax liabilities	4.15	151	234
Other liabilities	4.15	4,484	3,289
Total		**264,658**	**265,248**
Negative translation differential		33	581
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**490,940**	**454,935**

INCOME STATEMENT

French standards (in € thousands)	Notes	from 1/01/09 to 12/31/2009	From 1//01/08 to 12/31/2008	Change
Income				
Production sold	5.1	6,118	7,415	(1,296)
Production stored				
Reversals from amort prov transf expenses	5.2	26,465	2,170	24,295
Other income	5.3	231	4,626	(4,395)
Total		**32,814**	**14,210**	**18,604**
Change in inventory	5.4		(20,110)	20,110
Other purchases and external expenses	5.4	5,703	37,772	(32,070)
Total		**5,703**	**17,662**	**(11,960)**
Profit/loss from materials and merchandise		**27,111**	**(3,452)**	**30,563**
Expenses				
Income and similar taxes		203	315	(112)
Salaries and wages	5.6	3,147	3,081	66
Payroll taxes	5.6	1,607	1,979	(372)
D&A and provisions		2,076	31,903	(29,826)
Other expenses		1,215	827	388
Total		**8,248**	**38,104**	**(29,857)**
INCOME FROM OPERATING ACTIVITIES		**18,863**	**-41,556**	**60,419**
Financial income		47,606	15,385	32,221
Financial expenses		47,452	140,999	(93,547)
Financial profit/loss	**5.8**	**154**	**(125,614)**	**125,768**
CURRENT INCOME		**19,017**	**(167,170)**	**186,187**
Non-recurring income		28,690	15,008	13,682
Non-recurring expenses		11,462	11,089	373
Non-recurring income	**5.9**	**17,229**	**3,919**	**13,310**
Income taxes	5.10	(422)	(240)	(182)
		,		
PROFIT/LOSS FOR THE PERIOD		**36,668**	**(163,011)**	**199,678**

Statement of cash flow

In thousands of euros	12/31/2009	12/31/2008
Net profit/loss	**36,668**	**-163,011**
Elim of amortization, depreciation and provisions	8,777	151,392
Elim of the change in taxes	-422	-240
Elim of capital gains and losses from disposals	-18,145	-5,163
Other income & expenses (incl dividends received)	1,296	2,891
Cash flow (A)	**28,174**	**-14,131**
Taxes on income paid	0	32
Effect of the change in the WCR related to the business activity (B)	-32,615	-20,186
CASH FLOW FROM OPERATING ACTIVITIES (a) = (A+B)	**-4,441**	**-34,286**
Acquisition of fixed assets	38,169	-56,822
Sales of fixed assets	25	556
Change in loans	-21,711	-63,672
NET CASH FLOW ALLOCATED TO INVESTMENTS (b)	**16,484**	**-119,938**
Capital increase	0	1,589
Borrowings	4,470	0
Interest paid	-100	-5,788
NET CASH FLOW ALLOCATED TO FINANCING (c)	**4,370**	**-4,200**
Effect of changes in exchange rates		
CHANGE IN CASH AND CASH EQUIVALENTS (d) = (a)+(b)+(c)	**16,413**	**-158,424**
Net cash and cash equivalents at start of period	13,738	172,162
Net cash and cash equivalents at close of period	30,151	13,738
CHANGE IN CASH AND CASH EQUIVALENTS	**16,413**	**-158,424**

CHANGE IN SHAREHOLDERS' EQUITY

French standards (in € thousands)	Capital	Premiums	Profit/loss	Retained earnings	Provisions	Total share-holders' equity
POSITION AS OF 12/31/2007	**38,682**	**314,448**	**(1,151)**	**(1,980)**	**37**	**350,035**
Capital increase	658	1,028				1,686
Free shares	408	(408)				-
Capital increase costs charged		(98)				(98)
Derogatory depreciation					494	494
Appropriation of earnings			1,151	(1,151)		-
Profit/loss for the period			(163,011)			(163,011)
POSITION AS OF 12/31/2008	**39,747**	**314,971**	**(163,011)**	**(3,132)**	**531**	**189,107**
Capital increase						-
Free shares	148	(148)				-
Derogatory depreciation					474	474
Appropriation of earnings			163,011	(163,011)		-
Profit/loss for the period			36,668			36,668
POSITION AS OF 12/31/2009	**39,895**	**314,823**	**36,668**	**(166,143)**	**1,006**	**226,249**

Contents

Notes to the balance sheet before the 12/31/2009 payout totaling €490,940 and to the income statement for the period, presented in list form, showing a profit of €36,668.

The financial year, starting on 01/01/2009 and ending on 12/31/2009, covers a period of 12 months.

The notes appearing below are an integral part of the annual financial statements.

The accounts were closed by the company's Board of Directors on April 20, 2010.

1. ACCOUNTING RULES AND METHODS

The annual parent company statements were prepared in accordance with French accounting principles (Regulation 99-03 CRC). The general accounting agreements were applied as dictated by the principle of caution, in accordance with the following basic principles:

- **Permanence of accounting methods from one financial year to the next**
- **Independence of financial years**
- **Historic cost**
- **Continuity of operations**

At the end of 2008, in an economic downturn that led to an accounting loss of 163 million euros, the Company had prepared its 2009 budget on a self-financing basis and had planned a program to sell assets designed to obtain the resources necessary to meet its obligations when due.

During the year, the asset disposal plan was implemented as planned.

In addition, independently of that, a new strategy was put in place by the Company effective in September 2009 leading the Company to no longer be a producer of electricity but a wind farm developer and operator.

It should be noted that the Company is currently undertaking a restructuring of its convertible bond and, as of the closing date of these accounts, this restructuring is subject to a capital increase of at least 45 million euros before the end of August 2010. Based on its previsonal elements and business forecasts and its base assumption of the implementation of the capital increase with irrevocable underwriting as described above, the Company believes it is in a position to ensure the continuity of operations over twelve months and has concluded in this context that it was appropriate to apply the principle of continuity of operations for the preparation of its annual financial statements.

However, should the capital increase not be carried out for this minimum amount, or within the scheduled deadlines, then the bond restructuring will not be completed and on January 1, 2012 the bondholders would be able to claim the early reimbursement of the OCEANE convertible bond for an amount of €253 million.

Furthermore, the Company believes that failure to restructure the bond would increase the risk of not obtaining financing for the wind projects now under development, or of termination of the other short-term bank loans. Assuming the Company does not complete its Restructuring before July 31, 2010 and/or the ad hoc agent is still in place beyond that date, the banks financing projects in certain Group subsidiaries would be able to claim the early reimbursement of their loans representing approximately €63,9 million as of December 31, 2009. In that case, the Company may not be able to liquidate its assets and pay its debts in the normal course of business. The failure to restructure the convertible bond could oblige the Company to consider a safeguard procedure such as is foreseen in French law and lead to a significant destruction of value. None of the adjustments that may prove necessary in this case has been recorded in the financial statements.

Therefore the Company believes it is in a position to close its accounts on the basis of the principle of business continuity.

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).

Softwares are depreciated over a period of 12 months.

Brands are not amortized.

The Company has no research & development activity.

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 derogatory amortization over 5 years.

The current value of equity shares is determined as follows:

- Listed shares: the net asset value based on the market price as of December 31, 2009.
- Unlisted shares: the value is determined using different approaches including the discounted cash flow method (DCF).

When the current value is less than the net book value, impairment is recognized in the amount of the difference.

Equity shares, treasury shares and investment securities are valued in accordance with 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, impairment is recorded.

1.5. Receivables

Receivables are valued at the nominal value. An impairment is recorded when the recovery value is less than the net book value.

1.6. Money market funds

The money market funds, recorded at their purchase price, are valued at the end of the year at their likely resale value (market price).

1.7. Stock purchase warrants

Stock purchase warrants allowing access to capital are accounted at their attribution based on the strike price.

1.8. OCEANEs (convertible bonds)

The expenses related to the issucance of the convertible bond are amortized under the straight line method (7 years). In addition, the bonds have a premium in the case of non-conversion. This premùium is calculated and accounted under the straight line method for the duration of the loan.

1.9. Recognition of revenue

The Company's revenue is mainly composed of services rendered in the activity of the Group of which it is the parent company.

2. HIGHLIGHTS OF THE PERIOD

- **Change in scope**

The principal operations related to equity interests involved the following:

- Purchase of the THEOLIA Emerging Markets shares held by Mr. Jean-Marie Santander for €1 million in January 2009, raising our interest from 47.62% to 95.24%.
- Payment of a price supplement of €11.8 million for the shares in Maestrale Green Energy of which we own 100% of the equity capital. This price supplement was acquired by the Italian developer after obtaining building permits for the Pergola and Bovino wind projects.
- Acquisition of shares of the Brazilian and Indian subsidiary from THEOLIA Naturenergien GmbH (formerly Natenco GmbH) at par value for €4 million and €0.3 million as part of the reorganization of THEOLIA's organization chart. As a result of these operations, THEOLIA SA now owns 100% of THEOLIA BRAZIL, and its stake in THEOLIA Wind Power PVT (India) has risen from 36% to 50%.
- Purchase of minority shares from the Ventura Company for €3.3 million, and then the sale of the Ventura shares to THEOLIA France for €28 million, with a capital gain of €20 million.
- Sale of the shares in the Biocarb Company for one symbolic euro, accompanied by the discontinuation of the current account of €1.5 million. The value of that company's shares, which totaled €1.8 million, was fully funded as of 12/31/2008.

- **Amount owed following the disposal of Thenergo received**

A provision for operating risks of €15 million was set up on December 31, 2008, because of uncertainty regarding payment. This matter was resolved favorably for THEOLIA SA, which finally received this sum and recognized a reversal of the €15 million operating provisions. This had a positive effect on the Company's income n 2009.

- **Reservation of turbines**

At the end of the prior year, a prepayment on turbines reserved in the amount of 10 million euros was recorded. This prepayment was associated with a project that was discontinued. This entire prepayment was funded in 2008.

Following talks with that same turbine manufacturer, the 10 million euros prepaid will be used on one of the Company's future wind projects. The impairment previously booked was fully reversed.

Furthermore, the amount of that prepayment was reduced from 10 to 4 million euros.

- **Draft agreement for an OCEANE restructuring and debt reduction plan**

Starting in June 2009, anticipating problems redeeming the 240 million euro bond loan on January 1, 2012, in the event of a request for early redemption of the entire loan, the THEOLIA Management requested as a preventive measure that an ad hoc agent be appointed. His mission was mainly to assist THEOLIA in negotiations with its bondholders to restructure its bond debt, working with the financial and legal advisers chosen by the Group.

On December 29, 2009, THEOLIA disclosed that it had signed agreements with its main bondholders, representing 65.5% of the nominal amount of the issue, aimed at renegotiating the terms and making any necessary changes to the OCEANEs issuance contract.

The restructuring of the convertible bond is subject to the completion of a capital increase in a maximum amount of 100 million euros, which will make it possible to bolster THEOLIA's shareholders' equity, help it to reduce its debt more quickly and give it the financial resources to resume the development of its project pipeline at a more suitable pace.

An independent financial expert was appointed by the Board of Directors to give an opinion on the fairness of the operations proposed. He presented his preliminary analyses to the Board on December 21, 2009.

Implementing this restructuring plan should ensure both the continuity of the Company's operations beyond 2011 and the pursuit of the new strategy.

The restructuring plan was submitted for approval by the bond-holders in a general meeting on February 18 and in an Extraordinary Shareholders' Meeting on March 19, 2010.

The fees incurred during 2009 under the financial restructuring plan were offset as deferred expenses. Part of these expenses will be charged to the issue premium at the time of the capital increase resulting from the restructuring of the OCEANE convertible bond.

- **Composition of the Management**

At the beginning of April 2009, the Board of Directors decided to renew for an indefinite period the tenure as Chief Executive Officer of THEOLIA of Marc Van't Noordende. Mr. Van't Noordende had been acting Chief Executive of THEOLIA since September 29, 2008.

The Board of Directors also appointed corporate officer Olivier Dubois as CFO of the Group effective May 1, 2009.

3. POST-CLOSING EVENTS

- **Purchase of shares in Ecolutions**

On January 20, 2010, THEOLIA bought the equity shares in the German company, Ecolutions GmbH, owned by our subsidiary THEOLIA Emerging Markets (TEM).

The selling price was paid by offsetting with the shareholder loan of €25 million granted by THEOLIA to TEM in late 2007. Given TEM's financial position, on January 20, 2010, THEOLIA lost the amount owed to it of €2,710 K in interest on the €25 million loan with no effect on the 2010 income statement, as it was fully depreciated as of 12/31/2009.

The loan to TEM has the been the subject of an additional provision of €10,649 K as of December 31, 2009 to reflect the recovery value of the asset (shares of Ecolutions GmbH) in January 2010 as counterparty to this loan.

- **Change in the governance of THEOLIA**

At the February 9, 2010 meeting of the Board of Directors, Eric Peugeot, Chairman of the Board of Directors, was appointed Chief Executive Officer of THEOLIA.

In this position, he replaces Marc van't Noordende, who took over the position in September 2008 and initiated the Company's first growth phase.

Two Deputy Directors were appointed: Jean–François Azam, who took over the Operations Division, and François Rivière, in charge of Finance.

The Board of Directors claimed that it is now imperative to accelerate the implementation of the financial restructuring plan so that the Company can finance its growth and get ready for this new phase.

- **Approval of the restructuring of the OCEANEs**

At the Ordinary and Extraordinary Shareholders' meeting of March 19, 2010, the THEOLIA shareholders approved by a very large majority the financial restructuring of the bond.

The meeting thus authorized the change in the terms of the issuance contract for the OCEANEs as approved by the general meeting of the OCEANE holders on February 18, 2010, as well as the authority granted to the Board of Directors to decide on a capital increase reserved for shareholders.

Although approved by both general meetings, the financial restructuring of the convertible bond still remains subject to the completion of a capital increase of minimum €45 million.

4. ANALYSIS OF THE PRINCIPAL BALANCE SHEET ITEMS

4.1. Intangible assets (*in € thousands)*

	Values at start of period 1/01/09	Increases	Decreases	Values at end of period 12/31//09
Gross intangible assets				
Software	674	8	-	682
Other intangible assets	3,832	-	-	3,832
Total gross values	**4,505**	**8**	**-**	**4,513**
D&A/impairment of intangible assets				
Software	134	40	-	174
Other intangible assets	3,832	-	-	3,832
Total value D&A	**3,966**	**40**	**-**	**4,005**
Net intangible assets				
Software	540	(32)	-	508
Other intangible assets	0	-	-	0
Total net values	**540**	**(32)**	**-**	**508**

4.2. Property, plant & equipment *(in € thousands)*

	Values at start of period 1/01/09	Increases	Decreases	Values at end of period12/31/09
Gross property, plant & equipment				
Fixtures/land belonging to others	512	2	-	513
Other property, plant & equipment	622	8	41	589
Total gross values	**1,134**	**10**	**41**	**1,103**
D&A/Impairments on property, plant & equipment				
Fixtures/land belonging to others	30	57	-	87
Other property, plant & equipment	208	131	27	312
Total amortized value	**237**	**188**	**27**	**398**
Net property, plant & equipment				
Fixtures/land belonging to others	482	(55)	-	427
Other property, plant & equipment	414	(123)	14	278
Total net values	**896**	**(178)**	**14**	**704**

Property, plant and equipment refer mainly to the office fixtures in service in the first quarter of 2008, and to furnishings and computer hardware.

4.3. Financial assets *(in € thousands)*

	Values at start of period 1/01/2009	Acquisitions	Disposals	Values at end of period 12/31/2009
Gross financial assets				
Equity interests	284,615	34,641	10,235	309,020
Receivables from equity interests	200,259	211,091	214,318	197,032
Loans	43,165	2,248	594	44,819
Other financial assets	384	8	1	391
Total gross values	**528,423**	**247,988**	**225,149**	**551,262**

Acquisition of equity interests

During the year, the Company made the following acquisitions for a total amount of ant total de €34,641 K:

- Purchase of the TEM shares owned by Jean Marie Santander ......………….. €1,008 K
- Purchase of the THEOLIA Windpower shares held by the subsidiary THEOLIA Naturenergien Gmbh (formerly Natenco GmbH).. €318 K

The equity interest is thus raised to 50%

- Increase of THEOLIA France shares by incorporation of loan .... €14,200 K
 ....
- Purchase of the THEOLIA Brazil shares held by its German subsidiary.......... €4,000K
- Price supplement related to the acquisition of Italian developer Maestrale ..... €11,766 K
- Acquisition of the minority share of Ventura .... €3,349 K

Disposal of equity interests

In 2009, THEOLIA sold the interests below for €10,235 K:

- Biocarb

The shares recorded for €1,757 K were fully funded in 2008, and the loans from the subsidiary specializing in the manufacture of biofuels were sold in April for the symbolic price of one euro.

- Ventura

In the last quarter of 2009, THEOLIA bought the minority shares of its subsidiary Ventura for €3,349 K, and then, as part of the restructuring of the France wind division, it sold all its equity interests in its subsidiary THEOLIA France at the price of €28,334 K. The net book value of the shares was €8,478 K.

Breakdown of impairment on financial assets

	Values at start of period 1/01/2009	Allocations	Reversals	Values at end of period 12/31/2009
Impairment of financial assets				
Equity interests	98,596	13,922	29,565	82,953
Receivables from equity interests	32,739	9,173	2,449	39,463
Loans		13,359		13,359
Other financial assets	20	45	20	45
Total amortized value	**131,355**	**36,500**	**32,034**	**135,821**

Breakdown of net financial asset values

	Values at start of period 1/01/2009	Acquisitions	Disposals	Impairment	Values at end of the period 12/31/2009
Net financial assets					
Equity interests	186,018	34,641	10,235	(15,643)	226,067
Receivables from equity interests	167,520	211,091	214,318	6,724	157,569
Loans	43,165	2,248	594	13,359	31,459
Other financial assets	364	8	1	26	346
Total net values	**397,068**	**247,988**	**225,149**	**4,466**	**415,441**

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 5.8.

Breakdown by due date

12/31/2009	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Receivables from equity interests			157,569	157,569
Shareholder loans			31,459	31,359
Other financial assets	253	92		346
Total receivables from financial assets	**253**	**92**	**189,028**	**189,374**

12/31/2008	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Receivables from equity interests			167,520	167,520
Loans to personnel				-
Shareholder loans			43 ,65	43,165
Other financial assets	278	86		364

Total receivables from financial assets	**278**	**86**	**210,685**	**211,049**

The detail of the depreciation of equity interests at the close can be found in note 9 of the Appendix

Year-end breakdown of impairment on receivables from equity interests

	Receivables from equity interests	Loans	Impairment
WINDREAM ONE	728		728
CECOS	269		269
CEMAG	834		834
CETRI	792		792
CECBO	375		375
THEOLIA PARTICIPATION	10,297		10,297
THEOLIA IBERICA	7,458		7,458
SERES	4,138		4,138
THERBIO	6,893		6,893
ECOVAL 30	3,297		3,297
NEMEAU	181		181
ECOVAL TECHNOLOGY	3,729		3,729
THEOLIA GREECE	239		239
THEOLIA CEE	37		37
TEM		13,359	13,359
LEPLA	197		197
TOTAL	39,464	13,359	**52,823**

Breakdown of net receivables from equity interests (advances to direct or indirect subsidiaries)

	Net values at year end 12/31/2009
Receivables from equity interests	
THEOLIA FRANCE RECEIVABLES	64,477
NATENCO HOLDING RECEIVABLES	29,444
MAESTRALE GIUNCHETTO RECEIVABLES	26,477
MAESTRALE RECEIVABLES	23,311
THEOLIA BRAZIL RECEIVABLES	2,038
WINDPOWER INDIA RECEIVABLES	2,000
CEMAG RECEIVABLES	1,772
THEOLIA IBERICA RECEIVABLES	1,500
THEOLIA PARTICIPATIONS	1,440
OTHER SUBSIDIARIES' RECEIVABLES	5,109
TOTAL	**157,569**

Treasury shares

The shares held by the Company in the context of its liquidity contract with an investment services provider are classified as intangible assets and recorded at their acquisition cost and then valued at each close of the market.

At the end of January 2009, a new investment services provider was assigned to handle the THEOLIA stock. Under the liquidity contract, ODDO has initiated buy and sell orders on THEOLIA stock during the year.

At the end of the year, the company owns 94,436 of its own shares as of the December 31, 2009 trading date, and 87,037 of its own shares on the settlement date of December 31, 2009 (accounting date).

The amount appearing on the balance sheet is €299 K, which is an average price per share of €3.43 for a share price as of December 31, 2009, of €2.91.

4.4. Inventories

	12/31/2009
Turbines	20,110
Impairment	(3,119)
NET TOTAL	**16,991**

The inventory counted at year end consisted of turbines intended for a future wind farm. This equipment was purchased in Italy in the first half of 2008.

The turbines are currently stored pending actual use. The provision for impairment of €3,119 K funded in 2008 corresponding to the estimated value of the inventory at closing was maintained.

4.5. Trade receivables

	Gross value 12/31/2009	Impairment 12/31/2009	Net value 12/31/2009	Net value 12/31/20098	Incl. value of associates as of 12/31/2009	Incl. value of associates as of 12/31/20098
Non-group trade receivables	30	-	30	106	-	-
Total non-group receivables	***30***	***-***	***30***	***106***	***-***	***-***
Group trade receivables	20,443	(1,834)	18,609	12,415	18,609	11,746
Total Group receivables	***20,443***	***(1,834)***	***18,609***	***12,415***	***18,609***	***11,746***
TOTAL	**20,473**	**(1,834)**	**18,639**	**12,521**	**18,609**	**11,746**

In compliance with the new regulatory provisions, the Company booked a receivable for late interest owed by customers of the Company.

The impairment recognized is primarily on receivables from THEOLIA subsidiaries being sold, the closing of which was approved by the Management.

4.6. Other receivables

	Gross value 12/31/2009	Impairment 12/31/2009	Net value 12/31/2009	Net value 12/31/2008	Incl. value of associates as of 12/31/2009	Incl. value of associates as of 12/31/2008
Supplier advances and installments	4,042	-	4,042	12	-	-
Receivables on asset disposals	17	-	17	-	-	
Tax receivables (excluding corp. tax)	4,876	-	4,876	5,022	-	-
Soc. security receivables	8	-	8	11	-	-
Current accounts	2,176	(8)	2,168	872	2,168	872
Receivables from suppliers and other	365	(300)	65	397	3	3,262
Prepaid expenses	575	-	575	551	-	-
Currency translation adjustment, asset	-	-	-	101	-	101
TOTAL	**12,058**	**(308)**	**11,751**	**6,966**	**2,171**	**4,236**

At closing on 12/31/2009, only the Niltech receivable (already provisioned in 2008) and a minority of current accounts for a total of €308 K appears in the item for impairment of other receivables.

The following impairments on current assets recognized at 12/31/2008 have been recognized in their entirety in fiscal 2009:

- Impairment of the Hestiun receivable provisioned following the sale of the Thenergo stake in 2008, THEOLIA collected its entire claim of €15,000 K at the beginning of May 2009.

- Reversal of the provision for the installment associated with an abandoned project.

After negotiation, the turbine supplier confirmed his decision to abandon his claim of €10,000 K resulting from the initial contract. By mutual agreement, the two parties consider the payment of €4,000 K made by THEOLIA in 2008 to be an installment on a future wind project for the group.

4.7. Receivables by maturity

12/31/2009	**Total**
Receivables from current assets	**Less than 1 year**
Trade and related receivables	18,639
Receivables from suppliers/Advances paid	62
Advances and installments paid	4,042
Personnel and related expenses	8
Govt. taxes on profits	104
Govt. sales taxes	4,772
Group & Associates	2,168
Other receivables	20
Prepaid expenses	575
TOTAL	**30,390**

The schedule of current receivables includes their net values at the closing date.

4.8. Cash and cash equivalents

	12/31/2009	12/31/2008
Marketable securities (net)	22,693	14,940
Cash and cash equivalents	7,461	4,054
TOTAL	**30,154**	**18,994**

At year end, marketable securities totaled €22,693 K. They are entirely secure investments (100% money market).

4.9. Adjustment accounts

The total costs of €6,632 K incurred during the issue of the OCEANE bond (see note 4.13 principal characteristics) are amortized using the straight line method over the duration of the bond.

Amortization of these costs recognized for fiscal 2009 was €947 K. The balance still to be amortized at year end was €3,790 K.

A non-conversion premium related to the OCEANE convertible bond in the amount of €3,261 K was recognized at 12/31/2009, raising the total amount since the issue to €7,038 K.

The fees incurred during the year for the financial restructuring plan were neutralized as prepaid expenses. These expenses will be charged against the share premium when the capital increase resulting from the restructuring of the OCEAN convertible bond issue is completed.

4.10. Share capital

	Par value (€)	Number of shares at 1/01/2009	Shares created through exercise of BSA	Free shares created after the end of the allotment period	Number of shares at 12/31/2009
Number of shares	1	39,746,992	-	148,215	39,895,207
Shares with double voting rights	1				-
Number of shares	**1**	**39,746,992**	**-**	**148,215**	**39,895,207**
Share capital		**39,746,992**	**-**	**148,215**	**39,895,207**

Including 91,579 treasury shares

The capital increases for the year result from the free shares allotted in 2007, which reached maturity in the amount of €148 K.

4.11. Stock subscription warrants (BSA)

	Total BSA
BSA not exercisable as of December 31, 2008	3,940,650
Balance as of December 31, 2008	**3,940,650**
Allotted during the year	-
Cancelled during the year	18,000
Exercised during the year	-
BALANCE AS OF DECEMBER 31, 2009	**3,922,650**

4.11.1. Details of the BSAs

The beneficiaries of the issued stock purchase warrants are mainly:

1. Directors of the Company

2. Company controlled by Mr. Georgius Hersbach, director of the Company

3. Company shareholder of Thenergo controlled by Deny Ringoot, who also works for Thenergo

4. Former Chairman and CEO of the Company

5. Former director of the Company

6. Primary shareholder of the Company

	BSA CS4 (1)	BSA CS5 (1)	BSA bis (2)	BSA DA06 (3)	BSA EP06 (1)
Subscription price	0.0001	0.0001	0.00039	0.0001	0.0001
Exercise price	4.85	4.85	3.90	15.28	15.28
Exercise deadline	1/28/2010	1/28/2010	5/02/2010	5/17/2012	5/24/2012
Parity	1.187	1.187	1.187	1	1
Balance as of 12/31/2008	**50,000**	**50,000**	**300,000**	**7,000**	**29,093**
Allotted during the period					
Exercised during the period					
Expired or non exercisable during the period					
Balance as of 12/31/2009	**50,000**	**50,000**	**300,000**	**7,000**	**29,093**

	BSA JMSPC06 (4)	BSA LF06 (1)	BSA SG06 (5)	BSA SO06 (5)	BSA EP07 (1)
Subscription price	0.0001	0.0001	0.0001	0.0001	0.0001
Exercise price	15.28	15.28	15.28	15.28	15.28
Exercise deadline	6/11/2012	5/19/2012	5/16/2012	5/19/2012	1/01/2013
Parity	1	1	1	1	1
Balance as of 12/31/2008	**64,000**	**29,093**	**31,451**	**7,000**	**29,093**
Allotted during the period					
Exercised during the period					
Expired or non exercisable during the period					
Balance as of 12/31/ 2009	**64,000**	**29,093**	**31 451**	**7,00**	**29,093**

	BSA LF07 (1)	BSA SO07 (5)	BSA SG07 (5)	BSA GF	BSA GE1 (6)
Subscription price	0.0001	0.0001	0.0001	0.0001	0.001
Exercise price	15.28	15.28	15.28	15.28	16.50
Exercise deadline	1/01/2013	1/01/2013	1/01/2013	6/28/2009	1/03/2011
Parity	1	1	1	1	1
Balance as of 12/31/2008	**29,093**	**29,093**	**31,451**	**18,000**	**1,500,000**
Allotted during the period					
Exercised during the period					
Expired or non exercisable during the period				18,000	
Balance as of 12/31/ 2009	**29,093**	**29,093**	**31,451**	**0**	**1,500,000**

	BSA GE2 (6)	BSA JMS PC 800M (4)	BSA SG08 (3)	BSA LF 08 (1)	BSA EP08 (1)
Subscription price	0.001	0.0001	0.0001	0.0001	0.0001
Exercise price	17.50	12.174	12.95	12.95	12.95
Exercise deadline	1/02/2012	12/31/2012	7/02/2013	7/02/2013	7/02/2013
Parity	1	1	1	1	1
Balance as of 12/31/2008	**1,500,000**	**80,460**	**31,451**	**29,093**	**29,093**
Allotted during the period					
Exercised during the period					
Expired or non exercisable during the period					
Balance as of 12/31/2009	**1,500,000**	**80,460**	**31,451**	**29,093**	**29,093**

	BSA SO 08 (5)	BSA PC 880 M 2008 (4)
Subscription price	0.0001	0.0001
Exercise price	12.95	15.64
Exercise deadline	7/02/2013	12/31/2012
Parity	1	1
Balance as of 12/31/2008	**29,093**	**37,093**
Allotted during the period		
Exercised during the period		
Expired or non exercisable during the period		
Balance as of 12/31/2009	**29,093**	**37,093**

4.12. Provisions

	Provision for risks	Provision for contingencies	Total
Values at opening at 1/01/2009	801	537	1,338
Increases	-	211	211
Reversals	671	175	845
Values at closing at 12/31/2009	**131**	**573**	**704**

The balance sheet item "provision for risks and contingencies" totaled €704 K and reflects the following:

The project developer Ecosun in Greece at the end of 2009 initiated a non-judicial claim against two support companies for a total of €131 K. As a result of the positive resumption of negotiations with the service provider, THEOLIA booked a reversal of a provision for risks in the amount of €569 K. This amount has not been consumed.

The initial provision recognized at 12/31/2008 was €700 K.

In addition, the balance at the opening contained a provision for a delayed currency risk of €101 K reversed over the financial year.

The dispute with the previous management of Windream One, in the amount of €354 K already booked at the end of 2008, is currently being appealed. The company believes that, despite the favorable ruling in the first court, there is still a risk and maintained this provision for prudent reasons.

The risks, which total €219 K, in large part represent different dispute proceedings in labor law initiated against the company. Three disputes resulting from the various layoffs are currently in progress.

On the other hand, the provision for contingencies related to the restructuring plan in the amount of €150 K has been completely reversed. The conclusion of the disputes estimated in 2008 resulted in no indemnification.

4.13. Borrowings and financial debt

	Convertible bond	Bank overdrafts and equivalent	Other financial liabilities	Total
Values at opening at 1/01/2009	**240,000**	**5,241**		**245,241**
Increase			4,803	4,803
Repayment		5,241		5,241
Other changes		-		-
Values at closing at 12/31/2009	**240,000**	**-**	**4,803**	**244,803**

At the end of the period, borrowings and financial debts were exclusively made up of OCEANE bonds issued in October 2007 for €240,000 K and €4,803 K in interest incurred. The interest will be paid in 2010.

The principal characterstics of the convertible bond are as follows:

- Type of financial instrument OCEANE (convertible bond)
- Number of bonds 11,538,462
- Initial issue amount €190,000 K
- Extension clause €25,000 K
- Overallocation option €25,000 K
- Duration of bond- from October 30, 2007 to January 1, 2014
- Interest rate 2,00%
- Gross actuarial return 3,25%

4.14. Borrowings and financial debt by maturity

12/31/2009	Less than 1 year	1 to 5 years	More than 5 years	Total
Convertible bonds	-	240,000	-	240,000
Other financial debt	4,803	-	-	4,803
TOTAL	**4,803**	**240,000**	**-**	**244,803**

4.15. Other liabilities

	12/31/2009	12/31/2008
Suppliers	4,736	12,807
Other	4,484	3,890
TOTAL	**9,220**	**16,697**

	12/31/2009	12/31/2008
Soc. security liabilities	1,179	1,103
Tax liabilities	1,027	854
TOTAL	**2,206**	**1,957**

The significant decrease in the item "supplier liabilities" is due primarily to the agreement struck with a wind turbine manufacturer in the amount of €6,000K (see note 4.6) plus the implementation of a plan to reduce external costs.

At the end of the period, the Company holds a foreign currency debt to its Moroccan subsidiary TEM in the amount of €1,270 K.

This debt at 12/31/2009 resulted in the recognition of a currency translation liability of €33 K.

4.16. Other liabilities by maturity

12/31/2009		Less than 1 year	Total
Trade and related payables		4,736	4,736
Soc. security and tax liabilities			
	Personnel	*394*	*394*
	Social organizations	*785*	*785*
	Govt. sales tax	*876*	*876*
	Other tax and soc. security liabilities	151	151
Other liabilities		4,484	4,484
TOTAL		**11,426**	**11,426**

4.17. 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 there were separately liable.

At the end of the year, the scope of tax consolidation represented the following companies:

- SAEE
- SAPE
- CS2M
- THEOLIA Participation
- THEOLIA France
- THERBIO
- Néméau
- Ecoval 30
- Ecoval Technology
- SERES Environnement
- Royal Wind
- CEFF
- CESAM
- CESA
- CECOS

The group's tax deficit that can be carried forward is €80,922 K.

5. ANALYSIS OF THE PRINCIPAL ITEMS ON THE INCOME STATEMENT

5.1. Revenues

Revenues generated during the 2009 period totaled €6,118 K compared with €7,415 K for the previous year. This consists of group expenses invoiced to the subsidiaries.

5.2. Transfer of expenses and reversal on operating provision

The transfers of expenses in the amount of €126 K reflect the following:

- Acquisition costs related to the purchase of 47.6% of the TEM shares €109 K
- Other.. €5 K

The significant increase in reversal of operating provisions primarily reflects:

- The disappearance of the risk on collecting the claim held on Hestiun (sale of THENERGO securities, €15,000 K);
- The renegotiation of the turbine purchase agreement, i.e. €10,000 K.

2.1.

5.3. Other income

Other income in the amount of €231 K primarily represents the re-invoicing to a subsidiary for work that was paid on its behalf.

5.4. External purchases and expenses

The implementation of the cost cutting plan announced at the end of 2008 resulted in a substantial decrease in expenses incurred with outside service providers.

The savings achieved primarily impacted the following items:

- Elimination of sponsoring agreements;
- Decrease in operations by outside service providers following internalization of the expertise.

5.5. Executive compensation

The compensation paid to corporate officers during the 2009 period amounted to €1,263 K and was distributed as follows:

	12/31/2009	12/31/2008
Gross salaries (inc. bonuses)	452	443
In-kind benefits	135	10
Fees, General administration	275	918
Directors' fees	400	239
TOTAL	**1,263**	**1,610**

The indemnities due according to the non-competition clauses concluded by the Company with former corporate officers total 18 months fixed gross remuneration for one of them and 12 months fixed gross remuneration for the other; however, the indemnities are not due to managers in the event of serious misconduct or gross negligence. The agreements concluded with these managers also provide that the Company is entitled to extend the term of the non-competition obligation by a further six months for one or twelve months for the other subject to an appropriate request being made before expiry of the first year. In this event, the Company is obliged to pay the manager an additional non-competition indemnity equal to six months fixed gross remuneration.

Considering the conditions under which the Company managers resigned from office, the Group does not intend to pay them supplementary remuneration with regard to the variable component or the non-competition clause for the 2009 financial year.

The heading “gross salaries” (including bonuses) incorporates the variable component of the remuneration of the former corporate officers (canceled on February 9, 2010). According to the precautionary principle, the Company has set aside a provision of €151 K in these accounts.

5.6. Personnel expenses

	12/31/2009	12/31/2008
Salaries	3,147	3,081
Payroll taxes	1,607	1,979
Personnel expenses	**4,754**	**5,060**
Average number of employees	*30*	*38*

The change in personnel expenses can be analyzed as follows:

- The decrease in payroll related to the restructuring plan was offset by the compensation to corporate officers which was invoiced in the form of fees in 2008.

- Social security expenses totaled €1,607 K in 2009 compared with €1,979 K in 2008. The decrease in this item primarily reflects the decrease of €300 K in the URSSAF (social charges) contribution owed on the allotment of free shares.

5.7. Employee information

At year end, the company employed 27 persons.

- Pension commitments: Because of the non-significant nature of this type of commitment, the company has not recognized any provisions for retirement indemnities.

- Individual training right: All employees have an individual right to training of 907 hours for a total of €16 K (valued on the basis of the hourly cost of the personnel, excluding payroll taxes).

5.8. Financial income and expenses

Financial income for fiscal 2009 was positive by €154 K compared with a loss of €125,614 K in 2008.

Financial expenses in 2008 included significant depreciations related to the impairment of securities and equity interests. In 2009, financial expenses recorded because of impairment declined significantly.

This benefit was also due to the increase of approximately €32,034 K in financial income, primarily reflecting a reversal of a provision for impairment of the securities of the German subsidiary THEOLIA Naturenergien GmbH (formerly Natenco GmbH) Holding offset by impairment of €40 million of financial assets including notably the provision of €10,649 on the loan granted at the end of 2007 to TEM for the purchase of shares in Ecolutions.

The details of the financial results were as follows:

Financial income

- Dividends ....€2,826 K
- Interest on advances of funds to subsidiaries..................................€9,268 K
- Interest on shareholder loans ....€2,104 K
- Income from cash investments .... €342 K
- Income from sale of treasury shares .... €146 K
- Reversals on impairment of financial assets ....€32,034 K
- Revenues on trade receivables.. €874 K
- Foreign exchange gains .... €8 K
- Other financial income.. €4 K

Financial expense

- Bond interest ....€4,800 K
- Interest on debit current account... €82 K
- Commissions and foreign exchange loss .... €3 K
- Interest on trade payables .... €173 K

- Expenses on sale of treasury shares .... €181 K
- Losses on receivables from equity interests......................................€2,448 K
- Non conversion premium on convertible bond €3,261 K
- Provisions on impairment of financial assets (1)..............................€36,504 K

(1) The provisions on impairment of financial assets are mainly:

i. Shares of CED	€8,892 K
ii. Shares of CS2M	€1,838 K
iii. Shares of TEM	€1,908 K
iv. Receivables TEM	€13,359 K
v. Receivables Seres Env.	€4,138 K
vi. Receivables Ecoval 30	€1,418 K
vii. Receivables THEOLIA Participations	€1,833 K
viii. Other	€3,118 K

5.9. Extraordinary income and expenses

Extraordinary income for the year was €17,229 K, up from €3,919 K in 2008.

Extraordinary income amounted to €28,690 K reflecting primarily the sale of the shares of Ventura €28,000 K, which generated a gain of €20,000 K.

Extraordinary expenses totaling €11,462 K primarily represent:

- Value of Ventura shares sold	€8,478 K
- Value of Biocarb shares sold	€1,757 K
- AMF fine	€300 K
- Increase in exceptional amortization	€496 K
- Other expenses	€431 K

5.10. Corporate tax

- **Expense/income**

This item can be analyzed as follows:

- Research and apprenticeship tax credit	€99 K
- Tax savings related to tax consolidation	€422 K

- **Increase/reduction in future tax liability**

	Closing base	Tax
Variance on net asset value of money market fund	1	0
Currency trans. adjustments – assets	-	-
Currency trans. adjustments – liabilities	33	11

Provisions for unrealized for. exchange losses	-	-
Provision MV Treasury Shares (Non Ded)	56	19
Non-conversion premium	7,038	2,346
Soc. security solidarity tax	1	0
Deferred expenses on OCEANE	(3,790)	(1,263)
TOTAL	**3,339**	**1,113**
Deficit to be carried forward	**80,922**	**26,971**

6. TRANSACTIONS BETWEEN THE COMPANY AND ITS DIRECTORS AND MANAGERS

- **Transactions between the Company and the directors**

Prior to his appointment as an Administrator, Mr. Marc van't Noordende was party to a services supply agreement according to which Longview Management Services provided managerial change services for a value of €195 K for the 2008 financial year and €275 K for the 2009 financial year. The agreement ended on April 30, 2009.

Mr Georgius Hersbach, a director of THEOLIA, signed a consultancy services agreement according to which Heartstream Corporate Finance B.V. provided consultancy services in the context of 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 ends on July1, 2010 and was not enforced in 2009.

- **Transactions between the Company and subsidiary leaders**

On September 8, 2009 Messrs. François Bouffard, Arnaud Guyot, and Cédric le Saulnier de Saint Jouan acting as Assistant General Managers sold shares held in the companies CEBDP, CECAN, CELHV, CEHAB and CESOU owned by VOL-V to THEOLIA France SAS for €478 k, and shares in Ventura SA to THEOLIA France SAS for €3,349 K.

In addition, the Group extended a joint guarantee from September 16, 2009 to January 31, 2012 for amounts due to VOL-V of €966 K

7. ASSOCIATES

COMPANIES	Equity interest (gross)	Receivables from equity interests (gross)	Loans	Trade receivables	Current accounts (debts)	Liabilities	Services (Income)	Other Financial Income	Other Income	Services (Expenses)	Other financial expenses
THEOLIA DEUTSCHLAND GMBH				289		103		202			
ECOVAL TECHNOLOGY SAS	40	3,794		6				225	5		
SERES ENVIRONNEMENT		4,386		4	98			35	3		1
THERBIO SA	14,634	6,897		612		7	130	399	9	6	
ECOVAL 30 SA		3,305		7				119	6		
NEMEAU SAS		181									
CENT EOL DE FRUGES LA PALETTE	37			101			30				
THEOLIA FRANCE	14,240	64,485		2,259		671	782	2,536	44		
THEOLIA PARTICIPATIONS	40	11,737		83			12	596			
CS2M	2,932	9		27	135		18	5			35
SAEE		201					18	5			
SAPE		604		27			18	18			
ROYAL WIND		815		108			33	6			
CEFT		90	1,892	131			38	4			
CENT EOL DE SE GLIEN		4	3,250	125			36				
CENT EOL DE S PLOS		326	1,549					26			
CENT EOL DU LOULIN DE FROPIDURE		17	4,274					17			
CENT EOL DES SABLONS		58	3,267					3			
CENT EOL DU GRAND CAMP								108			
CENT EOL DU PLATEAU DE RONCHOIS								351			
CENT EOL DES SALLEN		285	2,877					18			
CENT EOL DES COSTIERES		539		101			30	26			
CENT EOL DES GARGOUILIES		474		101			30	23			
CENT EOL DE CROIXBOUDETS		750		101			30	36			
CENT EOL DE CHASSE MAREE											
CENT EOL DU MAGRE MONT				101			30	125			
CENT EOL DE LA VALLEE DE LA TRIE		2,606		101			30	51			
CENT EOL DE L'AQUEDUC		1,056		101			30				
CENT EOL DE CANDADES				101			30				
CENT EOL DU CHEMIN DE FER				101			30				
CENT EOL DE COUME				101			30				
CENT EOL DE LAFORET DE BOULTACH				101			30				
CENT EOL DE DAINVILLE				101			30				
CENT EOL DE DEMANGE				101			30				
CENT EOL DE MOTTENBERG		73		101			30	2			
VENT EOL DE SORBIERE				101			30				

COMPANIES	Equity interest (gross)	Receivables from equity interests (gross)	Loans	Trade receivables	Current accounts (debts)	Liabilities	Services (Income)	Other Financial Income	Other Income	Services (Expenses)	Other financial expenses
CENT EOL DES SOUTETS				101			30				
CENT EOL DU BOIS DES PLAIN				18			15				
CENT EOL BREHAIN TIRCELET				38			32				
CENT EOL DE CHEMIN PERRE				19			16				
CENT EOL DE LA HAUTE BORNE				18			15				
CENT EOL LES HAUTS VAUDOIS				19			16				
SNC BAUDIGNECOURT											
SNC LE CHARMOIS											
SNC EOLIENNES DE BEL AIR								5			
SNC EOLIENNES DU PLATEAU								14			
SNC DEMANGE		2									
SNC DAINVILLE		2									
SNC ST BLIN		2		38			32				
SNC LES PINS				38			32				
SNC L'AEDECHE		1		38			32				
SNC VESAIGNES		2									
SNC BIESLES		2		38			32				
THEOLIA IBERICA		8,958		428			36	444			
NATENCO HOLDING GMBH	195,397	29,444		10,016			3,099	976			
NATENCO GMBH						792		1,191			
LES 4E		228		108			33	7			
NATENCO CZECH REP. IG											
THEOLIA WIND POWER PVT (INDIA)	1,118	2,000					17				
THEOLIA BRAZIL	4,000	2,030		149			19	68			
THEOWATT		808						20			
THEOLIA GREECE	57	239		267			52				
THEOLIA CEE Gmbh	1,000	36		234			19	1			
THEOLIA EMERGING MARKETS	1,908	97	27,710	310		1,237	70	18	40		
CED	45,385	1,627		334			69	35			
THENERGO ME (Sub-group)											
Maestrale Energy Srl	28,231	28,311		1241			665	726	114		
Maestrale Giunchetto		26,477						142			
Neo Annemos				878							
Aerochetto								654			
ECOLUTION				1					5		
PLATEAU		514									
TEMPO				1	7,591		142				46
WINDREAM ONE		728						35			
TOTAL	**309,020**	**199,206**	**44,819**	**19,522**	**7,824**	**2,810**	**6,008**	**9,275**	**226**	**6**	**82**

8. OFF-BALANCE SHEET COMMITMENTS

1. Commitments given

In the context of its normal activities, the Company generally establishes a subsidiary in each country where it is present. When the company develops a wind farm project in a country, the corresponding subsidiary constitutes an SSP (Project support company) owning 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 the intermediary of holdings.

However, as a Group holding, 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 energy projects;
- guarantees for obligations to refund the purchase price for the benefit of clients; 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 hereunder provides a summary of the amounts of off-balance sheet commitments of the Company as of December 31, 2009:

Type of agreement	Subsidiaries bound	Beneficiary	Subject	Duration / Term	Amount (millions of Euros)
Guarantee	THEOLIA Naturenergien GmbH (formerly Natenco GmbH)	Südwestbank	Initial guarantee for a maximum of €7.5 million for a credit line of €10 million intended to finance the working capital requirements of THEOLIA Naturenergien GmbH.	1 year renewable	7.5
Guarantee	THEOLIA Naturenergien GmbH	Vorarlberger Bank	Initial guarantee for a maximum of €7.5 million for a credit line of €10 million intended to finance the working capital requirements of THEOLIA Naturenergien GmbH.	1 year renewable	7.5

Type of agreement	Subsidiaries bound	Beneficiary	Subject	Duration / Term	Amount (millions of Euros)
Letter of comfort	THEOLIA Deutschland		THEOLIA issued a letter of comfort for the benefit of the company's banks.		2.0
Joint guarantee	Aero-Chetto Srl	Vestas Italia Srl	Joint guarantee granted on September 24, 2008 for obligations entered into by the subsidiary of Maestrale Green Energy, Aero-Chetto Srl, pursuant to the terms of a sales agreement for 35 wind turbines of 8 August 2008	December 31, 2011	36.4
Joint guarantee	CESAM CEFF	Credit institution	Subscription to two distinct commitments for joint guarantees with the ROYAL BANK OF SCOTLAND in favor of SAS SEGLIEN and SAS CEFF ;		17.2
Pledge of SSP shares	SSPs	Credit institution	Some shares in subsidiaries of THEOLIA – of which the details are shown below - may be called on to grant guarantees in the context of financing wind farms and wind energy projects by financial institutions or for the dismantling of wind turbines. (1)	Variable according to term of loan granted	74.7
Pledge of SSP shares	CED	BMCI	Pledging of CED shares to BMCI on June 9, 2008 following acquisition of CED in Morocco on January 6, 2008 and in the context of BMCI's refinancing the debt of CED	March 15, 2012	5.9
Pledge of accounts opened	THEOLIA Naturenergien GmbH	Banks	Pledging with various banks of a certain number of accounts opened n their books, with a view to guaranteeing the costs which could appear on dismantling various wind farms in Germany	Variable	7.9
Leasing 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 1 March 2008) with no premature	February 28, 2016	4.4

Type of agreement	Subsidiaries bound	Beneficiary	Subject	Duration / Term	Amount (millions of Euros)
			cancellation option. .		
Joint guarantee	ECOVAL 30	SOCIETE GENERALE	Joint guarantee for loan taken out on June 27, 2005 by Ecoval 30 with Société Générale maturing on June 14, 2012. Under the terms of the guarantee the latter remains in place in the hypothesis of disposal of Ecoval 30 to a third party by THEOLIA.	June14, 2012	2
Guarantee	ECOVAL Technology	BFCC	Guarantee granted in 2005 for an overall maximum of €140,000. This guarantee is today frozen at €111,086 in the context of a legal dispute with the Cabries waste and drinking water treatment plant.	N/A	0.1
Guarantee	Ventura SA	Vol-V	Joint guarantee by the Group for amounts due from Ventura SA and THEOLIA France SAS to VOL-V	January 31, 2012	1
Surety	THEOLIA SA	ALCOLOCK France	Commitment given as surety to the purchaser of the ethylometry business goodwill.	1 year from date of disposal	0.1
Total					**166.7**

Guarantees for wind farm financing:

Group companies are called on to grant guarantees in the context of financing 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 table hereunder presents the aforementioned pledging of assets of the Group as of 31 December 2009.

Country	Entities	Financial assets	Intangible fixed assets	Property Plant And Equipment
France	SNC Plateau	798	-	-
	CESA	30	-	-

	Royal Mind	2,492	-	-
	CEFF	61	-	-
	CESAM	680	-	-
	THEOWATT	40	-	-
	CEPLO	184	-	-
	CESAL	645	-	-
	CEMDF	56	-	-
	CORSEOL	1,908	-	-
		6,892	**-**	-
Morocco	CED	45,385	-	-
Italy	Aerochetto	530	-	-
Germany	THEOLIA WP WERBIG GMBH & CO KG	2,606	-	-
	BUSMAN WIND GMBH (LADBERGEN I)	548	-	-
	UPEG WINDPARK GMBH (LADBERGEN II)	554	-	-
	UPEG WINDPARK	555	-	-
	GMBH (LADBERGEN III)			
	ASLEBEN	15,075	-	-
	SAERBECK	2,559	-	-
		67,811	**-**	-
TOTAL ON 12/31/2009		**74,704**	**-**	**-**

In addition to the pledging of assets summarized in the table hereunder for the benefit of the banks, the framework agreements with the banks provide for a joint and several commitment with THEOLIA, THEOLIA France and Theowatt to make available to the SSPs, via capital contributions and/or shareholders' 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 SSPs:

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 reimbursement of sums due for revolving credit extended by the banks to the SSPs to finance VAT on Wind Farm construction.

2. Commitments received

Finally, on December 24, 2008, THEOLIA SA announced the sale off its entire holding (that is 4,716,480 shares) in Thenergo to the company Hestiun for €15 million. The company retains an option to buy back the shares if it wishes for an agreed price of 110 % of the sale price within 12 months (option not exercised) and 120% of the said sale price within an additional 12 months.

9. LIST OF SUBSIDIARIES AND PARTICIPATIONS

Legal form	Corporate name	% direct holding	Address	City	SIRET Code	Capital (in K€)	Reserves & ret. Earnings	Income/loss	Revenues	Value	Impairment	Book value	Amount
SCI	CS2M	100.00%	Parc de la Duranne Les Pleiades Bat F 860, Rue Rene Descartes	13795 Aix en Provence cedex3	42509 439800046	37	8	-66		2,932	2,916	16	9
SAS	THEOLIA France	100%	Parc de la Duranne Les Pleiades Bat F 860, Rue Rene Descartes	13795 Aix en Provence cedex3	4800 3982500025	14,240	-918	-10,886	5	14,240		14,240	64,485
Gmbh	Natenco Holding	100.00%	Hirschstrasse 5	72649 Wolfschlugen 13795	722378	195,395	-226	-1,067		195,397	40,092	155,306	29,444
SAS	THEOLIA PARTICIPATIONS	100.00%	860, Rue Rene Descartes	13795 Aix en Provence cedex3	48003 961 900022	40	-9,253	-1,082		40	40		11,737
SAS	Ecoval Technology	100.00%	360 Rue Louis de Brogile	13793 AIX-EN-PROVENCE CEDEX3	47991759 30028	40	-4,679	-210	17	40	40		3,794
SA	THERBIO	100.00%	360 Rue Louis de Brogile	13793 AIX-EN-PROVENCE CEDEX3	399979608 00060	6,201	-10,373	-3,020		14,634	14,634		6,897
	THEOLIA Greece	95.00%	Kolokotroni, N° 15- Ano Liissia	Athenes		60	-490	-117		57	57		239
SRL	MAESTRALE Green Energy	100.00%	Corso magenta N° 32	20123 Milano	4954090967	4,010	-1,481	-1,159		28,231		28,231	23,311
Limited	THEOLIA WIND POWER PVT India (en INR)	50.00%	1008 - 01009 Marcantile House 15 Kasturba Gandhi Marg New Delhi-110 001, India	110001 New Delhi India	U40101DL2006PTC145792	130,251 KINR	(37,309) KINR	(14,219) KINR	316,182 KINR	1,118		1,118	2,000
Gmbh	THEOLIA CEE	100,00%	C/o MM- Trust Landstrasser Hauptstrasse 143/22	1030 WIEN Austria	297793	1,00	-1,084	-105		1,000	1,000		36
SA	THEOLIA Emerging Markets (en MAD)	95.24%	231, bd. Bir Anzarane	20000 Casablanca	170 779	21,000 KMAD	(25,773) KMAD	(19,922)KMAD	3,887 KMAD	1,908	1,908		27,807
SA	Centrale eolienne de Friges la Palette	99.94%	Parc de la Duranne Les Pleiades Bat F 860, Rue Rene Descartes	13795 Aix en Provence cedex3	49 127 142 500010	37	-120	-41		37		37	
SARL	Windream One	100,00%	6, rue Porstrein BP 21014	29210 Brest cedex 1	49 3600548000 17	1	-611	-52				0	728
SA	Centrale eolienne de Detroit	100,00%	Angle Boulevard Pasteur- rue Ahmed Chawki et rue du Mexique	Tanger Maroco	13 749	181,111 KMAD	152,880 KMAD	(466) KMAD	71,960 KMAD	45,385	21,021	24,363	1,627
SA	THEOLIA Brazil	90.90	Rua Furrie I Luiz Antonio Vargas, n° 250, cj 1.002	Porto Alegre-RS Brazil	43 0524430-6	2,687 KREAL	(3,592) KREAL	(948) KREAL		4,000	1,244	2,756	2,038

STATUTORY AUDITORS' REPORT ON THE ANNUAL ACCOUNTS AS OF DECEMBER 31, 2009

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Statutory Auditors' report on the financial statements

Year ended December 31, 2009

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. This report also includes information relating to the specific verification of information given in the management report and in the documents addresses to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In accordance with our appointment as statutory auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2009 on:

- the audit of the accompanying financial statements of THEOLIA;
- the justification of our assessments,
- the specific procedures and disclosures required by law.

The financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company, as of December 31, 2009, and the results of its operations for the year then ended in accordance with French accounting regulation.

Without qualifying the above opinion, we would draw your attention to:

- The uncertainty bearing on the company's existence as a going concern, as mentioned in Note 1 "Accounting Policies and Methods - Going-concern convention" to the financial statements,

- Note 2 "Highlights of the period – Receipt of receivable following Thenergo disposal" to the financial statements, which refers to the reversal of the provision for the Hestiun Ltd receivable following its full payment during the period.

II. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*Code de Commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- As mentioned in the first part of this report, Note 1 "Accounting Policies and Methods – Going concern convention" of the Notes of financial statements discloses the uncertainty bearing on the existence of the company as a going concerns. We have examined the actions contemplated by the company in these circumstances.

In our opinion, on the basis of our work and the information we have obtained to date and as part of our assessment of the accounting policies implemented by your company, the Note to the financial statement provides information relevant to the position of the company in respect of the uncertainty bearing on its existence as a going concern.

- Note 1.3 “Long-term investments” to the financial statements sets out the accounting policies relating to the non-consolidated investment valuation method. As part of our assessment of the accounting policies implemented by your Company, we have verified the appropriateness of the above-mentioned accounting treatment and the information disclosed in the Notes to the financial statements.

These assessments were made as part of our audit approach for the financial statements taken as a whole and contributed to the expression of our unqualified opinion in the first part of this report.

III. Specific procedures and disclosures

We have also performed, according to the professional standards applicable in France, the specific verifications required by law.

We have no matters to report regarding the fair presentation and consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the Shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L. 225-102-1 of the French Commercial Code (*Code de Commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

Pursuant to the law, we have verified that the report of the Board of Directors contains the appropriate disclosures as to the acquisition of participating and controlling interests and as to the identity of Shareholders (percentage of voting rights).

Marseille, April 20, 2010

The Statutory Auditors

Coexcom

French original signed by

Frédéric DUCHEMIN

Deloitte & Associés

French original signed by

Anne-Marie MARTINI