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**Statutory auditors' special report on regulated  
agreements and commitments**

Shareholders' meeting held to approve the financial  
statements for the year ended December 31, 2010

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## **Statutory auditors' special report on regulated agreements and commitments**

### **Shareholders' meeting held to approve the financial statements for the year ended December 31, 2010**

*This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.*

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby present to you our report on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements and commitments, if any.

It is your responsibility, pursuant to Article R.225-31 of the French Commercial Code (*Code de commerce*), to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R.225-31 of the French Commercial Code relating to the implementation during the past year of agreements and commitments previously approved by the Shareholders' Meeting, if any.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux comptes*) relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

## **AGREEMENTS AND COMMITMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING**

### **Agreements and commitments authorized during the year**

Pursuant to Article R.225-40 of the French Commercial Code, we have been informed of the following agreements and commitments, previously approved by your Board of Directors:

#### **1. Exceptional assignment contract dated 7 May 2010 entrusted to Mr. Fady Khallouf**

**Person concerned:** Mr. Fady Khallouf, Director of your Company

**Purpose:** On 15 April 2010, Mr. Fady Khallouf conducted an exceptional assignment for the Board of Directors. The purpose of which was to provide specific assistance to the Chairman and Chief Executive Officer, in particular, in connection with strategic projects, acquisition opportunities, disposals and financial operations, analyses and proposals aiming to improve the Company's profitability in terms of its operations and development and reduce risk factors and its risk exposure.

Mr. Fady Khallouf carried out his exceptional assignment for the Company until 20 May 2010, date on which the Board of Directors decided to end it.

**Terms and conditions:** In consideration of this assignment, the Company paid Mr. Fady Khallouf a total gross amount of €40,296, i.e., €37,169 net of CSG (general social security contributions) and CRDS (contributions for the repayment of social debt).

This agreement was authorised by the Board of Directors on 15 April 2010.

#### **2. Non-compete indemnity, supplementary pension and unemployment insurance scheme for the Chief Executive Officer**

**Person concerned:** Mr. Fady Khallouf, member of the Board and Chief Executive Officer

**Purpose:** Mr. Fady Khallouf benefits from the mandatory supplementary pension schemes and health and disability insurance set up within the Company for employees, i.e., MEDERIC and B2V-CIRICA (supplementary pension) and ALLIANZ (health and disability), unemployment insurance subscribed to by the Group with no attached performance conditions, as well as the

indemnity owed under the non-compete clause.

**Terms and conditions:** The indemnity owned under the non-compete clause between the Company and Mr. Fady Khallouf amounts to 24 months of gross remuneration (fixed and variable). This indemnity shall be repaid by Mr. Fady Khallouf should a court of law render a final and non-appealable decision stating that he has committed gross negligence.

This agreement was authorised by the Board of Directors on 15 June 2010.

### **3. Commitment to subscribe to the share capital increase on 18 June 2010**

**Person concerned:** Mr. Michel Meeus, member of the Board and shareholder holding 3.32% of the Company's share capital (as of date of the commitment).

**Purpose:** Commitment to subscribe to the share capital increase that will take place before 31 August 2010 as part of the financial restructuring of the Company.

**Terms and conditions:** Subscription to 3,656,912 new shares of the Company, with a nominal value of €1 each.

This commitment, authorised by the Board of Directors on 15 June 2010, was performed on 7 July 2010.

## **AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING**

### **Agreements and commitments approved during in prior years**

#### *a) which remained in force during the year*

Pursuant to Article R.225-30 of the French Commercial Code, we have been informed that the following agreements and commitments, previously approved by Shareholders' Meetings of prior years, have remained in force during the year.

#### **1. Exceptional assignment contracts entrusted to Messrs. Philippe Leroy, Jean-Pierre Mattei and Philippe Dominati**

In 2010, Messrs Philippe Leroy, Jean-Pierre Mattei and Philippe Dominati conducted exceptional assignments for your Company and received exceptional indemnities as part of the financial restructuring plan. This agreement was authorised by your Board of Directors on 19 March 2010.

These three directors collectively received a total indemnity of €280,000 for their work up until the Combined Shareholders' Meeting of 19 March 2010 and shall receive an additional total indemnity of €150,000 for the period from 19 March 2010 to 31 August 2010, paid and split as follows:

- Philippe Leroy received €170,000, i.e., €156,808 net of CSG (general social security contributions) and CRDS (contributions for the repayment of social debt).
- Messrs. Jean-Pierre Mattei and Philippe Dominati each received €130,000, i.e., €119,912 net of CSG and CRDS.

#### **2. Non-compete indemnity, supplementary pension and unemployment insurance scheme for the Deputy Chief Executive Officers**

Messrs. Jean-François Azam (Deputy Chief Executive Officer in charge of Operations from 9 February to 23 July 2010) and François Rivière (Deputy Chief Financial Officer from 9 February to 26 July 2010) benefit from the mandatory supplementary pension schemes and health and disability insurance set up within the Company for employees, i.e., MEDERIC (supplementary pension) and IPECA and AGF (healthy and disability insurance), unemployment insurance subscribed to by the Group with no attached performance conditions, as well as the indemnity owed under the non-compete clause.

The indemnity owned under the non-compete clause between the Company and Jean-François Azam amounts to (i) 24 months of gross fixed remuneration if his duties are terminated before 1 April 2011, (ii) 18 months if his duties are terminated between 2 April 2011 and 1 April 2012

and (iii) 12 months if his duties are terminated subsequently. This indemnity shall be repaid by Jean-François Azam should a court of law render a final and non-appealable decision stating that he has committed gross negligence. On 23 July 2010, Mr. Jean-François Azam resigned from his position as Deputy Chief Executive Officer in charge of Operations. No indemnity was paid under the non-compete clause since he had entered into a new employment contract (Industrial Director).

The indemnity owed under the non-compete clause between the Company and François Rivière amounts to 18 months of remuneration. This indemnity shall be repaid by François Rivière should a court of law render a final and non-appealable decision stating that he has committed gross negligence. On 26 July 2010, Mr. François Rivière resigned from his position as Deputy Chief Financial Officer. An indemnity equal to 4 months of fixed gross remuneration, or €96,667 was paid to him pursuant to the non-compete clause.

### **3. Provision of services agreement between Theolia SA and Hearstream Corporate Finance B.V. dated 22 September 2009 and amendment to this agreement dated 7 May 2010**

Advice and assistance in connection with the sale of the Alsleben (Germany) wind farm as from 1 July 2009, for a period of 12 months, renewable once, and in consideration for a success fee of 1.25% of the enterprise value used for the transaction. The amount of fees paid in 2010 to Hearstream Corporate Finance B.V. pursuant to this agreement amounts to €900,000. An advance payment of €150,000 was paid on 12 May 2010 and the balance of €750,000 was paid on 27 May 2010.

This agreement was terminated on 1 July 2010.

### **4. Centralised cash management agreement**

A centralised inter-company cash management agreement was signed on 6 February 2007 between the various companies of the Theolia Group. Pursuant to this agreement, Theolia SA is responsible for coordinating and centralising all of the group's cash requirements and surpluses. This agreement is currently being performed.

Interest income in respect of 2010 totals €8,669,602.

### **5. Shareholders' loans**

Pursuant to the wind farms financing agreement, Theolia SA granted several shareholders' loans to its subsidiaries as follows:

- A loan to CEMDF (CENTRALE EOLIENNE DU MOULIN DE FROIDURE) for an amount at the year-end of €4,487,642, capitalising interest at a rate of 5%. Interest in 2010 totalled €213,704.
- A loan to CEPLO (CENTRALE EOLIENNE DES PLOS) for an amount at the year-end of €1,626,160, capitalising interest at a rate of 5%. Interest in 2010 totalled €77,439.
- A loan to CESAM (CENTRALE EOLIENNE SEGLIEN AR TRI MILIN) for an amount at the year-end of €3,412,116, capitalising interest at a rate of 5%. Interest in 2010 totalled €162,487.
- A loan to CEFF (CENTRALE EOLIENNE DE FONDS DE FRESNE) for an amount at the year-end of €1,977,576, capitalising interest at a rate of 5%. Interest in 2010 totalled €85,162.
- A loan to CESA (CENTRALE EOLIENNE DES SABLONS) for an amount at the year-end of €3,430,210, capitalising interest at a rate of 5%. Interest in 2010 totalled €163,348.
- A loan to CESAL (CENTRALE EOLIENNE DE SALLEN) for an amount at the year-end of €3,021,162, capitalising interest at a rate of 5%. Interest in 2010 totalled €143,870.

#### **6. Acquisition by Theolia SA of the shares held by Theolia Emerging Markets in Ecolutions GmbH & Co.KGaA on 20 January 2010**

Acquisition by Theolia SA from Theolia Emerging Markets of the interest (10,000,000 shares equivalent to 35.21% of the share capital) held in Ecolutions GmbH & Co.KGaA.

This agreement was performed on 20 January 2010. The acquisition price was settled by offset against a shareholder's loan in the nominal amount of €25 million granted by Theolia to Theolia Emerging Markets at the 2007 year-end and provided in the amount of €10.65 million as at 31 December 2009, to take account of the recoverable value of the assets transferred (Ecolutions GmbH & Co.KGaA shares) in January 2010 in consideration of this loan.

#### **7. Loan to Theolia Emerging Markets**

As part of the financing of the acquisition of 35% of the share capital of the German company Ecolutions GmbH & Co.KGaA, in 2007, Theolia SA granted to its subsidiary Theolia Emerging Markets a loan in the nominal amount of €25,000,000 the balance of which totals €27,709,862 at the 31 December year-end after capitalisation of interest at 5%.

As part of the acquisition by Theolia SA of the shares held by Theolia Emerging Markets in Ecolutions GmbH & Co.KGaA on 20 January 2010, Theolia SA waived, as of this same date, its debt in the amount of €2,709,862 arising from the interest on the €25,000,000 loan with no impact on financial year 2010 since it was fully written off as at 31 December 2009, in addition to the provision of M€ 10.65 which was also recorded on the €25 million loan.

***b) not performed during the year***

In addition, we have been informed of the following agreements and commitments, previously approved by Shareholders' Meetings of prior years, which were not performed during the year.

**1. Surety in favour of Crédit Industriel d'Alsace**

On 10 August 2007, Theolia SA granted a surety in the amount of €250,000 for an open period guaranteeing the repayment of the negative balances on the current accounts of its subsidiary Natenco SAS (which was substituted by Theolia France SAS following the transfer to this company of the net assets of Natenco SAS) in favour of Crédit Industriel d'Alsace-Lorraine.

This surety is still in place.

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**2. Debtors agreement**

Agreement entered into by the bank RBS and the companies Royal Wind, CEFF (CENTRALE EOLIENNE DE FONDS DE FRESNE), CESAM (CENTRALE EOLIENNE SEGLIEN AR TRI MILIN), Theolia France (after absorption of Ventura SA), Vol-V and Theolia SA to enable the financing of the construction of the Theolia Group wind farms.

This agreement is still in place.

**3. Tax group agreement**

Pursuant to the terms of this agreement, Theolia SA is solely liable for the income tax payable in respect of the taxable profits of the tax group. This agreement was entered into for a period of 5 years commencing 1 July 2005, between Theolia SA and its French subsidiaries.

This agreement was replaced, as of 1 January 2010, by new tax group agreements dated 28 April 2010 and 19 May 2010. These new agreements fall within the scope of Article L. 225-39 of the French Commercial Code.

**4. Surety agreement dated 15 October 2009 granted by Theolia SA on behalf of Theolia France SAS to Vol-V**

Pursuant to the surety agreement, Theolia SA agrees to act as guarantor for the amounts owed by Theolia France SAS (and Ventura SA before its absorption by Theolia France SAS) to Vol-V and Vol-V SAS pursuant to the accompanying agreement entered into between the parties on 16 September 2009 on the one hand, and the acquisition agreement for the rights held in several programme support "SSP" companies (20% of CEBDP, CECAN, CECHP, CELHV, CEHAB



and CESOU) entered into on 8 September 2009, on the other hand, for an amount of €966,083 and for a period which shall expire on 31 January 2012 at the latest.

This surety agreement was terminated at the end of January 2011 upon settlement by Theolia France SAS of the balance of the amounts due.

#### **5. Non-compete indemnity of the Chief Executive Officer**

The indemnities owed under the non-compete clause entered into between the Company and Mr. Marc van't Noordende (Chief Executive Officer from 29 September 2008 to 9 February 2010 and a member of the Company's Board of Directors) amount to 18 months of gross fixed remuneration (including the expat bonus). These indemnities will not however be due in the event of gross negligence or serious misconduct. The contracts entered into with this senior executive also provide that the Company shall be entitled to extend the duration of the non-compete obligation by an additional six-month period, provided that the latter makes such request before the expiry of the first year. In such case, the Company would be obliged to pay to this senior executive an additional non-compete indemnity equal to six-months of his gross fixed remuneration (including the expat bonus). The Company did not pay him any indemnity under the non-compete clause following the signature of a settlement agreement on 11 March 2011.

#### **6. Non-compete indemnity of the Deputy Chief Financial Officer**

The indemnities owed under the non-compete clause entered into between the Company and Mr. Olivier Dubois (Deputy Chief Financial Officer from 1 May 2009 to 9 February 2010), amount to 12 months of gross fixed remuneration. These indemnities will not however be due in the event of gross negligence or serious misconduct. The contracts entered into with this senior executive also provide that the Company shall be entitled to extend the duration of the non-compete obligation by an additional 12-month period, provided that the latter makes such request before the expiry of the first year. In such case, the Company would be obliged to pay to this senior executive an additional non-compete indemnity equal to six-months of his gross fixed remuneration. The Company did not pay him any indemnity under the non-compete clause following the signature of a settlement agreement on 11 March 2011.

Paris and Marseille, 25 May 2011

The Statutory Auditors

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