2012

Registration Document

The English version of this report is a free translation from the original which was prepared in French.

All possible care has been taken to ensure that the translation is an accurate presentation of the original. However, in matters of interpretation, views or opinion expressed in the original French version of the document take precedence over the translation.

AUTORITÉ DES MARCHÉS FINANCIERS

This Registration Document has been filed with the French Financial Markets Authority (AMF) on April 29, 2013, pursuant to Article 212-13 of the General Regulations. It cannot be used to support any financial transaction, unless completed by a securities note registered by the French Financial Markets Authority (AMF). This Document is established by the issuer and engages the liability of its signatories.

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1 Presentation of the Group

1.1 CORPORATE PROFILE

The THEOLIA Group is an independent producer of electricity from onshore wind power. Evolving in a booming industry, the Group develops, builds and operates wind farms for its own account and on behalf of third parties.

During fiscal year 2012, THEOLIA built and commissioned two wind farms: a 10 MW wind farm in Italy for own account and a 15 MW wind farm in France, built for THEOLIA Utilities Investment Company, representing a net capacity of 6 MW for the Group.

At December 31, 2012, the Group operated 939 megawatts ("MW"), of which 307 MW were for its own account and 632 MW on behalf of third parties. These wind farms are located in four countries: France, Germany, Morocco and Italy. The Group's installed capacity broke down as follows at December 31, 2012:

	MW operated for own account (1)	MW operated for third parties	Total
France	87	135	222
Germany	145	497	642
Morocco	50	-	50
Italy	25	-	25
TOTAL	307	632	939

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

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

At December 31, 2012, the Group's portfolio of wind projects totaled 731 MW, of which 160 MW of projects having obtained a building permit. This portfolio does not include wind projects that are in the prospecting phase or projects under litigation.

On January 31, 2013, THEOLIA took control of a company holding 337 MW for its own account, of which 311 MW are located in Germany and 26 MW are located in France (see Section 4.7.1 hereof). This company will be consolidated as from fiscal year 2013.

The Group is also involved in non-wind activities (see Section 1.2.2 hereof), which include a solar business that makes up a very small part of its portfolio, as well as various activities in its environment division, which is currently being sold off.

1.2 ACTIVITIES

1.2.1 Onshore wind activities

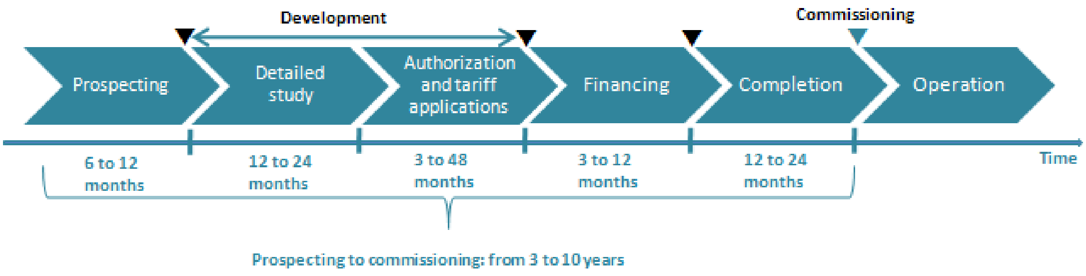
THEOLIA is an independent player in the wind energy sector. The market for wind energy is particularly dynamic and offers significant prospects for growth. The Group is convinced that wind provides an excellent source of renewable energy that contributes to the energy mix worldwide and to the independence of the country developing it. It offers many advantages including the main ones below:

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

In total, among all renewable energies, onshore wind energy's cost price is the closest to the electricity market price.

1.2.1.1 Operational expertise

The Group's expertise consists of developing, building and operating wind farms. The Group is present over the entire value chain of the development of a wind project. It takes a long time (from 3 to 10 years on average) and numerous steps to commission a wind project.



Prospecting

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

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

Development

Development includes 2 phases:

- conducing detailed studies;
- investigating and obtaining approvals.

<u>Detailed studies</u>

- The impact study

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

- Assessing the wind resource

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

- Site analysis

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

- Engineering studies

Engineering studies cover access to the site, locating the turbines, soil studies, determining access roads and crane pads, the possibilities for electrical hookups, the internal electric wind turbine network, etc.

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

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

Investigation and approval time

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

Financing

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

Performance

The performance phase begins with the turbine order. The final leases are also signed with owners and farmers.

Calls for tenders to perform the technical work and detailed operating studies are then made. Construction of the wind farm may then begin. Construction starts from 5 to 8 months before the turbines arrive onsite in order to create access roads, crane pads, foundations and the internal electric wind turbine network. Construction will last a total of 1 to 2 years.

Operation

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

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

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

The operating life of a wind turbine is from 20 to 25 years. When this time is up, either new wind turbines are brought in to operate the site, or production is halted and the wind farm is dismantled.

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

1.2.1.2 *Details on wind activities*

The Group operates three businesses within the wind energy sector:

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

Sales of electricity for own account

The Group develops, builds and operates wind farms for its own account. Hence, it recognizes as revenue the proceeds from the sales of electricity produced by wind farms held for its own account. At December 31, 2012, THEOLIA operated 307 MW for its own account, located in 4 countries: France, Germany, Italy and Morocco. The table below shows the breakdown of the net installed capacity by country:

(MW)	Installed capacity held for own account [1]
France	87
Germany	145
Italy	25
Morocco	50
TOTAL	307

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

Financing the wind farms held for own account is ensured by a combination of equity capital from THEOLIA and bank loans in the form of project financing without recourse or with limited recourse against the parent company (see Section 4.1.3.2 hereof), except in case of guarantees, sureties or other off-balance sheet commitments described in Section 5.1.6, note 29 hereof.

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

On January 31, 2013, THEOLIA took control of a company holding 337 MW for its own account, of which 311 MW are located in Germany and 26 MW are located in France (see Section 4.7.1 hereof). This company will be consolidated as from fiscal year 2013.

Development, construction, sale

In 2011, THEOLIA created its investment vehicle, THEOLIA Utilities Investment Company (“TUIC”). This vehicle, created in partnership with two utilities, IWB in Switzerland and Badenova in Germany, aims at investing in wind projects and farms in France, Germany and Italy. THEOLIA is the sole provider of wind farms and projects to TUIC.

When THEOLIA sells a wind project to TUIC, it performs construction and operation for TUIC. Fees received for these services for TUIC are registered as revenue for the Development, construction, sale activity. However, it should be noted that in compliance with IFRS standards, wind farms and projects sold to TUIC are not registered as revenue as THEOLIA keeps joint control (40%) over wind projects and farms sold. Margins generated from those sales are registered in balances underneath the revenue.

Moreover, the Group may decide to sell a wind project or a wind farm in operation to a third party who is not TUIC. Proceeds from these sales are then registered as revenue for the Development, construction, sale activity. If the project is sold while being developed, the Group offers the buyer to continue developing and constructing the farm until it is commissioned. In that case, those services are registered as revenue for the Development, construction, sale activity.

In 2012, the Group sold several operating wind farms in Germany, for a cumulative capacity of 5.2 MW, carried out the construction of a 15 MW wind farm for TUIC and sold a 18.4 MW operating wind farm to TUIC (sale not registered as revenue).

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

Operation

Whether it sold an operating wind farm or completed its construction for a third party, the Group automatically offers to the wind farm's owner to continue operating it for its expected lifespan. Operating wind farms for third parties is automatic for wind farms and projects sold to TUIC. In exchange for this service, the Group receives an income. As regards contracts without guarantee of margin for the wind farm's new owner, THEOLIA only recognizes the wind farm's management fees.

This operational management activity has the following advantages:

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

Bolstered by its experience of operating 939 MW (both for its own account and for third parties) at December 31, 2012, the Group is planning to offer the owners of wind farms that THEOLIA did not develop and/or build to take over the operation and maintenance of their wind farms so as to generate economies of scale for the Group's Operation activity.

1.2.1.3 Wind portfolio

At December 31, 2012, the Group operated 939 MW, of which 307 MW were for its own account and 632 MW for third parties. The Group's installed capacity broke down as follows at December 31, 2012:

	MW operated for own account (1)	MW managed for third parties	TOTAL
France	87	135	222
Germany	145	497	642
Morocco	50	-	50
Italy	25	-	25
TOTAL	307	632	939

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

The main changes compared to December 31, 2011 are as follows:

- disposal of the Gargouilles wind farm to TUIC – 18.4 MW in France (the Group keeps 7 net MW for own account, disposal and now operation of 11 MW for third parties);
- commissioning of the Magremont wind farm for TUIC – 15 MW in France (6 net MW operated for own account and 9 MW operated for third parties);
- commissioning of the Bovino wind farm – 10 MW for own account in Italy;
- the remaining changes stems from the Group's wind farm purchase-sale activity.

On January 31, 2013, THEOLIA took control of a company holding 337 MW for its own account, of which 311 MW are located in Germany and 26 MW are located in France (see Section 4.7.1 hereof). This company will be consolidated as from fiscal year 2013.

In order to generate wind activities, the Group is developing a significant project portfolio. In particular, in Morocco, the Group signed on May 31, 2011 a memorandum of understanding with the Moroccan *Office National de l'Électricité et de l'Eau potable* to jointly develop and build a 300 MW wind farm in Tetouan, near Tangiers. At December 31, 2012, the Group's project portfolio included 731 MW, of which 160 MW have obtained a building permit.

At December 31, 2012, this project portfolio broke down as follows:

			Backlog phase			
(in MW)	Under development	Permits applied	Permits obtained	Under construction	Total	
France	132	134	21	-	287	39%
Italy	-	86	38	-	124	17%
Germany	15	4	1	-	20	3%
Morocco	200	-	100	-	300	41%
TOTAL	347	224	160	-	731	
	47%	31%	22%	-		100%

In Brazil, the Group develops several projects which are currently in the initial phase of development (prospecting), considering the special authorization process in Brazil involving auctions. These wind projects are not included in the Group's portfolio of wind projects.

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

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

It is reminded that projects under appeal do not appear in its project portfolio, but they may be reintroduced should the ongoing lawsuit turn out favorably.

See Section 4.4 hereof for additional details concerning the risks of not obtaining building permits and of the opposition of people and associations to the wind farms.

1.2.1.4 Geographical locations

THEOLIA is an international player in the wind energy sector. To date, the Group develops, builds and operates wind farms in four countries: France, Germany, Italy and Morocco.

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

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

The Group is also positioned in some emerging countries like Brazil, which are potential drivers for future growth. The Group does not yet operate any wind farms there, but is developing projects currently under prospecting.

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

- *THEOLIA in Germany, France, Morocco and Italy*

THEOLIA in Germany

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

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

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

At December 31, 2012, THEOLIA Naturenergien operated 642 MW in Germany, of which 145 MW were for its own account and 497 MW for third parties. At that date, THEOLIA Naturenergien had 1 MW for which a building permit had been obtained, a 4 MW wind project for which a building permit application had been filed and a 15 MW wind project under development.

Revenue in Germany over the year 2012 represents 55% of the Group's total consolidated revenue.

On January 31, 2013, THEOLIA took control of a company holding 337 MW for its own account, of which 311 MW are located in Germany and 26 MW are located in France (see Section 4.7.1 hereof). This company will be consolidated as from fiscal year 2013.

Management expects that Germany will continue to represent a major share of the Group's activities over the next few years, given the political support for and public opinion in favor of wind energy.

Production of electricity for own account

At December 31, 2012 the Group's installed capacity for its own account in Germany accounted for 145 MW. The decrease registered compared to December 31, 2011 is mainly due to the sale of 5.2 operating MW, in the framework of the purchase-sale activity.

On January 31, 2013, THEOLIA took control of a company holding 337 MW for its own account, of which 311 MW are located in Germany and 26 MW are located in France (see Section 4.7.1 hereof). This company will be consolidated as from fiscal year 2013.

Purchase-sale of operating wind farms

The Group also conducts a wind farm purchase-sale activity in Germany, whereby it acquires wind projects under development, in general advanced, builds them, connects them to the electrical grid, and then sells them when they are commissioned or a short time thereafter.

The short phase of completing the securing of permits and of the construction, which follows the project's acquisition, takes generally 12 to 18 months, compared to a development phase which lasts from 4 to 7 years for a project developed from prospecting. This strategy allows for a quick turnover of the invested capital.

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

In the framework of this wind farm purchase-sale activity, the Group sold 5.2 operating MW during 2012.

Operating for third parties

The main consequence from the wind farm purchase-sale activity is that the Group continues to operate a large number of wind farms which it sells in Germany. Thus, at December 31, 2012, the Group operated 497 MW on behalf of third parties, distributed all over the German territory.

Other businesses

With respect to the German market's maturity, the management is considering performing other activities in Germany, such as boosting the production capacity of existing wind farms, also known as repowering.

THEOLIA in France

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

In France, the Group develops, builds and operates wind farms for its own account and for third parties. At December 31, 2012, THEOLIA France operated 222 MW, of which 87 MW were for its own account and 135 MW for third parties. The revenue in France over the year 2012 represented 29% of the Group's total consolidated revenue.

On January 31, 2013, THEOLIA took control of a company holding 337 MW for its own account, of which 311 MW are located in Germany and 26 MW are located in France (see Section 4.7.1 hereof). This company will be consolidated as from fiscal year 2013.

Development, construction and operation of wind farms for own account

During 2012, THEOLIA commissioned the Magremont wind farm for TUIC's account. This commissioning represented an additional net capacity of 6 MW for the Group.

Simultaneously, the Group sold to TUIC a wind farm in operation for own account since 2011. This sale represented an 11 MW net decrease in the Group's installed capacity for own account.

At December 31, 2012, THEOLIA France operated 87 MW for own account and developed a 287 MW project portfolio, of which 21 MW had obtained a building permit free of any recourse.

The following table presents the project pipeline developed by THEOLIA France for its own account totaling 287 MW at December 31, 2012:

	MW
Under development	132
Permits applied	134
Permits obtained	21
Under construction	-
TOTAL	287

Development, construction and operation of wind farms for third parties

Since July 2012, THEOLIA has been operating 60% of the Gargouilles wind farm for TUIC, i.e. 11 MW, and since November 2012, THEOLIA has been operating 60% of the Magremont wind farm for TUIC, i.e. 9 MW. In November 2012, the Group also commissioned a 12.5 MW wind farm in France for a third party.

At December 31, 2012, THEOLIA France operated 135 MW for third parties, of which 20 MW were for TUIC.

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

THEOLIA in Morocco

In Morocco, on January 4, 2008, the Group acquired *Compagnie Éolienne du Détroit* ("CED"), which operates a wind farm located at Tetouan, comprising 84 wind turbines for a total installed capacity of 50.4 MW. The farm was commissioned in 2000.

In 2012, the revenue from this wind farm in Morocco represented 10% of the Group's consolidated revenue.

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

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

In 2012, the Group continued the first repowering phase, launching the call for tenders to choose the company who will provide, install and perform the technical maintenance for this phase. Five offers were received in late 2012 which, at the date of publication hereof, are under review.

Dismantling the existing wind farm is planned to start during the first half of 2014. Installation of new wind turbines should happen gradually over 14 to 18 months and should be simultaneous to the dismantling of old wind turbines, in order to reduce the wind farm's downtime. External costs for the performance of this first phase will mainly be supported as from the first half of 2014, further to the order of wind turbines. The total investment cost for this project is still not set as at the date of publication hereof, the choice of the wind turbine supplier and general contractor has not been made yet. The Group plans that, due to the particularly favorable wind conditions on the site, project financing debt could cover up to 80% of the investment cost.

THEOLIA in Italy

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

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

At the end of December 2012, the Group finalized the commissioning of the Bovino wind farm (10 MW for own account). This commissioning brought the operated capacity for the Group's account in Italy at December 31, 2012 to 25 MW.

The revenue in Italy over the year 2012 represents 7% of the Group's total consolidated revenue.

It should be noted that conditions for wind project development in Italy are difficult. The significant decrease in the electricity buy-back tariff, taken into account by the Group in its financial statements closed on December 31, 2011, was confirmed by a decree issued in July 2012. The economic and financial crisis is still ongoing, which significantly restricts access to financing and increases credit cost.

Within this unfavorable background, the situation of some projects and wind farms in the Group's portfolio in Italy has worsened. In particular, Italian authorities cancelled the building permits of two projects (49 MW were removed from the project portfolio) and the Group decided to give up a 20 MW gross capacity wind farm. This project, in escrow since 2007, was not included in the project portfolio.

At December 31, 2012, the Group's portfolio of projects under development in Italy included 124 MW, of which 38 MW had obtained a building permit free of any recourse.

The following table presents the project pipeline developed by Maestrale Green Energy, totaling 124 MW at December 31, 2012:

	MW
Under development	-
Permits applied	86
Permits obtained	38
Construction	-
TOTAL	124

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

- *THEOLIA in Brazil and India*

THEOLIA in Brazil

Since it acquired NATENCO GmbH (renamed THEOLIA Naturenergien GmbH) in 2006, THEOLIA has had a wind power development team working in Brazil and is examining several projects in the prospecting phase. However, at December 31, 2012, none is included in the Group's project portfolio.

Brazil offers great potential for developing wind power. The initial process of securing the land and obtaining authorizations is similar to other countries. However, before giving authorization to sell electricity to the grid, Brazilian regulations request a three-year wind measurement, which must be certified, before authorizing to take part in reverse auctions.

THEOLIA in India

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

The Group contests the validity of this capital increase, as it was not aware of it before it was completed, which should have been done in accordance with local law. Therefore, the Group intends to end this partnership. Nevertheless, the terms for leaving this partnership were not fully defined at the date hereof.

However, India remains a potential market for the Group.

- *Other countries*

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

1.2.1.5 Property, plant and equipment

Almost all of the Group’s assets are made up of wind farm facilities. The Group does not own the land on which wind turbines are set up.

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

1.2.2 Other activities

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

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

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

France environmental division

The France environmental division is currently composed of the following entities:

Seres Environnement	Seres Environnement was created in June 2006, further to THEOLIA's takeover of Seres SA at the Aix-en-Provence Commercial Court. It is active in the field of measuring instruments for the water and air markets. The company is being restructured in order to make its disposal more favorable for the Group. In 2012, it reported a revenue of €4.8 million.
Ecoval Technology SAS	Ecoval Technology was constituted in December 2004, further to THEOLIA's takeover of A+O at the Nanterre Commercial Court. It is involved in the business of design, partial or complete performance, turnkey construction and sale of units providing environmental solutions on behalf of local authorities and manufacturers.
Therbio	Therbio (previously Sodetrex) is the controlling holding company of Ecoval 30.

Ecoval 30 SA	Ecoval 30, a company set up in 2001, is specialized in the treatment of solid waste. Its plant is based in Beaucaire, France and receives waste collected by other companies, separates it and isolates the target fermented matter in order to compost and resell it. It reported a revenue of 4.3 million euros in 2012.

Pursuant to the resolution, during 2012, of the dispute opposing the town of Cabriès to the Ecoval Technology SAS company, THEOLIA will proceed to the dissolution of its subsidiary. The other companies of the France environment division are registered, according to the IFRS 5 standard, as “Discontinued activities”.

ecolutions GmbH & Co. KGaA

THEOLIA holds 35.30% of the share capital of the ecolutions GmbH & Co. KGaA German company, active in the business of developing renewable energy projects, solar in particular.

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

Since 2012, as ecolutions GmbH & Co. KGaA's managing partner has no longer been communicating financial information on this company to THEOLIA, the Group considers that it is no longer able to justify the exercise of a significant influence.

This company was deconsolidated at the end of 2012.

Solar park in Germany

The Group operates a solar park located in Germany with a 2.9 MWc capacity, which it entirely developed and built. It reported a revenue of 1.4 million euros in 2012.

1.3 HISTORY

June 1999	Creation of PMB Finance which will 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 developer, now called THEOLIA France
January 2006	First acquisition outside of France: THEOLIA acquires two operating wind farms in Germany for a total installed capacity of 14 MW
April 2006	Appointment of Jean- Marie Santander as Chairman and CEO of THEOLIA
	Commissioning of the first wind farm entirely developed and built by the THEOLIA Group in France: the *Centrale Éolienne de Fonds de Fresnes* in the Somme department with a capacity of 10 MW
July 31, 2006	First day THEOLIA stock is listed on the Eurolist of Euronext Paris
September 2006	Commissioning of the *Centrale Éolienne de Séglien* in the Morbihan French department, with a capacity of 9 MW
December 2006	Acquisition of Natenco, now called THEOLIA Naturenergien GmbH, which has wind activities in Germany, France, India, Brazil, Greece and the Czech Republic. THEOLIA begins additional business activities: the sale and management of wind farms for third parties
February 2007	Signing of a partnership agreement with GE Energy Financial Services with a view to acquiring 165 MW in operation in Germany financed by way of shares of the Company
May 2007	Commissioning of the *Centrale Éolienne de Sablons* in the Calvados department, with a capacity of 10 MW
July 2007	Operations planned under the agreement signed with GE Energy Financial Services in February 2007 were performed. The equity owned by GE Energy Financial Services in THEOLIA then amounts to 17.03%

1. PRESENTATION OF THE GROUP

September 2007	Listing of THEOLIA on the SBF 120 index
October 2007	Issuance of bonds convertible to and/or exchangeable for new or existing shares (OCEANEs) in the amount of €240 million
November 2007	Acquisition of Maestrale Green Energy, a wind project developer in Italy, with a 500 MW project portfolio in Italy
	A 35.21% interest is acquired in ecolutions GmbH & Co. KGaA, a German company specialized in the issuance and trading of carbon credits, since then reoriented towards the development of solar projects
December 2007	Commissioning of 5 wind farms in France: • 12 MW in the Somme department, • 30 MW in the Aveyron department (4 wind farms), of which 11.5 MW are for own account
January 2008	Acquisition of *Compagnie Éolienne du Détroit* ("CED") which holds the right of use for a 50.4 MW operating wind farm in Morocco until the end of 2019
	Listing of THEOLIA on the Next 150 index of NYSE Euronext
March 2008	Acquisition of two wind farms in France with a capacity of 6.9 MW each
September 2008	Resignation of Jean-Marie Santander from the offices of Chairman and CEO. Appointment of Eric Peugeot as Chairman of the Board of Directors and Marc van't Noordende as CEO
	Listing of THEOLIA on the CAC MID100 index of NYSE Euronext
December 2008	Commissioning of the *Centrale Éolienne de Sallen* wind farm, in the Calvados department, with a capacity of 8 MW
January 2009	Announcement of the implementation of a disposal program for more than 200 MW of wind projects and farms in France, Germany and Spain and of the decision to close or sell the businesses in Spain, Greece, the Czech Republic, Poland, Croatia and Canada
June 2009	Sale of a 32 MW portfolio of wind projects in France
August 2009	Sale of a 100.6 MW portfolio of wind farms and projects in Germany
October 2009	Sale of a 9.2 MW wind project in France
December 2009	Sale of a 47 MW portfolio of wind farms and projects in France
	In all, 234 MW of wind projects and farms sold in France and Germany during 2009
February 2010	Appointment of Eric Peugeot, Chairman of the Board of Directors, as CEO
	Approval of the financial restructuring by the bondholders' meeting
March 2010	Approval of the financial restructuring by the shareholders' meeting
April 2010	Sale of a 55.5 MW operating wind farm in Germany
	Sale of 39% of the Giunchetto project in Italy
May 2010	Appointment of Fady Khallouf as CEO
July 2010	THEOLIA completes a major financial restructuring including renegotiating the terms of its convertible bonds and a capital increase of €60.5 million
	Appointment of Michel Meeus as Chairman of the Board of Directors
October 2010	Commissioning of the Group's first wind farm in Italy: the Giunchetto wind farm, with a net installed capacity for the Group of 15 MW. THEOLIA becomes an energy producer in four countries: France, Germany, Morocco and Italy
May 2011	Memorandum of understanding signed between THEOLIA and Morocco's *Office National de l'Électricité et de l'Eau potable* to jointly develop and complete a 300 MW wind farm in Tetouan, Morocco
July/August 2011	Creation of the investment vehicle THEOLIA Utilities Investment Company ("TUIC"), dedicated to invest in wind projects in France, Germany and Italy

September 2011	Commissioning of the Gargouilles wind farm in France for a capacity of 18.4 MW
December 2011	First disposal to TUIC: sale of the Magremont project with a capacity of 15 MW in France
June 2012	Reduction of the share capital: the share par value went from 1 euro to 0.70 euro
July 2012	Consolidation of two old shares with a par value of 0.70 euro each into one new share with a par value of 1.40 euro
	Second disposal to TUIC: sale of the Gargouilles wind farm with a capacity of 18.4 MW in France
November 2012	Commissioning, for TUIC, of the Magremont wind farm in France
December 2012	Commissioning of the Bovino wind farm with a capacity of 10 MW for own account in Italy
January 2013	Control over the Breeze Two Energy company, holding 337 MW for own account, of which 311 MW are located in Germany and 26 MW are located in France

1.4 WIND MARKET AND REGULATIONS

1.4.1 Global onshore wind market

The global onshore wind energy market registered a strong growth in 2011, with the commissioning of almost 40 GW over the year. After that, the total of onshore wind facilities commissioned over the world reached 227 GW.

The following table shows the annually installed capacity worldwide since 2009:

Year	Capacities installed in the world over the year (in MW)	Annual growth
2009	32,235	
2010	32,868	2%
2011	39,600	20%

Source: Global Wind Power Market Outlook, Make Consulting, March 2012

After a moderate growth in 2010, the commissioning of onshore wind farms registered a +20% growth in 2011, back to growth levels similar to those registered between 2005 and 2009.

The 10 countries having most contributed to this growth are presented in the following table (the countries in which THEOLIA is present are highlighted in blue):

Country	MW installed in 2009	MW installed in 2010	MW installed in 2011
China	8,950	13,687	17,292
United States	9,922	5,573	6,653
India	1,270	2,319	2,827
Germany	1,857	1,443	1,977
Canada	950	726	1,273
Spain	2,245	1,240	1,158
Italy	1,119	948	1,090
France	1,036	1,320	1,025
Sweden	462	604	754
United Kingdom	612	539	540
Total	28,423	28,399	34,589
% the worldwide capacity installed over the year	88.17%	86.40%	87.35%

Source: Global Wind Power Market Outlook, Make Consulting, March 2012

1.4.2 Wind market's prospects for growth

The worldwide wind energy market shows attractive growth prospects. The need for various countries to secure their energy supplies and address environmental concerns, together with significant technological improvements, support this expected growth. The potential for development of the onshore wind energy sector in the world for the years 2012 to 2016 is illustrated in the following table (the countries in which THEOLIA is present are highlighted in blue):

(in MW)	Capacities installed in 2010	Capacities installed in 2011	Forecasts 2012-2016				
			2012	2013	2014	2015	2016
United States	5,573	6,653	9,700	2,500	3,370	4,340	5,472
Canada	726	1,273	1,700	2,100	2 500	3,000	2,325
Brazil	328	500	1,255	1,660	1,635	1,500	1,650
Mexico	318	306	555	765	1,010	1,020	1,050
Rest of Americas	121	275	459	1,161	1,962	1,836	1,814
Total Americas	7,066	9,007	13,669	8,186	10,477	11,696	12,311
Germany	1,443	1,977	1,800	1,800	1,800	1,800	1,800
Spain	1,240	1,158	1,200	100	200	500	700
France	1,320	1,025	1,200	1,400	1,500	1,500	1,500
United Kingdom	539	540	1,200	800	600	700	700
Italy	948	1,090	950	800	800	800	800
Turkey	411	421	600	600	700	800	1,000
Sweden	604	754	1,000	1,100	800	800	700
Rest of Europe	2,613	2,803	3,637	4,376	4,441	4,260	4,490
Total Europe	9,118	9,768	11,587	10,976	10,841	11,160	11,690
China	13,687	17,292	18,500	20,200	20,800	20,400	20,000
India	2,139	2,827	2,100	2,400	2,600	2,800	3,000
Rest of Asia – Pacific	531	654	1,310	1,697	1,795	2,222	2,660
Total Asia – Pacific	16,357	20,773	21,910	24,297	25,195	25,422	25,660
Rest of the world (Africa – Middle East)	327	52	945	1,345	1,400	1,360	1,375
New capacity installed per year	32,868	39,600	48,111	44,804	47,913	49,638	51,036

Source: Global Wind Power Market Outlook, Make Consulting, March 2012

The capacity installed annually worldwide is expected to grow at a sustained pace, with differences between regions and countries.

The main countries that should contribute to this growth are: the United States, Canada, Brazil, Germany, France, China and India.

1.4.3 International framework

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

The Kyoto Protocol was adopted in December 1997. The treaty came into force in 2005. It was ratified at that time by the 184 member countries of the UNFCCC, including all of the countries in which the Group is present. This treaty sets binding targets for the reduction of greenhouse gas emissions with respect to 37 industrialized countries and the European Community. The objectives for reductions average 5% over the period 2008-2012, compared to 1990 levels. The Protocol supports promoting electricity generated from renewable energies as one of its priorities.

Neither the Copenhagen conference nor the Cancun conference, which were held in December 2009 and 2010, extended the Kyoto commitments. In December 2011, the international community met at the annual conference of countries having signed the UNFCCC in Durban, South Africa. The countries collectively decided to draw up a new binding agreement by 2015, to come into effect in 2020 and applicable to all countries of the world, whose aim would be to cut greenhouse gas emissions.

In June 2012, Rio hosted the Earth Summit, the world's ten-yearly meeting on sustainable development.

1.4.4 European Community regulations

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

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

In an effort to become the industrialized economy that most respects the environment, the European Union went further than the international objectives when it adopted the Climate and Energy Package in December 2008. The member states therefore committed to reducing greenhouse gas emissions by 20% from now on and until 2020, compared to 1990 levels. They also committed to raising the share of renewable energy sources to 20% of their energy consumption and to increase energy efficiency by 20% (triple 20).

In addition, the Climate and Energy Package includes the 2009/28/EC European Directive dated April 23, 2009, through which the goal of raising the share of the energy consumption from renewable sources to 20% by 2020 is part of the national binding objectives.

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/EC, Annex I.

1.4.5 National regulations

1.4.5.1 Legislation in Germany

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

In order to further strengthen its commitment towards renewable energies and to adapt the price levels to market conditions and technological progress, in June 2008, the German parliament revised the legislation in order to further encourage the production of wind energy. In particular, the law significantly increased the fixed tariff applicable to the purchase of electricity produced. Thus, on January 1, 2009, the feed-in tariff rose from €8.03 c/kWh to €9.2 c€/kWh for the electricity generated by onshore wind farms for a period of 20 years. After the first year, this tariff decreases of 1% per annum for the new facilities connected to the grid, compared to 2% before. Hence, the feed-in tariff at January 1, 2010 was €9.108 c/kWh. Since 2010, a SDL-bonus is granted to turbines with special grid technology. This bonus amounted to €0.495 c/KWh in 2010 and will be effective until the end of 2014 with a decrease of 1.5% per annum. The feed-in tariff at January 1, 2011 was €9.02 c/kWh, with a possible addition of €0.49 c/kWh. The feed-in tariff at January 1, 2012 was €8.93 c/kWh, with a possible addition of €0.48 c/kWh. The feed-in tariff at January 1, 2013 was €8.8 c/kWh, with a possible addition of €0.47 c/kWh. The feed-in tariff can thus reach €9.27 c/kWh in 2013.

Specific provisions also exist in favor of repowering projects for wind farms. In 2013, the repowering premium for wind farms commissioned before January 1, 2002 amounts to 0.49 c/kWh.

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

Finally, tax incentives favoring investment in SMEs (in particular those in the wind energy industry) allow individual investors to benefit from income tax reduction.

1.4.5.2 Legislation in France

The law relating to modernization and development of the public electricity service dated February 10, 2000 and its related decree dated December 6, 2000 set forth that *Électricité de France* (or other private distributors) are required to purchase electricity generated by power plants using renewable energy sources, at a tariff set by decree (15-year non-renewable contract).

In France, tariffs are subject to an initial annual indexing in order to set the contract's starting level, which corresponds to the year the purchase agreement was requested.

For the past years, the applicable tariff changed as follows:

- 2008: €8.36 c/kWh
- 2009: €8.61 c/kWh
- 2010: €8.10 c/kWh (this decline is explained by the plunge of the economic indices as a result of the financial crisis)
- 2011: €8.19 c/kWh
- 2012: €8.47 c/kWh
- 2013: €8.52 c/kWh

The rate is effective for the 5 to 10 first years of the contract (depending on the effective system: tariff decree dated June 8, 2001 or tariff decree dated July 10, 2006, amended on November 17, 2008). For the following 5 to 10 years, the base rate will be adjusted according to the number of production hours of the farm, calculated by dividing the production by the installed power.

The administrative authorizations necessary for the operation and connection to the grid of wind power plants are the certificate granting the right to a purchase obligation ("CODOA") and the operating authorization, and the administrative authorizations with *Électricité de France* (or other private distributors) are formalized by various contracts (e.g. connection agreement, contract for access to the distribution and injection grid, purchase contract, agreement for drawing electricity). The French act providing for a "national commitment for the environment", also known as "Grenelle 2", enacted on July 12, 2010, modifies this plan. The new Article 34 creates a group of obligations to follow when building new wind power plants in France. The main provisions are as follows:

- the location of wind turbines will be subject to a permit pursuant to the facilities classified for environmental protection ("ICPE");
- regional plans for wind energy will be created. These plans will determine which territories have the most suited zones. This means zones where there are wind resources, zones which are acceptable to the population and lastly those which include areas to be preserved. These plans will be drawn up by the regional councils after consultation with the general counsels and all of the members who make up the economic and social fabric of a territory;
- production units were defined within the wind power development zones (*Zones de Développement Éolien* - "ZDE"), for which a minimum threshold of five wind turbines per farm has been set; and
- a minimum distance threshold between wind facilities and houses has been introduced. From now on, any wind installation must be at least 500 meters away from urban residential areas.

The "Grenelle 2" act also sets an objective of 25,000 wind power MW to be reached by 2020, distributed among 19,000 MW for onshore and 6,000 MW for offshore.

It should be noted that in early 2012, an action for annulment of the by-law of November 17, 2008 has been introduced to the State Council by an association. It deals with a procedural defect that would be due to the absence of notification to the European Commission of the by-law as state aid. At the date of publication hereof, the State Council did not release its decision.

The “Brottes” French act, aiming at preparing the transition towards a sober energy system, including several measures on the wind sector, was adopted in early 2013 and notably includes the removal of the five mast rule and the cancellation of ZDEs, which constitute a restrictive regulatory framework, redundant with the SRCAE system (Energy, Air and Climate Regional Scheme). Those two measures will enable to unblock the development of several projects.

1.4.5.3 Legislation in Morocco

The electricity sector in Morocco is controlled by a single operator, the ONEE ("*Office National de l'Électricité et de l'Eau potable*"). While production can be done by private operators, the ONEE maintains its monopoly for transport as well as sales of electricity.

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

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

- calls for tenders: the ONEE invites independent producers to tender for the development, financing, design, engineering, supply, construction and commissioning of wind farms, as well as their subsequent operation and maintenance. The producer who is selected signs a 20-year contract with a guaranteed feed-in tariff; and
- in addition, the 13-09 bill was adopted on March 12, 2009 by the government and approved in early 2010 by the Parliament. This program's objective is to promote renewable energy, marketing and exporting it to the European Union through public or private entities. It should be noted that an operator can produce electricity on behalf of a consumer or a group of consumers connected to the electricity grid. It provides for a 25-year authorization program for wind farm facilities with a total power above or equal to 2 MW, which are located in the appropriate development zones.

To date, over 2,000 MW of projects are identified, of which:

- approximately 280 MW are in operation;
- 300 MW are under construction;
- 1,000 MW are subject to a call for tenders (within the framework of the integrated complementary wind program – *Programme éolien complémentaire intégré*); and
- 420 MW are under development by private companies (within the framework of the 13-09 act).

The 300 MW project that THEOLIA and the ONEE are jointly developing (see Section 1.2.1.4 hereof) is part of this Moroccan integrated wind energy generation program (*Programme Marocain Intégré de l'Énergie Éolienne*).

1.4.5.4 Legislation in Italy

Building and operating permits

The construction and operation of power plants using renewable energy sources are subject to a single authorization (*Autorizzazione Unica)*, granted on the basis of objective and transparent criteria, issued by the relevant region, which includes all authorizations, concessions, licenses or opinions under the relevant regulation authority. The single authorization is issued on the basis of the applicable environmental authorizations and the approval of the project by a Steering Committee (*Conferenza di Servizi*) composed of representatives of the public bodies involved. The duration of the authorization procedure cannot exceed 90 days, subject to the time necessary for the issuance of the applicable environmental authorizations. Nevertheless, in case of unjustified delays due to the region, the promoter may file a claim before the competent Administrative Court to obtain a ruling ordering the public entities to release their decision.

Sales of electricity

Wind energy producers in Italy can choose between three regimes for the sales of the electricity produced:

- sales to third parties on the power exchange operated by the Gestore del Mercato Elettrico S.p.A ("the GME"), which is a fully-owned subsidiary of the national electricity grid, known as the Gestore dei Servizi Energetici ("the GSE");
- sales to a broker or a wholesaler through a bilateral agreement, or
- sales to the GSE under an annual bilateral convention under which the GSE is obliged to purchase the total electricity produced over the relevant contractual period. In this case, the feed-in tariff is determined by weighting market prices established by regional zone, on an hourly basis.

The market is divided into six regional zones and the exchange prices are established according to the supply and demand existing for each of these zones. In some regions where the infrastructure is less developed than elsewhere, the relationship between supply and demand favors producers.

Green certificates

The Legislative Decree 28/2011 published on March 28, 2011, as well as its application decree dated July 6, 2012 and published on July 10, 2012, stipulate that as from January 1, 2016, fossil energy producers will no longer be bound by any obligation with respect to injecting a certain quota of renewable energy into the system or alternatively purchasing green certificates, thereby ending the incentive program for green certificates as of 2016.

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

For wind farms commissioned before December 31, 2012, the system of green certificates is maintained until December 31, 2015:

- green certificates are issued by the GSE and granted to the authorized units of electricity production from renewable energy;
- for wind farms of a capacity superior to 0.2 MW, each MWh feeding the system enables to 1 green certificate;
- sale of green certificates may occur through bilateral contracts or via the electronic trading platform managed by the GME. Prices are then freely set according to offer and demand;
- within a market where supply exceeds demand, the GSE is responsible for purchasing green certificates, upon request from the producers, at a price set by the following method: 78% * (€180 – average price of electricity in the N-1 year). For information purposes, in 2013, the GSE is purchasing green certificates corresponding to the 2012 production at a price of €80 per certificate.

The energy produced after December 31, 2015 will benefit from an incentive rate corresponding, for each MWh produced, to 78% * (€180 – average price of electricity in the N-1 year) for the rest of the incentive rate period, set at a total of 15 years.

For wind farms commissioned after December 31, 2012, the new decree establishes a system granting a fixed tariff with auctions for a term of 20 years, under the following conditions:

- auctions occur once a year and are organized by the GSE;
- the capacity to be auctioned for the 2013-2015 period is 500 MW, reduced by the capacity of wind farms of an individual capacity inferior to 60 kW, commissioned during the 12 past months and to which are added MWs of auctions of the preceding year which were not granted;
- this is a reverse auction system starting with a base tariff equal to €127/MWh for 2013, being specified that this base tariff will decrease by 2% each year (the "Base Tariff");
- auction tariffs must be between 98% and 70% of the Base Tariff;
- winners have 28 months as from the notification of the grant of the auctioned tariff to commission the wind farm, every month of delay giving rise to a reduction of 0.5% of the tariff. Should there be a delay of more than 24 months, the tariff would be lost;
- to participate in the auctions, it is required to provide a first guarantee equal to 5% of 1.225 million euros/MW (the "First Guarantee"). In the event the auction is lost, the First Guarantee is refunded;

- winners of the auctions have to provide a second guarantee equal to 10% of 1.225 million euros/MW (the "Second Guarantee") to guarantee the wind farm's commissioning within a timeframe of 52 months as from the notification of the tariff grant;
- in the event the wind farm would not be commissioned within 52 months following the tariff grant, the Second Guarantee would not be refunded by the GSE.

Production forecasts

Delibera No. 281/2012/R/EFR dated July 5, 2012 and 493/2012/R/EFR dated November 5, 2012 from the AEEG energy authority, implemented by the GSE in December 2012, established the obligation, for renewable energy producers, to publish monthly production forecasts to the network management authority.

The difference between the production actually feeding the network and the forecast production gives rise to penalties, also taking into account forecasts of other producers of the same energy source and the same geographical area. Until late June 2013, a 20% margin of error, not giving rise to any penalties, is tolerated. From July 2013 to December 2013, this margin of error will be reduced to 10%. Beyond that date, the Authority should redefine this tolerance rate.

Those *Delibera* were subject to a legal action before the administrative jurisdiction of several producers. A decision should be issued by the second quarter of 2013.

1.4.5.5 Legislation in Brazil

Historically, wind power development in Brazil has been supported by the PROINFA program launched in 2002.

The PROINFA program (Program of Incentives for Alternative Electricity Sources) sets the target for renewable energy sources to provide 10% of the country's annual power consumption by 2020. The PROINFA target for wind power was the commissioning of 1,400 MW by year-end 2008, benefitting from a 20-year feed-in tariff for the purchase of electricity, set by the government. After a slow start, the program was extended several times, to finally expire at the end of 2011.

At the end of 2011, Brazil had 1,434 MW of installed wind power capacity, of which 97% had been achieved through the PROINFA program.

Since December 2009, the Brazilian government introduced the system of reverse auctions, through which the developer accepting the lowest feed-in tariff wins the auction and benefits from that feed-in tariff for 20 years.

Producers may also sell their wind power energy on the free market, where contractual terms are freely negotiated between the parties.

1.5 STRATEGIC VISION

1.5.1 Group's strengths

1.5.1.1 Focus on onshore wind energy

Many of the Group's competitors operate in several segments of electricity production from fossil or renewable energies. In the renewable energy sector, businesses involved are mainly wind energy and photovoltaic solar, as well as hydro, biomass, wave power, etc.

THEOLIA focuses its activity on onshore wind energy. The Company believes that the wind sector is the most advanced of renewable energies (excluding hydro). It benefits from a mature and reliable technology, a production price as close as possible to the electricity market price and a favorable regulatory environment in the countries where the Group operates. Significant technological progress has been made over the past few years to make wind energy equipment more reliable. Meanwhile, equipment cost significantly dropped.

Growth of the wind energy market over the last few years has been especially dynamic and the prospects for expansion are considerable (see Sections 1.4.1 and 1.4.2 hereof).

Wind energy strongly contributes to protecting the environment. It participates in the energy independence of the countries that develop it and will soon have a significant role in the world's energy mix. Most people and public authorities are already aware of this fact. The political will to develop renewable energies has led to adopting a legislative and regulatory stance favorable to renewable energy, and wind energy in particular.

Minority interests and non-wind assets currently held by the Group do not represent a significant part of its activities. However, the Group does not rule out diversifying its activities with other renewable energies according to market opportunities, as the Group's wind expertise is easily transferable.

1.5.1.2 An integrated industrial group

The Group's operational expertise covers the entire wind value chain: site prospecting, project development, construction and operation of wind farms.

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

THEOLIA's employees have a significant operational expertise, combined with an experienced vision of the wind energy market. These qualities are essential to successfully complete projects within the planned timetables and budgetary constraints and to anticipate technical changes in a constantly changing sector.

In order to maximize its operations, the Group is gradually implementing an organization based on cross-management since mid-2010. The goal is to gather operational expertise within a dedicated team and to make this expertise center available to all the Group's subsidiaries. The organization is thus simplified and more efficient. Industrial synergies arise among the countries where the Group is present.

The Group is an efficient and well-organized platform, ready to absorb an increase of the activity at a constant size.

1.5.2 Strategic priorities

1.5.2.1 A flexible and balanced business model

The Group's business model is based on three major activities: producing electricity for own account, selling wind farms and projects, operating wind farms for third parties.

Since mid-2010, THEOLIA favors the production of electricity for own account which generates a predictable and recurring revenue over the long term, as well as significant margins. This secure activity relies on 15- to 20-year electricity buy-back contracts with a fixed tariff over the long term. This activity generates regular cash flows and its project financing debt is without recourse or with limited recourse on the parent company. In 2012, the sales of electricity for own account represented 73% of the Group's consolidated revenue, compared to 24% in 2010. In 2012, the EBITDA of this activity reached 35.4 million euros, i.e. a revenue margin of 72%.

Meanwhile, the Group continues to dispose wind farms and projects, but at a moderate pace, mainly based on its cash needs and its investment policy. Therefore, a project which does not meet the profitability criteria set by the Group will be disposed on the market. However, since 2011, the Group can priorily sell its projects to the THEOLIA Utilities Investment Company investment vehicle, that it created jointly with two significant European utilities. The investment vehicle buys wind projects and farms from THEOLIA, who carries out construction and operation of the farm for the account of the vehicle. THEOLIA already sold 33 MW to the investment vehicle, which were in operation at December 31, 2012. The vehicle will be a preferred buyer for the Group's future disposals.

To date, the Group is active in 4 countries (Germany, France, Morocco and Italy), which benefit from complementary wind conditions.

Restructuring the Group's business model enabled to significantly improve its operational profitability in 2011 and 2012. The Group intends to carry on consolidating its operating asset base in order to reach profitability.

1.5.2.2 A continued development

In 2012, the Group maintained its investments at a sustained pace, based on a rigorous approach. Over the year, 21.2 million euros of cash were invested in wind projects. Two wind farms were commissioned in late 2012: a 10 MW wind farm for own account in Italy and the Magremont wind farm in France, representing an additional net capacity for the Group of 6 MW. The Group's portfolio of wind projects is significant and includes three projects having obtained a building permit and numerous projects for which a building permit application was filed.

This development may be boosted thanks to the investment vehicle created in 2011. Depending on its cash position, the Group might choose to sell some projects to the investment vehicle in order to accelerate their commissioning and thus improve the Group's income.

On May 31, 2011, the Group also launched the development of a 300 MW project in Morocco, in partnership with the Moroccan *Office National de l'Électricité et de l'Eau potable*. It is a major structuring development for the Group. This project will be developed in two phases: a first 100 MW phase and a second 200 MW phase, staggered over several years. The first phase is currently being continued by the Group.

In late January 2013, THEOLIA took control of Breeze Two Energy, a German company which holds and operates wind farms for its own account, for a total capacity of 337 MW, of which 311 MW are located in Germany and 26 MW in France. Taking control of new wind farms in operation in Germany and France enables THEOLIA to significantly enhance its operational position in its two historical countries and to operate its business model over a doubled scope. THEOLIA intends to generate significant operational synergies with Breeze Two Energy, in particular by performing the future management of Breeze Two Energy's wind farms, which today is subcontracted to third parties.

Finally, the Group is always on the watch for additional development opportunities, in the countries where it is established or in other countries which are favorable to wind energy.

1.6 KEY FIGURES

Summary of consolidated income statements for the years ended December 31, 2012 and 2011

(in thousand euros)	FY 2012	FY 2011
Revenue	67,736	67,480
Current operating income	18,763	10,384
Operating income	(545)	(18,204)
Net income	(34,238)	(39,233)

Summary statement of the financial position for the years ended December 31, 2012 and 2011

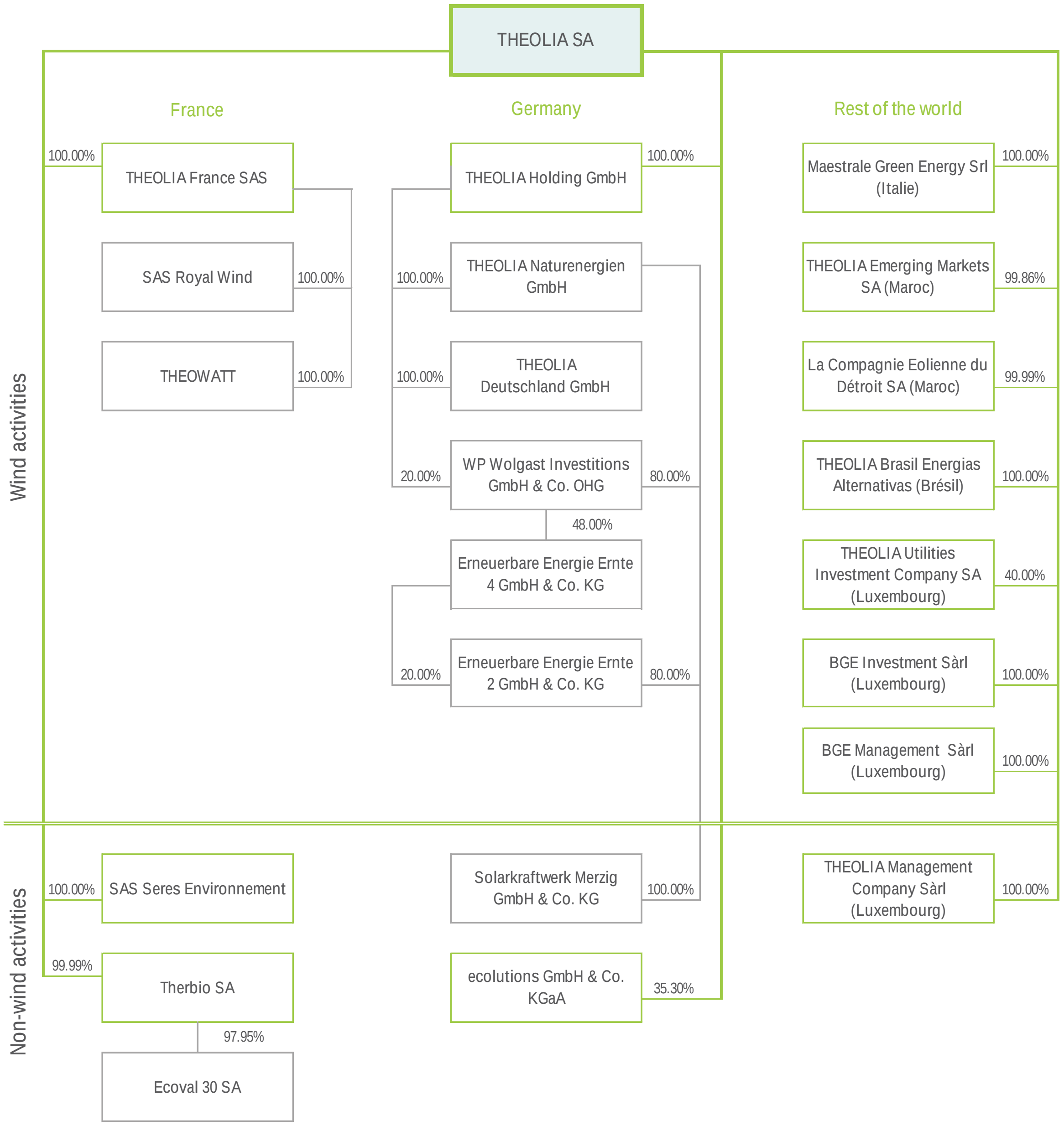
(in thousand euros)	2012/12/31	2011/12/31
Non-current assets	397,148	440,655
Current assets	129,566	164,378
Total assets	**538,118**	**617,324**
Shareholders' equity	165,543	194,984
Non-current liabilities	281,019	306,191
Current liabilities	83,754	107,136
Total liabilities and shareholders' equity	**538,118**	**617,324**

Summary of consolidated cash flows for the years ended December 31, 2012 and 2011

(in thousand euros)	FY 2012	FY 2011
Net cash flows from operational activities	40,602	16,768
Net cash flows from investment activities	(23,104)	(26,950)
Net cash flows from financing activities	(36,150)	(12,322)
Changes in cash	**(18,661)**	**(22,528)**

ANNEX SIMPLIFIED ORGANIZATIONAL CHART

The organizational chart below is the simplified organizational chart of the main companies which were part of the Group at December 31, 2012. Equity interests are presented as a percentage, rounded off, of capital and voting rights. For each wind farm project, an ad hoc company is set up and held either directly or through a holding company. However, all of these ad hoc companies do not appear in this organizational chart.



2 Corporate governance

2.1 REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE, INTERNAL CONTROL PROCEDURES AND RISK MANAGEMENT

This 2012 Report of the Chairman of the Board of Directors on Corporate Governance, Internal Control and Risk Management (the "Report") was prepared with due diligence and based mainly on the work coordinated by General Management with support from the Legal Department, the main functional and operational departments of THEOLIA SA (the "Company") and the Audit Committee.

This Report was prepared in accordance with Article L. 225-37 of the French Commercial Code and the recommendations of the *Autorité des Marchés Financiers* ("AMF"), and was the subject of a report prepared by the Statutory Auditors of the Company, pursuant to Article L.225-235 of the French Commercial Code, on the internal control procedures concerning the preparation and processing of accounting and financial information and a declaration regarding the preparation of other necessary information.

Since December 1, 2010, the Company has formally referred to the corporate governance principles formulated in the MiddleNext corporate governance code for SMEs and midcaps (the "MiddleNext Code") and implemented the fifteen recommendations of said Code. The Board of Directors acknowledges that it is familiar with the key points of focus presented in the MiddleNext Code.

This Report was approved by the Board of Directors during its meeting of April 15, 2013, pursuant to Article L.225-37 of the French Commercial Code.

2.1.1 Corporate Governance

The Board Members, appointed by the shareholders, control the economic and financial management of the Group and participate in defining strategy. They evaluate and approve the broad lines of action adopted and implemented by General Management.

The Board of Directors reiterates that it conducts its work in a collective manner, in accordance with the law, regulations and the recommendations of the MiddleNext Code.

2.1.1.1 Company Rules

In addition to legal and regulatory and those defined in the Articles of Incorporation, the Board of Directors as a whole, and its individual directors, comply with a set of Company Rules ("Company Rules").

These Company Rules were adopted by the Board of Directors during the meeting of April 14, 2006 and were later amended during its meetings of February 6, 2007, July 2, 2007, December 18, 2008, April 15, 2010 and April 18, 2011.

The Company Rules were updated once again following the abolishment of the Nomination and Remuneration Committee by the Board of Directors of the Company on June 1, 2012.

The full Company Rules and Appendices may be accessed on the Company's website (www.theolia.com, under Finance/Corporate Governance/Board Members section).

2.1.1.2 Structure and operation of General Management

Separation of the functions of the Chairman of the Board and the Chief Executive Officer

The Board of Directors decided to separate the functions of the Chairman of the Board and the Chief Executive Officer in order to comply with best practice in governance, to ensure the balance of powers within the Board of Directors and to avoid any conflicts of interest.

The list of functions exercised within and outside the Group, and the main mandates and functions held over the last five years by the CEO, Fady Khallouf, and the Chairman of the Board of Directors, Michel Meeus, currently in office, is given in Section 2.4 hereof.

No concurrent holding of a corporate mandate and employment contract

As Fady Khallouf was not employed by the Company when appointed as CEO, he does not concurrently hold a corporate office and employment contract in compliance with statutory provisions in force and Recommendation R1 of the MiddleNext Code.

Limitations of General Management powers

The powers of General Management are governed by a delegation of powers appended to the Company Rules. Said delegation of powers grants the Board of Directors' prior authorization to make any decisions related particularly to the following:

- defining the annual budget and strategy;
- any spending or contractual commitment not approved in the annual budget and/or exceeding 10% of the amount approved in the annual budget;
- any acquisition or sale decisions not approved in the annual budget;
- any decisions concerning expansion in new geographic areas;
- any sureties, endorsements and guarantees; and
- any summons or settlement concerning a dispute over an amount of more than €1 million.

However, it is specified that, by a decision on March 28, 2012, the Company's Board of Directors has granted the Chief Executive Officer a general authorization to grant sureties, endorsements and guarantees, as mentioned in Article L.225-35, Paragraph 4 of the French Commercial Code on behalf of the Company for a period of one year as from said date, for a total amount of €11 million within the following limits:

- €1 million for sureties, endorsements and guarantees that may be granted to any companies in the THEOLIA Group; and
- €10 million for sureties, endorsements and guarantees that may be granted to THEOLIA Utilities Investment Company as part of any agreements that are necessary or useful to the operation of the investment vehicle, including any operational, acquisition or sale agreements concerning wind farms or projects.

2.1.1.3 Composition of the Board of Directors

Role and members

The Board of Directors is and shall remain a collective body that represents all shareholders and shall be obliged to act in the interests of the company at all times.

In performing its legal prerogatives, the Board of Directors shall execute the following primary missions:

- define the corporate strategy;
- appoint executive officers responsible for managing the Company within the framework of said strategy;
- choose the method of organization (separation or consolidation of the functions of the Chairman and CEO); and
- exercise financial control and ensure the quality of information provided to shareholders and the market via financial statements or for important transactions.

Pursuant to the terms of the Company Rules, Board Members are elected by the General Meeting of Shareholders according to their expertise and the contribution that they are able to make to the management of the Company while complying with the rules of independence, ethics and integrity as expected of them.

The term of the Director's office (3 years) is defined in the Articles of Incorporation and adapted to the specific needs of the Company. Furthermore, terms of office are staggered to avoid renewing blocks of Board Members in accordance with recommendations of the MiddleNext Code (R10) and the AMF.

At December 31, 2012, the Company's Board of Directors had four members:

- Michel Meeus
  - Director since March 19, 2010, and
  - Chairman of the Board since July 26, 2010;
- David Fitoussi
  - Director and Chairman of the Audit Committee since July 26, 2010;
- Lilia Jolibois
  - Director since June 1, 2012;
- Fady Khallouf
  - Director since March 19, 2010, and
  - Chief Executive Officer since May 20, 2010.

The dates of appointments and expiry of terms of office, functions performed within and outside the Group, and the main mandates and functions performed over the last five years by the Company's Directors are given in Paragraph 2.4 hereof.

The executive, financial and sectorial skills of the Company's Directors, and their diverse experience are complementary advantages that enhance the quality of Board decisions.

Pursuant to Recommendation R9 of the MiddleNext Code, when proposals for the appointment or co-option of a new Board Member are made to the General Meeting of the Company, shareholders shall be provided with sufficient information on the experience and expertise of the Board Member and each appointment is subject to an individual resolution.

Independence

Members of the Board of Directors are considered to be Non-Executive Directors when they have no relationship with the Company, its Group or Management that may compromise their ability to exercise their freedom of judgment.

On the date of this Report, two of the four Board Members are considered to be Non-Executive Directors with respect to MiddleNext Code criteria. They are David Fitoussi and Lilia Jolibois.

These Board Members are neither employees nor executive officers of the Company or a company of its Group and have not been for the previous three years. These Non-Executive Directors are not lead shareholders in the Company, have no family ties with an officer or lead shareholder and have not been auditors in the Group over the previous three years.

Finally, they are not significant customers, suppliers or bankers of the Company or Group nor does the Company or Group represents a significant share of business for them.

With two Non-Executive Directors out of four Board Members, the composition of the Board of Directors complies with recommendation R8 of the MiddleNext Code, which recommends that the Board should have at least two non-executive members. Under these conditions, the Board of Directors performs its missions with the necessary independence and objectivity.

The two Board Members who are not considered Non-Executive Directors with respect to MiddleNext Code criteria are:

- Fady Khallouf, who is an executive corporate officer of the Company;
- Michel Meeus, who, on the closing date of fiscal year 2012, is the principal shareholder of the Company, with 3,622,081 shares. He holds approximately 5.58% of share capital and 6.38% of voting rights in the Company. Michel Meeus is also part of a group of shareholders who together hold 8,580,261 of shares, i.e. roughly 13.22% of share capital and 15.47 % of voting rights in the Company at December 31, 2012.

Diversity within the Board of directors

The Board of Directors wished to rebalance its composition in terms of female representation and since June 1, 2012, includes one woman, Lilia Jolibois, Non-Executive Director, thus complying with the French Act of January 27, 2011 since it has reached the first level of having 20% women on the Board of Directors.

Furthermore, the current composition of the Board of Directors brings together members that each have international experience.

No concurrent holding of corporate mandates

Members of the Board of Directors have an obligation of diligence towards the Company and must devote the necessary time and attention to their functions.

The list of functions and mandates exercised by the members of the Board of Directors within the Group and outside the Group outlined in Paragraph 2.4 hereof, shows that no Company's Directors simultaneously act as directors on more than five boards of directors of public limited companies registered in France, in accordance with the provisions of Article L. 225-21 of the French Commercial Code, or French or foreign companies listed on a regulated stock market.

Furthermore, Article 4.6 of the Company Rules stipulates that should a Director accept a mandate in addition to those which he/she holds (except for Director mandates with controlled companies that are not listed), he/she must inform the Chairman of the Board and determine together whether the new responsibility leaves enough time available for the Company.

2.1.1.4 Procedures for Board meetings

Organization of Board meetings

Pursuant to Recommendation R11 of the MiddleNext Code, Board Members shall receive information and documents concerning the items on the Board meeting agenda several days before the date of the meeting. This gives them the opportunity to prepare subjects that will be addressed during the meeting. Particularly sensitive and urgent subjects can be discussed without prior distribution of documents, or with prior communication closer to the date of the meeting.

To facilitate the participation of Board Members at Board meetings, they may attend meetings in person, by conference call or via videoconferencing. However, the Board of Directors prefers the physical participation of Directors at Board meetings in order to promote discussions (58% of Board meetings for fiscal year 2012) but usually resorts to the use of telecommunications for Board meetings due to their geographic distance.

The Board of Directors is chaired by Michel Meeus, who organizes and directs the work of the Board and reports to the General Meeting of the Company. He ensures that all items on the agenda are examined by the Board of Directors. He also ensures that the bodies of the Company operate properly and particularly that the Board Members are able to fulfill their functions.

Activity of the Board of Directors during fiscal year 2012

The Board of Directors met 12 times in 2012, an average of once a month.

The attendance level of Board Members was very high (96% on average).

The frequency and duration of Board meetings correspond with Recommendation R13 of the Middlenext Code.

During fiscal year 2012, the Board of Directors particularly addressed the following subjects:

- *Governance*
  - approval of statutory agreements in accordance with Article L.225-38 of the French Commercial Code;
  - examination of the application of a new Board Member and the renewal of a Board Member;
  - policy on directors' fees and their distribution;
  - performance share scheme for employees and/or corporate officers of the Company and/or companies of its Group;
  - abolishment of the Appointments and Remuneration Committee;
  - appointment of a member of the Audit Committee;
  - performance evaluation of the Board of Directors;
  - review of the corporate mandate of the Chief Executive Officer;
- *Company earnings*
  - approval of the consolidated financial statements and parent company financial statements for the fiscal year ending on December 31, 2011 and related reports, consolidated quarterly financial statements and half-yearly financial report at June 30, 2012;
  - review and approval of the press release on the annual and half-yearly financial statements;
  - proposal for allocation of earnings;
- *Financial Management of the Company*
  - approval of sureties, endorsements and guarantees and powers granted to the CEO concerning sureties, endorsements and guarantees;
  - financial delegations for the Board of Directors proposed at the Annual General Meeting;
  - share capital reduction due to losses and share consolidation adopted by the Ordinary and Extraordinary General meeting of June 1, 2012 (twelfth and thirteenth resolutions);
  - procedures for implementing an equity line program;
  - implementation of a cash swap agreement on the OCEANE convertible bonds;
  - analysis report on the prevention of difficulties;
  - examination of fundamental aspects of 2013 business and prospects for the new strategy with Breeze Two Energy;
- *Strategy and growth*
  - investment or divestment decision;
  - examination of the situation in Italy and the conditions for applying the new decree on renewable energy pricing;
  - examination of procedures for taking over Breeze Two Energy GmbH & Co. KG;
- *Risk monitoring*
  - examination of the evolution of Ecolutions GMbH and Co. KGaA and disputes with the Managing Partner and its controlling shareholder;
  - monitoring business development of the environment division;
  - changes to the business situation in Italy;

- *Preparing for the Annual Ordinary General Meeting*
  - calling of the Annual Ordinary General Meeting (draft agenda and resolutions);
  - preparation of General Meeting reports (management report, report of the Chairman of the Board of Directors on corporate governance, internal control procedures and risk management, report of the Board of Directors on the text of draft resolutions to be voted on by the General Meeting);
- *Miscellaneous*
  - implementation of the delegation approved under the eighteenth resolution adopted by the General Meeting on June 17, 2011 (share capital reduction by cancellation of shares);
  - implementation of the delegation approved under the twenty-fourth resolution adopted by the General Meeting on June 1, 2011 (allocation of free shares);
  - review of the list of rules stipulated in Article L.225-39 of the French Commercial Code for the 2011 fiscal year;
  - recognition of share capital transactions (increase following requests for bond conversion and definitive allocation of free shares, share capital reduction by cancelling treasury shares);
  - renewal of the mandate of statutory and alternate auditors set to expire at the end of the annual Ordinary General Meeting.

Evaluation of the work of the Board of Directors

The Board of Directors evaluates its own operation on a regular basis. Once a year, it carries out a review of its work in accordance with Recommendation R15 of the Middlenext Code.

When the terms of office of two Board Members were renewed, the Board Members assessed the structure and operations of the Board. This led to the partial renewal of the Board and increased female representation with the acceptance of a new Director.

2.1.1.5 Board of Directors' specialized committees

The Company has had an Audit Committee since 2006. It had an Nomination and Remuneration Committee from 2006 to June 1, 2012. Its structure remains compliant with Recommendation R12 of the MiddleNext Code.

Audit Committee

On the date hereof, the Audit Committee is composed of:

- David Fitoussi, Chairman of the Committee since July 26, 2010, Non-Executive Director with accounting and financial expertise;
- Lilia Jolibois, Committee member since June 1, 2012, Non-Executive Director with accounting and financial expertise;

Jean-Pierre Mattei, Non-Executive Director, resigned from the Board and therefore from the Audit Committee on April 12, 2012. His term of office was set to expire at the end of the General Meeting of June 1, 2012.

<u>Main functions</u>

The Audit Committee assists the Board of Directors to ensure the accuracy and honesty of the individual company and consolidated financial statements of the Group, the quality of internal control, and the information issued to shareholders and the market.

The charter of the Audit Committee was approved by the Board of Directors on March 29, 2010. The Audit Committee has, in particular, the role of:

- ensuring that internal control and risk management systems are working properly;
- assessing the main risks to the Group on a regular basis with General Management, particularly by risk mapping;
- overseeing the selection and renewal of auditors, providing input on the fees requested by the auditors and submitting the results of its work to the Board of Directors;
- ensuring that Auditors' other roles are not likely to affect their independence;
- assessing the auditors' audit plan, their findings and recommendations;
- ensuring the relevance and continuity of accounting methods used to prepare the parent company and consolidated financial statements, assessing and evaluating the scope of consolidation and assessing and verifying the relevance of accounting rules applied to the Group, via meetings with General Management and the Auditors;
- examining the parent company and consolidated financial statements before they are presented to the Board of Directors; and
- monitoring and if necessary, overseeing the process for preparing financial information and communication.

The Audit Committee schedules its own meetings. However, an Audit Committee meeting may be called at the request of its Chairman, two of its members or the Chairman of the Board of Directors.

Work of the Audit Committee in 2012

The Audit Committee met twice in 2012. The auditors attended each meeting.

It was provided with the necessary accounting and financial documents, particularly for drawing up the annual financial statements and examining the half-yearly statements before the relevant meetings.

During the fiscal year, the Audit Committee mainly worked on the following subjects:

- reviewing consolidated and individual company financial statements for the fiscal year ending on December 31, 2011 and related reports,
- reviewing the half-yearly consolidated financial statements and the half-yearly financial report at June 30, 2012.

The Chairman of the Audit Committee provided the Board of Directors with a report of each committee meeting.

Outlook for 2013

In 2013, the Audit Committee will devote itself to:

- reviewing the risks and challenges of the activity in Italy;
- reviewing the activities of the environment division and the conditions for expansion into other areas;
- methods for optimizing business financing.

Appointments and Remuneration Committee

Created in 2006, the main functions of the Appointments and Remuneration Committee were to assess all potential appointments to the board and the independence of each director, and to provide recommendations on remuneration for members of the Board of Directors.

The Committee was abolished on June 1, 2012 by decision of the Board of Directors, due to the low number of Board Members (reduced to four). The elimination of this committee particularly encouraged discussions between Board Members by giving them access to an equal level of information.

2.1.1.6 Corporate officer remuneration principles

Remuneration for corporate officers is determined by the Board of Directors.

The remuneration and compensation amounts received by Company directors is outlined exhaustively in a consistent, legible and transparent manner with explanation of reasons in Paragraphs 2.3.1 (Remuneration of executive corporate officers of the Company and 2.3.2 (Remuneration of the non-executive corporate officers of the Company) hereof in accordance with Recommendations R2 and R3 of the MiddleNext Code.

Directors' fees

The General Meeting of June 1, 2012, voting under quorum and majority conditions for Ordinary General Meetings, after reviewing the report of the Board of Directors, allotted €250,000 in total annual directors' fees for members of the Board of Directors for fiscal year 2012 and future fiscal years until otherwise decided by the General Meeting.

Directors' fees are distributed between members of the Board of Directors according to their actual presence at meetings, as well as their work on committees and their involvement, in accordance with Recommendation R14 of the Middlenext Code.

During the meeting of June 25, 2012, the Board of Directors confirmed that directors' fees would be distributed between its members as follows:

- €30,000 (annually) to each non-executive director for their functions as Board Members (lowered to €22,500 if they are present for less than 75% of Board meetings);
- €15,000 for the Chairman of the Audit Committee;
- €11,250 for each member of the Audit Committee (lowered to €8,500 if they are present for less than 75% of Committee meetings).

The Board of Directors' meeting of June 25, 2012 also decided to allot an additional €24,000 in directors' fees to the Chairman of the Board of Directors for fiscal year 2012 as remuneration for his availability (based on two working meetings per month) in preparing Board of Directors' meetings.

It is restated that Fady Khallouf does not receive any directors' fees under his mandate as a Company director.

These principles were applied and resulted in a total gross amount of €156,000 in directors' fees distributed between the Directors of the Company for fiscal year 2012.

Remuneration of executive officers of the Company

The remuneration of the Chairman of the Board only includes directors' fees. The Chief Executive Officer receives fixed remuneration and variable performance-based remuneration determined according to the achievement of objectives defined by the Board of Directors.

The CEO also has an additional pension plan. The services are detailed in Paragraph 2.3.1.2 hereof. This practice complies with Recommendation R4 of the MiddleNext Code.

In accordance with the decision of the Board of Directors of December 1, 2010, a stock option plan was allocated to the CEO. The plan is detailed in Paragraph 2.3.1.3 of the 2011 Registration Document.

Based on the authorization granted by the General Meeting of shareholders of June 1, 2012 in its twenty-fourth resolution, the Board of Directors meeting of 10 December 2012 allotted 900,000 free performance shares to the CEO. The definitive acquisition of said shares is subject to conditions of presence and performance related to the achievement of operational, financial and stock market objectives for the fiscal years ending December 31, 2012 and December 31, 2013. The plan is detailed in Paragraphs 2.3.1.3 and 6.2.5.2. hereof.

2.1.1.7 Participation of shareholders in General Meetings

All shareholders, regardless of the number of shares owned, have the right to take part in General Meetings:

- by attending in person;
- by being represented by a person of their choice, as provided for in Article L.225-106 of the French Commercial Code by virtue of the Order of December 9, 2010; or
- by voting by correspondence.

To participate in the Meeting, shareholders must provide proof of their shareholding status by having shares registered in their name or in the name of the agent registered on their behalf by midnight Paris time three business days prior to the Meeting (hereafter “D-3”), in the registered share accounts or in the bearer share accounts held by authorized agents.

For registered shareholders, accounting registration at D-3 in the registered shares accounts is sufficient to enable them to take part in the Meeting.

For bearer shareholders, the authorized agents holding the bearer shares must directly prove the shareholder status of their clients to the centralizing bank appointed by the Shareholders' Meeting by providing a certificate of participation appended to the single postal voting form or via a proxy form or application for an admission card made out in the name of the shareholder or on behalf of the shareholder represented by the registered agent.

2.1.2 Internal control and risk management

The internal control process implemented within the Group by General Management since 2010 involves ongoing controls developed according to internal procedures by each functional or operational department. These controls entail constant reporting to General Management and related departments. The risks that are identified are brought to the attention of the Audit Committee while General Management coordinates in-house work required to rectify them.

At the request of the Chairman of the Board and the Chief Executive Officer, the Legal Department put together the documents concerning internal control and risk management procedures in place.

The internal control process implemented in the Group takes into account the input and recommendations of the AMF. This Report was written based on the implementation guidelines for small and medium caps in the internal control reference framework published by the AMF in February 2008. The Company has implemented that reference document since it was published.

Like all control systems, the Company's internal control system can only provide reasonable assurance and not an absolute guarantee of completely eliminating risks.

2.1.2.1 Definition of internal control and objectives

Internal control is an integral part of the Group's governance strategy. It is implemented to assist the Chairman and General Management in their reflection on risk management. The internal control procedures apply to all companies included in the scope of consolidation. These procedures are different in some fields, depending on whether the entity in question is located in France or in another country.

Internal control is a management lever for the Group which aims to ensure:

- compliance with laws and regulations;
- decision-making security within the Group;
- implementation of instructions and strategies set by General Management;
- proper operation of internal Company processes, particularly those meant to preserve its assets;
- management of all risks related to the Company's business, together with risks of errors and fraud;

- consistency between the actions and values of the Group;
- reliability of financial information; and
- in general, contribute to managing its activities, operational efficiency and the efficient use of its resources.

2.1.2.2 Internal control system

The internal control and risk management system is adapted to the characteristics of the Group. It includes an organizational framework that clearly defines the roles and responsibilities of all parties, an efficient risk management and in-house information management process.

An organizational framework that clearly defines the roles and responsibilities of all parties

The internal control and risk management organization implemented by General Management in 2010 has enabled the Company to pursue its efforts and effectively implement cross-cutting procedures to achieve more harmonized activities within the Group and obtain feedback from subsidiaries.

Internal control and risk management requires the participation of all players of the Group. Its major, internal and external entities include:

- the Board of Directors;
- the Audit Committee
- the Legal/Human Resources Department;
- the Project financing, cash and M&A department;
- Accounting/Consolidation;
- Management Control
- Project Control
- Investor Relations & Communication;
- Information systems;
- General Management of subsidiaries; and
- various accounting, tax or legal service providers.

Efficient risk management process

To ensure long-term development and achieve objectives, the Group works to anticipate and manage the risks that it may encounter in its activities.

The main risk factors are identified and analyzed herein (Refer to Section 4.4 “Main risk factors”) along with the strategies for better anticipating and managing them.

In principle, the Company's General Management, working closely with the Audit Committee, defines significant risks and action is taken by the various Company divisions and departments.

The risk identification and evaluation process was continued in 2012. Risk identification is part of an ongoing process that covers risks that can have serious implications on the financial and operational situation of the Group.

Management of internal communication

Internally, relevant information must be identified, compiled and communicated in a form and time period that enables all parties to manage and control the operations for which they are responsible.

The Board of Directors and Audit Committee thus receive formal reports focused on decision-making and actions to be carried out in order to ensure that relevant information is shared with all Company employees.

Meetings are organized between General Management, Company departments and General Management of each subsidiary according to the priorities of the Group while trying to take into account availabilities.

Periodic meetings are organized with all head office employees and General Management in order to present the main actions being carried out and the challenges for the period ahead.

Periodic meetings are also organized with the employees of the Group's main subsidiaries and General Management.

2.1.2.3 Internal control procedures of the Group

Throughout 2012, the Group continued its efforts to improve its internal control procedures with respect to compiling and processing accounting and financial information, information reporting and harmonization of practices within the Group.

Compiling and processing accounting and financial information

The Group's accounting and financial information is compiled and processed in accordance with procedures for year-end closing of accounts and consolidation, cash flow monitoring, financial communication and the verification of compliance with laws and regulations in force.

<u>Year-end closing of accounts and consolidation</u>

Accounting for subsidiaries of the Group is carried out under the responsibility of subsidiary managers. Reporting packages are submitted to the holding and verified by the consolidation team under the responsibility of the Group Financial Director (position currently held by the Chief Executive Officer of the Company).

When the consolidated financial statements are drawn up, validation procedures apply to each stage of the information processing and reporting process. Prepared on a half-yearly basis, their purpose is to verify the following in particular:

- the correct adjustment and elimination of internal transactions;
- the verification of consolidation operations;
- proper compliance with standards; and
- the quality and homogeneity of consolidated accounting and financial data and, in particular, consistency between accounting data and management data.

To draw up the financial statements, the Group was assisted by experts from different fields, and particularly with respect to compliance with IFRS standards on financial consolidation.

The reporting and consolidation tool used by all entities ensures data consistency and reliability via blocking controls, before it is reported to the Group.

The consolidation procedure manual is revised and updated on a regular basis. It covers accounting principles to be implemented, standards in force and use procedures for IT tools.

Finance managers and employees of the main subsidiaries were once again targeted for training and awareness raising in 2012 to further their knowledge of the Group's accounting principles and accounting information systems and improve the quality of information reporting.

Since the 2011 fiscal year, the managers of the main subsidiaries are required to write up and sign an intra-group letter of representation in which they confirm, in particular, that submitted financial statements comply with the Group's accounting principles.

Furthermore, the Company has stressed the importance that each subsidiary prepare monthly reporting of their income statement in accordance with IFRS standards, to be submitted by country directly to the parent company. In addition to providing information reporting for Group management purposes, this approach allows more effective year-end closing procedures to be implemented to produce reliable financial information.

The Group has a body of mandatory accounting and management rules and methods that must be implemented by all consolidated subsidiaries. Consolidation instructions are communicated to subsidiaries for each year-end closing of accounts. These instructions include a schedule for year-end closing of accounts, the team in charge, the consolidation scope, Group accounting principles from the appendix and the content of the package. Meetings are held with finance teams to check that they have been understood properly.

During fiscal year 2012, finance teams continued to document accounting (parent company accounts) and consolidated procedures yet to be formally defined. The focus was to create a harmonized approach between the holding and main subsidiaries and a cross-cutting approach between departments.

As from the 2012 annual year-end closing of accounts, off-balance sheet commitments to be published in the annual financial statements (parent company and consolidated) will now be collected via a consolidation information system. This will ensure that data collected from all the subsidiaries of the Group is consistent and more comprehensive.

Accounting standards set out the principles required to process transactions in the same way. They particularly stipulate the methods used to list and value off-balance-sheet commitments. They comply with IFRS standards, used as the reference for consolidated accounts since 2005. The Finance Department of the Group continues its work to remain informed of new IFRS standards being prepared in order to better report and anticipate their impacts on the financial statements of the Group.

At the end of fiscal year 2012, the Group began mapping out fiscal risks and implementing periodic financial reporting.

The Project Financing, M&A and Cash Department is responsible for processing and centralizing cash flow, and covering interest rate risks, which ensures that an inventory and accounting of commitments are kept (Refer to Paragraph 4.4.1.1 hereof).

Investment plans are endorsed by the Chief Executive Officer and validated by the Board of Directors. Any changes to projections are subject to specific prior authorization.

Accounting and financial documents prepared by consolidated subsidiaries must at least be briefly examined at the half-yearly closing of accounts and audited at the annual year-end closing of accounts by the Auditors. This work also includes validating the switching of financial statements between local accounting principles and IFRS standards.

In accordance with statutory provisions, the Company has a team of two Auditors that also rely on the validation of accounting information, including consolidation adjustments made by their network of local auditors working with the various subsidiaries.

As part of their role, Auditors ensure that the annual financial statements are accurate and true with respect to accounting rules and principles, and that they give a faithful representation of the transactions of the last fiscal year and the financial situation and assets and liabilities at the end of the fiscal year.

At each year-end closing of accounts, a file is prepared for each of the subsidiaries (individual company financial statements) and for the holding (parent company and consolidated financial statements).

Cash management

Since 2010, the Audit Committee and General Management of the Group have been working to define and implement measures to improve the process for preparing the Group's forecasts and cash flow statements, and to validate and make cash flow information more reliable.

Financial flows are controlled via specific corporate procedures. Investment, borrowing and hedging transactions are centralized and controlled by the Cash Flow Department along with the management of subsidiary bank accounts.

In 2012, new cash flow tools that meet new European SEPA regulations were introduced within the Group.

Financial communication

As a listed company, the Company must comply with AMF legislation and requirements concerning the publication of financial information. In particular, pursuant to laws and regulations, the Company publishes:

- periodic information on a consistent basis: quarterly turnover, annual financial report and half-yearly financial report;
- a Registration Document; and
- press releases for events considered to be significant and/or that may considerably influence the stock market price, reflecting the development of the Company's business and strategy.

The Company also presents the results of the Group twice annually under the aegis of the French Society of Financial Analysts (SFAF - *Société française des analystes financiers*) and organizes its annual Ordinary General Meeting.

Financial information is compiled, validated and published according to a structured process:

- the Financial Communication Department is the only department authorized to compile and publish financial information for external consumption;
- the Accounting/Consolidation Department is the sole source of financial information. Other data and information (in particular, operational data and information), is submitted to the Financial Communication Department by different services identified in the Group;
- all financial information to be published is documented internally;
- all financial information to be published is checked and validated before publication. The validation process includes the Accounting/Consolidation Department, the Auditors and General Management.

The Group's Registration Document has been submitted to the AMF in accordance with its General Regulations after having been checked by the Auditors.

Information systems ensure the reliability of financial and accounting information and must particularly include necessary securities to preserve the reliability of operational, financial or regulatory data.

Compliance with laws and regulations

As a listed company, the Company is subject to regulations in force that apply to all companies, as well as legal and regulatory provisions that specifically apply to listed companies (notably AMF General Regulations).

Other intra-group practices implemented for internal control

Furthermore, during fiscal year 2012, in order to better anticipate and manage the risks that it may face, the Group improved the procedures that it began to implement over the two previous fiscal years for information reporting and intra-group harmonization practices overseen by each department and Company management.

Legal Department

Since 2010, the Group has implemented various reporting procedures (disputes, legal scope, corporate officers, off-balance sheet commitments) to harmonize some of its practices in order to manage legal risks and ensure that its entities comply with various applicable laws and regulations.

In 2012, in collaboration with the Accounting/Consolidation Department, a new and more efficient system for managing off-balance sheet commitments and a specific procedure were implemented to ensure that data collected from all the subsidiaries of the Group is consistent and exhaustive. In addition, the Legal Department set up a database of common standard contracts and agreements to be used within the Group, such as service or confidentiality agreements.

Internal Control

General Management, in close collaboration with the Company Audit Committee, is responsible for ensuring that each department, the Operational Division of the Company and the General Management of subsidiaries comply with internal control rules and procedures.

Since 2010, enhanced information reporting procedures and the harmonization of practices within the main subsidiaries of the Group have led to the identification of areas for improvement and better internal control that include:

- regular risk monitoring in all fields of activity
- ongoing securing of the projects portfolio and project monitoring;
- implementation of internal control in all subsidiaries of the Group; and
- securing and archiving professional documents.

Furthermore, the ongoing management of internal control by General Management helps encourage and monitor the internal control system in order to better adapt it to the situation and activity of the Group.

General Management is responsible for reporting internal control information to the Board of Directors and the Audit Committee. The Board of Directors and Audit Committee may carry out verifications that they deem necessary or take any other measures that they consider to be appropriate in order to manage any dysfunctions.

Over the course of the current fiscal year, General Management and the Audit Committee will continue to improve risk management and strengthen cross-cutting approaches within the Group so that the technical expertise of each subsidiary is efficiently shared with the entire Group.

Changes to the political, economic and financial frameworks of Italy and particularly regulatory and economic frameworks in the renewable energy sector in the country has led to the implementation of specific management of the Italian subsidiary's activity. The move by authorities to lower rate incentives penalizes the Company and the historic investments it made in Italy in 2007, 2008 and 2009. The new organization implemented to manage activities will help minimize risks for the Company.

Human Resources

The quality and skills of the Group's employees are key elements of the internal control system. Since 2010, the Group's Human Resources policy has focused on improving the recruitment process, the implementation of a career development system in addition to the annual performance evaluation system for each employee of the holding and the French subsidiary, and investment in training.

In 2012, a new reporting tool was introduced into the Group, not just to help perform legal obligations related to the Company's social and environmental responsibility, but also to improve corporate information communication.

Project Control

Furthermore, as part of securing its project portfolio, the Company implemented:

- monthly reporting of its wind power portfolio to constantly update risk levels used to determine accounting reserves and write-downs to be made; and
- periodic reviews of projects with development managers to exchange information on the budget status, to validate projects for development and create development outlooks and main strategy directions.

Management Control

The Group's Management Control plays an important role in the process that monitors and controls the performance of subsidiaries. It coordinates the preparation of annual budgets and meticulously controls outputs and estimates. This work is based on specific rules for reporting and budget preparation such as:

- the control of key operational data by combining the use of technical tools for reporting purposes;
- better budget planning via the implementation of a standardized calculation model so that local staff resources can use a common tool for financial forecasting;
- improved monthly budget reporting/re-forecasting for more qualitative and in-depth analyses for almost all income statements of companies in the Group; and
- vertical integration of management control in the Group.

Information systems;

In accordance with the IT policy implemented since 2010, which set out to improve and harmonize measures related to the use of information systems and network access conditions, protecting the data linked to various systems used by the Group remains one of the priorities of the IT Department. Therefore, in order to ensure IT security, the data back-up system was entirely revamped. The back-up software initially installed, as well as physical devices were replaced with more recent versions that provide much greater storage capacities and better recovery granularity.

To increase the MTTR (mean time to recover), critical servers were made virtual and integrated within a server farm. The architecture was also equipped with several redundant systems: servers, power supplies, switches, disks and databases.

The implementation of all these tools secures information systems security and protects the Group’s value production.

2.2 REPORT OF THE STATUTORY AUDITORS ON THE REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

To the Shareholders,

In our capacity as Statutory Auditors of THEOLIA and in accordance with Article L.225-235 of French company law (Code de commerce), we hereby report on the report prepared by the Chairman of your company in accordance with article L.225-37 of French company law (Code de commerce) for the year ended December 31, 2012.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by article L.225-37 of French company law (Code de commerce), particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- to attest that this report contains the other disclosures required by article L.225-37 of French company law (Code de commerce), it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board in accordance with article L.225-37 of French company law (Code de commerce).

Other disclosures

We hereby attest that the Chairman’s report includes the other disclosures required by Article L.225-37 of French company law (Code de commerce).

In Paris and Marseilles, on April 18, 2013

The Statutory Auditors

CABINET DIDIER KLING & ASSOCIES		DELOITTE & ASSOCIES
Christophe Bonte	Didier KLING	Christophe Perrau

2.3 INTERESTS AND COMPENSATION OF THE COMPANY'S CORPORATE OFFICERS

The Company's corporate officers' compensation is set by the Board of Directors.

2.3.1 Compensation of the Company's executive corporate officers

The following tables are prepared in accordance with the MiddleNext Code of Corporate Governance. They exhaustively detail the Chairman's and the CEO's total gross amounts of compensation and benefits in kind, options and performance shares granted by the Company and its subsidiaries for fiscal years 2011 and 2012 in a reasoned, consistent, readable and transparent manner.

The amounts are expressed in thousand euros, on a gross basis before tax.

2.3.1.1 Summary table of compensation, options and shares granted to each executive corporate officer

Chairman of the Board of Directors

Michel Meeus, Chairman since July 26, 2010	FY 2011	FY 2012
Compensation owed for the year (see details in Section 2.3.1.2)	67 (1)	59
Valuation of options allocated during the year (see details in Section 2.3.1.3)	-	-
Valuation of performance shares granted during the year (see details in Section 2.3.1.3)	-	-
TOTAL	67 (1)	59

(1) *Information amended compared to the 2011 Registration Document, further to the allotment of an additional 25 thousand euros in Directors' fees, which was decided by the Board of Directors during its meeting dated March 28, 2012.*

Chief Executive Officer

Fady Khallouf, CEO since May 20, 2010	FY 2011	FY 2012
Compensation owed for the year (see details in Section 2.3.1.2)	471	464
Valuation of options allocated during the year (see details in Section 2.3.1.3)	-	-
Valuation of performance shares allocated during the year (see details in Section 2.3.1.3)	-	246 (1)
TOTAL	471	710

(1) *Theoretical value of the 900,000 free shares granted, subject to attendance and performance conditions, by the Board of Directors during its meeting dated December 10, 2012. This amount does not correspond to an actual compensation.*

It is noted that the valuation of options (stock options) and performance shares (free shares) allocated during the relevant year do not constitute cash compensation and have no impact on the Group's cash flow, with the exception of the employer contributions applicable when free shares or options to subscribe for shares (stock options) are allocated.

2.3.1.2 Summary table of compensation of each executive corporate officer

Chairman of the Board of Directors

Michel Meeus	Amounts related to the relevant fiscal year		Amounts paid during the relevant fiscal year	
Chairman since July 26, 2010	2011	2012	2011	2012
Fixed compensation	-	-	-	-
Variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees (1)	67 (2)	59	42	81
Benefits in kind	-	-	-	-
TOTAL	67 (2)	59	42	81

(1) *Directors' fees are paid quarterly. The 4th quarter N is paid during N+1.*

(2) *Information amended compared to the 2011 Registration Document, further to the allotment of an additional 25 thousand euros in Directors' fees, which was decided by the Board of Directors during its meeting dated March 28, 2012 and paid in 2012.*

Compensation of the Chairman of the Board of Directors only includes Directors' fees.

The method of calculation of the Directors' fees due to the Chairman of the Board of Directors can be found in the Report of the Chairman of the Board on corporate governance, internal control procedures and risk management (see Section 2.1 hereof).

It is reminded that Michel Meeus was Chairman of the Nomination and Remuneration Committee until June 1, 2012.

Moreover, the Board of Directors dated June 25, 2012 decided to grant, as for fiscal year 2012, additional Directors' fees amounting to 24,000 euros to the Chairman of the Board of Directors as a compensation for his availability (based on two work meetings per month), in the scope of preparing the Board of Directors' meetings.

Chief Executive Officer

Fady Khallouf	Amounts related to the relevant fiscal year		Amounts paid during the relevant fiscal year	
CEO since May 20, 2010	2011	2012	2011	2012
Fixed compensation (1)	300	300	300	300
Variable compensation (2)	150 (3)	150 (3)	-	150 (4)
Exceptional compensation	-	-	-	-
Directors' fees	16 (5)	-	-	16
Benefits in kind	3	14 (6)	3	14 (6)
Profit-sharing bonus (7)	2	-	1	2
TOTAL	471	464	304	482

(1) *Fixed compensation of the CEO relating to year N is paid during fiscal year N.*

(2) *The amount of the variable compensation allocated to the CEO relating to year N is set and paid during year N+1.*

(3) *Amount provisioned in the corporate and consolidated financial statements at December 31, N, representing the threshold of the annual variable compensation of the CEO.* The amount of Fady Khallouf's variable compensation for fiscal year 2011 was set to 150,000 euros by the Board of Directors during its meeting dated March 28, 2012.

(4) *Amount set by the Board of Directors during its meeting dated March 28, 2012.*

(5) *Gross amount of Directors' fees due as for his mandate as a member of ecolutions GmbH & Co. KGaA's (THEOLIA's subsidiary) Supervisory Board for fiscal year 2011 and paid in 2012.*

(6) *Of which 11 thousand euros as per the senior executive insurance policy contracted by the Company (unemployment insurance).*

(7) *The profit-sharing bonus relating to year N is calculated in June N+1 and paid during year N+1.*

The CEO's compensation includes a fixed part and a variable part, capped at 50% of the gross annual fixed compensation. The amount of the variable compensation is calculated based on the results obtained from the targets set by the Board of Directors for the period from January 1 to December 31 of the ongoing fiscal year. These targets are quality-oriented, related to the Company's performance. More specifically, they address strategy consolidation and the overall improvement of the Company's fundamentals, including continuation of the Group's restructuring and cost reduction at each subsidiary's level.

The CEO does not receive any Directors' fees in his capacity as Director of the Company.

The Company contracted a private unemployment insurance with the French association for senior executive insurance policy (GSC), enabling the CEO to benefit from allowances in case of a loss of his professional activity. That insurance became effective after a period of 12 months of continuous membership, i.e. as of April 1, 2012. Allowances would be paid as from the thirty-first continuous day of unemployment and the allowance time would be 12 months. Contributions paid by the Company are reintegrated in Fady Khallouf's compensation as per benefits in kind. This decision was approved by the General Meeting of Shareholders dated June 1, 2012, in the framework of the procedure for regulated agreements.

2.3.1.3 Detail of the other allocations

Stock options

During fiscal year 2012, no stock option was granted by the Company to the executive corporate officers.

Performance shares

Based on the approval of the twenty-fourth resolution of the General Meeting of Shareholders dated June 1, 2012, the Board of Directors' Meeting dated December 10, 2012 granted 900,000 free performance shares to Fady Khallouf, in his capacity as CEO.

Final acquisition of these shares is subject to attendance and performance conditions. Performance conditions are related to the achievement of operational, financial and stock performance targets, as regards the fiscal years closed on December 31, 2012 and December 31, 2013. These conditions will be deemed automatically and fully met in the event of the occurrence of an operation leading to a change in control under the conditions of Article L.233-3 of the French Commercial Code, in case this operation is not approved by the Company's Board of Directors.

Shares will be irrevocably granted following the approval, by the Board of Directors, of the attendance and performance criteria, further to a two-year acquisition period, i.e. as from December 10, 2014.

Shares will be freely available further to a two-year holding period, i.e. as from December 10, 2016. However, Fady Khallouf will be required to retain 30% of the effectively acquired performance shares in registered form until the end of his employment or office.

The valuation method used is based on the weighting of probabilities to reach the performance targets. Share valuation according to the method used for consolidated financial statements amounts to 246 thousand euros. This amount corresponds to the theoretical value of shares at the grant date and is not the compensation which is actually paid. The corresponding expense will be registered in the Group's consolidated financial statements on a prorata basis over the acquisition period of the rights, i.e. two years as from December 10, 2012.

2.3.1.4 Additional information

	Employment contract	Supplemental pension plan	Compensation or benefits that are or may be due to a termination or change of position	Compensation pertaining to a non-compete clause
Michel Meeus, Chairman since July 26, 2010	No	No	No	No
Fady Khallouf, CEO since May 20, 2010	No	Yes (1)	No (2)	Yes (3)

(1) *Fady Khallouf benefits from mandatory supplemental pension and provident plans in force within the Company.*

(2) *Fady Khallouf benefits from a senior executive insurance policy subscribed by the Company. See section 2.3.1.2 hereabove.*

(3) *The compensation due under the non-compete clause stipulated between the Company and Fady Khallouf equals to 24 months of gross compensation (fixed and variable). This compensation shall be refunded by Fady Khallouf if it is found by the final and un-appealable decision of a court of law that he has committed serious misconduct.*

The Group has not made any commitment to its officers relating to indemnities or benefits due or that may potentially become due as a result of their termination or a change in their duties or subsequent thereto.

2.3.2 Compensation of the Company's non-executive corporate officers

The Company's non-executive corporate officers' compensation only involves Directors' fees.

The calculation method of directors' fees due to the Company's non-executive corporate officers can be found in the Report of the Chairman of the Board on corporate governance, internal control procedures and risk management (see Section 2.1 hereof).

The distribution of directors' fees among the Board members is based on their effective attendance to Board meetings, their work on the Committees and their involvement in the Company.

(in thousand euros)		Fixed compensation	Variable compensation	Exceptional compensation	Benefits in-kind	Directors' fees	Total
David Fitoussi Director since July 26, 2010 Chairman of the Audit Committee since July 26, 2010	2011	-	-	-	-	45	45
	2012	-	-	-	-	45	45
Georgius Hersbach Director until June 1, 2012 Member of the Nomination and Remuneration Committee until June 1, 2012	2011	-	-	-	-	50 (1)	50
	2012	-	-	-	-	16	16
Lilia Jolibois Director since June 1, 2012 Member of the Audit Committee since June 1, 2012	2011	-	-	-	-	n/a	n/a
	2012	-	-	-	-	24	24
Jean-Pierre Mattei Director until April 12, 2012 Member of the Audit Committee until April 12, 2012	2011	-	-	-	-	41	41
	2012	-	-	-	-	12	12

(1) *Of which a gross amount of 11 thousand euros due as per his mandate as member of the Supervisory Board of ecolutions GmbH & Co. KGaA for fiscal year 2011 and paid in 2012.*

The General meeting dated June 1, 2012 set to 250 thousand euros the global annual amount to be distributed between the members of the Board of Directors in Directors' fees for fiscal year 2012 and the following fiscal years, unless a new decision is made during the General Meeting of Shareholders.

As per fiscal year 2012, the total amount of Directors' fees distributed among the Company's Directors is 97 thousand euros for the Company's non-executive corporate officers and 59 thousand euros for the Chairman of the Board of Directors, i.e. a total amount of 156 thousand euros.

The Company did not award any stock warrants, stock options or free shares to the non-executive corporate officers during fiscal year 2012.

2.3.3 Directors' fees and exceptional compensation granted to the Company's corporate officers as per their mandate as Director during the last four fiscal years

(in thousand euros)		2009	2010	2011	2012
Directors' fees due for the fiscal year	Executive corporate officers	97	160	67	59
	Non-executive corporate officers	304	232	143	97
	TOTAL	401	392	210	156
Exceptional compensation due for the fiscal year	Executive corporate officers	-	-	-	-
	Non-executive corporate officers	-	470	-	-
	TOTAL	-	470	-	-
TOTAL	Executive corporate officers	97	160	67	59
	Non-executive corporate officers	304	702	143	97
	TOTAL	401	862	210	156

2.3.4 Participation of the Company's corporate officers in the share capital

At December 31, 2012	Number of shares	% of share capital	% of voting rights
David Fitoussi	0	-	-
Fady Khallouf	150,000	0.23%	0.22%
Lilia Jolibois	0	-	-
Michel Meeus	3,622,081	5.58%	6.38%

Pursuant to the principle of profit-sharing related to the creation of value for shareholders, Fady Khallouf was granted stock options in 2010 and free shares in 2012 under the following conditions:

- based on the approval by the General Meeting of Shareholders dated May 30, 2008 in its twenty-first resolution, the Board of Directors' meeting dated December 1, 2010 granted 1,500,000 stock options to Fady Khallouf in his capacity as CEO, subject to conditions of stock performance (for more information on the conditions related to this allowance, refer to section 2.3.1.3 of THEOLIA's 2011 Registration Document, filed with the French Financial Markets Authority ("AMF") on April 27, 2012, available on the Company's Website); and
- based on the approval by the General Meeting of Shareholders dated June 1, 2012 it its twenty-fourth resolution, the Board of Directors' meeting dated December 10, 2012 granted 900,000 free performance shares to Fady Khallouf in his capacity as CEO, subject to attendance and performance conditions (see section 2.3.1.3 hereabove).

Further to the Company's share consolidation plan implemented on July 20, 2012, the 1,500,000 stock options granted to Fady Khallouf shall only result in the creation of a maximum number of 750,000 shares.

2.3.5 Transactions performed by the Company's corporate officers on THEOLIA's securities during fiscal year 2012

Fady Khallouf, CEO, declared to the French Financial Markets Authority ("AMF"), the purchase of 60,000 securities on June 29, 2012 (before the share consolidation plan, which was implemented on July 20, 2012 at a ratio of two old shares becoming one new share). This purchase made Fady Khallouf's total number of shares reach 300,000 securities before the share consolidation plan, which was implemented on July 20, 2012 at a ratio of two old shares becoming one new share.

Since the share consolidation plan, which was implemented on July 20, 2012, Fady Khallouf is holding 150,000 THEOLIA shares (see section 2.3.4 hereabove).

2.4 OFFICES AND FUNCTIONS OF THE COMPANY'S CORPORATE OFFICERS

According to the information provided to the Company by its corporate officers, the latter hold or have held the following offices and functions:

2.4.1 Chief Executive Officer

FADY KHALLOUF

Initial date of appointment: General meeting of March 19, 2010

Expiration of term: General meeting convened to approve the financial statements for the fiscal year ending December 31, 2012

52 years old

75, rue Denis Papin – BP 80199

13795 Aix-en-Provence Cedex 3, France

Offices held within the Company

- Director of THEOLIA
- CEO of THEOLIA

*Main positions held within companies controlled** by THEOLIA*

- Geschäftsführer of THEOLIA Naturenergien GmbH (1)
- Geschäftsführer of THEOLIA Holding GmbH (1)
- Legal representative of THEOLIA, Chairman of THEOLIA France SAS
- Chairman and CEO of La Compagnie Éolienne du Détroit SA (1)
- Chairman and director of Maestrale Green Energy Srl (1)
- Chairman and director of THEOLIA Utilities Investment Company SA (1)
- Co-Manager of THEOLIA Management Company Sàrl (1)
- Geschäftsführer of Breeze Two GmbH (1) (2)
- Co-Manager of BGE Investment Sàrl (1)
- Co-Manager of BGE Management Sàrl (1)
- Chairman and CEO of Therbio SA
- Permanent representative of THEOLIA, Director of Corséol SA
- Permanent representative of Therbio SA, Director of Ecoval 30 SA
- Chairman and CEO of THEOLIA Emerging Markets SA (1)

Main positions held outside the Group

- None

Main positions previously held outside the Group over the past five years

- None

(1) *Foreign company.*
(2) *Appointment on January 31, 2013.*
** *Pursuant to Article L.233-16 of the French Commercial Code.*

2.4.2 Members of the Board of Directors

DAVID FITOUSSI *

Initial date of appointment: Board of Directors' meeting of July 26, 2010 – ratification by the general meeting of December 17, 2010

Renewal: General Meeting dated June 1, 2012

Expiration of term: general meeting convened to approve the financial statements for the fiscal year ended December 31, 2014

31 years old

75, rue Denis Papin – BP 80199

13795 Aix-en-Provence Cedex 3, France

Main positions held within the Group

- Director of THEOLIA
- Chairman of the Audit Committee of THEOLIA

Main positions held outside the Group

- Manager of Christofferson Robb & Company LLP (1)
- Portfolio Manager of CRC Active Value Fund (1)

Main positions previously held outside the Group over the past five years

- None

* *Independent Director.*
(1) *Foreign company.*

LILIA JOLIBOIS *

Initial date of appointment: General Meeting dated June 1, 2012

Expiration of term: general meeting convened to approve the financial statements for the fiscal year ended December 31, 2014

48 years old

75, rue Denis Papin – BP 80199

13795 Aix-en-Provence Cedex 3, France

Main positions held within the Group

- Director of THEOLIA
- Member of the Audit Committee of THEOLIA

Main positions held outside the Group

- Senior Vice-President Marketing & Sales for the Aggregates' activity of the Lafarge Group

Main positions previously held outside the Group over the past five years

- None

* *Independent Director.*

FADY KHALLOUF

- See section 2.4.1 hereabove.

MICHEL MEEUS

Initial date of appointment: General Meeting dated March 19, 2010

Expiration of term: general meeting convened to approve the financial statements for the fiscal year ended December 31, 2012

60 years old

75, rue Denis Papin – BP 80199

13795 Aix-en-Provence Cedex 3, France

Main positions held within the Group

- Chairman of the Board of Directors of THEOLIA
- Director of THEOLIA
- Chairman of the Nomination and Remuneration Committee of THEOLIA (2)

Main positions held outside the Group

- Director of Alcofinance SA (1)
- Director of Alcogroup SA (1)
- Deputy Director of Alcodis SA (1)

Main positions previously held outside the Group over the past five years

- Director of Alcofina SAM (1)
- Director of S.A.D. SA

(1) *Foreign company.*
(2) *Position which expired on June 1, 2012 further to the decision by the Board of Directors to abolish the Nomination and Remuneration Committee.*

The following table lists the positions held over the last five years by directors of the Company who were appointed as corporate officers during fiscal year 2012, but who were no longer in office when this Registration Document was published.

GEORGIUS J.M. HERSBACH

Initial date of appointment: General Meeting dated April 14, 2006 Expiration of term: June 1, 2012 60 years old Nieuw Loosdrechtsedijk 227 1231 KV Loosdrecht The Netherlands	*Main positions held within the Group which expired on June 1, 2012* • Director of THEOLIA • Member of the Nomination and Remuneration Committee of THEOLIA *Main positions held outside the Group* • Chairman and CEO of Heartstream Group B.V. (1) • Chairman and CEO of Heartstream Corporate Finance B.V. (1) • Chairman and CEO of Heartstream Capital B.V. (1) • Director of NovaRay Medical, Inc. (1) • Member of the Supervisory Board of NanoCorp B.V. (1) • Member of the Supervisory Board of Gilbert Technologies B.V. (1) • Member of the Strategic Committee of UE CIP *Main positions previously held outside the Group over the past five years* • Vice-Chairman of the Supervisory Board of Global Interface SA

(1) *Foreign company.*

JEAN-PIERRE MATTEI *

Initial date of appointment: Board of Directors' meeting dated September 22, 2009 - Ratification by the General Meeting dated March 19, 2010 Resignation date of his position as Director: April 12, 2012 63 years old 9 rue de la Paix 75002 Paris, France	*Main positions held within the Group which expired on April 12, 2012* • Director of THEOLIA • Vice-Chairman of the Board of Directors of THEOLIA • Member of the Audit Committee of THEOLIA *Main positions held outside the Group* • Member of the Paris Bar • Director of Groupe Floirat SA • Director of Petites Affiches SA • Director of La Gazette du Palais *Main positions previously held outside the Group over the past five years* • Director of Banque Palatine • Director of Eurotunnel Group • Chairman of SAS Fimopar (Financière Immobilière Participations)

* *Independent Director.*

2.5 TRANSACTIONS WITH RELATED PARTIES

2.5.1 Transactions carried out with related parties

Transactions with related parties are specified in note 28 of the notes to the consolidated financial statements at December 31, 2012 (see Section 5.1.6 hereof).

Significant transactions that took place between the Company and related parties during fiscal year 2012, or which continued during 2012, and effective at December 31, 2012, involve, except for intra-group transactions, the following transactions:

Parties • THEOLIA and Fady Khallouf, director and CEO of the Company *Agreement type* • Non-compete clause, supplemental pension and unemployment insurance in his capacity as CEO (*)	*Date* • June 15, 2010 *Financial Compensation* • Benefit of supplemental pension and mandatory provident plans in force within the Company, an unemployment insurance mechanism subscribed by the Group without special terms, and compensation due under the non-compete clause (24 months of gross fixed and variable compensation). *Duration / Term* • In progress

(*) Information on the CEO's compensation is specified in section 2.3.1.2 hereof.

Parties THEOLIA, IWB Renewable Power AG and Badenova Beteiligungs GmbH (*) *Agreement type* Shareholders' agreement in the framework of the implementation of a cross-border partnership in wind energy and the creation of THEOLIA Utilities Investment Company, an investment vehicle incorporated under Luxembourg law.	*Date* • October 21, 2011, amended on December 12, 2012 *Financial Compensation* • THEOLIA holds 40% of THEOLIA Utilities Investment Company's share capital. *Duration / Term* • In progress

(*) On December 12, 2012, Badenova AG & Co. transferred its rights and obligations related to the implementation of the aforementioned shareholders' agreement to its subsidiary, Badenova Beteiligungs GmbH, with the sale of the ownership interest it held in THEOLIA Utilities Investment Company's share capital.

2.5.2 Statutory Auditors' special report on regulated agreements and commitments

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.

I AGREEMENTS AND COMMITMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

Agreements and commitments authorized during the year

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

Shareholder loan granted to THEOLIA Utilities Investment Company on 12 July 2012

Person concerned: Mr. Fady Khallouf, acting in his capacity as (i) Chief Executive Officer and director of THEOLIA and (ii) Class A director of THEOLIA Utilities Investment Company.

Board of Directors' authorisation date: July 2, 2012

Loan signing date: July 12, 2012

Loan expiry: shareholder loan with an indefinite term, the impact of which ended following the signature of the Framework Shareholder Loan Agreement (see b) below).

Loan type, purpose and terms and conditions: shareholder loan in the amount of €3,148,000 granted pursuant to the agreements signed on October 21, 2011, by the shareholders of THEOLIA Utilities Investment Company, which is 40% owned by THEOLIA. This loan bears interest at 3-month Euribor, plus 150 bps.

In respect of fiscal 2012, interest income of €24,184 was generated.

Framework Shareholder Loan Agreement entered into with THEOLIA Utilities Investment Company

Person concerned: Mr. Fady Khallouf, acting in his capacity as (i) Chief Executive Officer and director of THEOLIA and (ii) Class A director of THEOLIA Utilities Investment Company.

Board of Directors' authorization date: December 10, 2012

Agreement signing date: December 12, 2012

Framework Shareholder Loan Agreement expiry: this loan agreement was concluded for an indefinite term, and provides for a first demand total or partial repayment and the option to convert the loans into capital.

Loan type, purpose and terms and conditions: the purpose of the framework agreement is to provide THEOLIA Utilities Investment Company with sufficient funds so that it can continue to purchase wind farms, in line with the share of capital held (40% for THEOLIA) by each shareholder.

Accordingly, THEOLIA subscribed to a share capital increase through a debt conversion of €1,000,000.

A shareholder loan was granted by the shareholders of THEOLIA Utilities Investment Company, with the contribution of THEOLIA amounting to €4,358,160. This loan replaces the aforementioned loan.

This loan bears interest at an annual rate of 7%.

In respect of fiscal 2012, interest income of €16,948 was generated.

II AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

Agreements and commitments authorized during prior years

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.

Shareholder loan granted to THEOLIA Utilities Investment Company on December 22, 2011, modified by amendment no. 1 of March 12, 2012

Person concerned: Mr. Fady Khallouf, acting in his capacity as (i) Chief Executive Officer and director of THEOLIA and (ii) Class A director of THEOLIA Utilities Investment Company.

Authorisation date: approval by the Combined Shareholders' Meeting of June 1, 2012.

Loan signing date: October 21, 2011.

Loan expiry: shareholder loan with an indefinite term for which the increase in the loan amount required the signature of a new agreement (see I. a).

Loan type, purpose and terms and conditions: loan in the amount of €2,140,000 granted by the shareholders of THEOLIA Utilities Investment Company, including the 40% contribution of THEOLIA. This loan bears interest at 3-month Euribor, plus 150 bps.

In respect of fiscal 2012, interest income of €45,975 was generated.

Debt waiver commitment for THEOLIA Utilities Investment Company

Person concerned: Mr. Fady Khallouf, acting in his capacity as (i) Chief Executive Officer and director of THEOLIA and (ii) Class A director of THEOLIA Utilities Investment Company.

Authorisation date: approval by the Combined Shareholders' Meeting of June 1, 2012.

Commitment date: March 12, 2012.

Type, purpose and terms and conditions: in connection with shareholder loan granted to THEOLIA Utilities Investment Company on December 22, 2011, the shareholders pledged to jointly and severally waive their debts with the company insofar as the latter would be unable to repay said loan.

In respect of fiscal 2012, this commitment was not fulfilled, and has thus become null and void.

Non-compete indemnity, supplementary pension and unemployment insurance for the Chief Executive Officer

Person concerned: Mr. Fady Khallouf, Chief Executive Officer of THEOLIA and director of THEOLIA.

Board of Directors' authorisation date: 15 June 2010.

Contract conclusion date: 7 May 2010 with retroactive effect to 15 April 2010.

Contract type, purpose and terms and conditions: Mr. Fady Khallouf benefits from the supplementary pension schemes and mandatory 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. 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.

These agreements had continuing effect during fiscal 2012.

Centralized cash management agreement

A centralised inter-company cash management agreement was signed in 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, still in effect, generated interest income of €9,790,774 in respect of 2012.

Debtors' agreement

Your company was involved in an agreement signed on September 13, 2005 between the Royal Bank of Scotland Plc and the Group's member companies: Royal Wind, CEFF, CESAM to enable the financing of wind farm construction. This agreement provided that each party act as joint and several guarantor for the other borrowers.

This agreement is still in effect.

Shareholder loans

THEOLIA granted several shareholder loans to its subsidiaries, in accordance with the wind farm financing contracts.

At December 31, 2012, all the debts were assigned and the impacts on the company financial statements were as follows:

Subsidiaries	Loan amount at 2012/12/31	% of capitalized interests	2012 interests
Centrale Éolienne de Moulin de Froidure (1)	-	5%	112,565
Centrale Éolienne des Sablons (2)	-	5%	56,527
Centrale Éolienne des Plos (1)	-	5%	40,790
Centrale Éolienne de Sallen (1)	-	5%	75,781
TOTAL			285,663

(1) *Debt assigned by THEOLIA for Theowatt SAS on June 22, 2012.*
(2) *Debt assigned by THEOLIA for THEOLIA France SAS on April 23, 2012.*

In Marseilles and Paris, on April 24, 2013

The Statutory Auditors

DELOITTE & ASSOCIÉS	CABINET DIDIER KLING & ASSOCIÉS	
Christophe PERRAU	Didier KLING	Christophe BONTE

2.6 CONFLICTS OF INTEREST

As far as the Company is aware, on the filing date hereof, there are no potential conflicts of interest between the duties, in respect of the Company, of the members of the Board of Directors and of the CEO and their private interests and/or other duties.

3 Social, environmental and societal responsibility

3.1 SUSTAINABLE DEVELOPMENT: THE HEART OF OUR BUSINESS

Installing a wind farm is a powerful step in land-use planning for the long term. It is important for projects to be properly integrated into the landscape, natural environment, and daily life of local communities. In response to these major environmental and societal issues, THEOLIA has developed a strategy based on three key foundations:

- Conservation: THEOLIA's environmental strategy is based on conservation and protection of the fauna, flora, soils, water and air at sites on which the Group installs its wind farms. For each project, the Group carries out comprehensive prior studies with the purpose of analyzing the initial site condition and assessing the potential effects of wind farm installation. The Group defines the installation configuration to limit impacts as far as possible and implement compensatory, mitigation or accompanying measures in order to offset any residual impact;
- Integration: The key issue is to ensure optimum integration of the wind farm in the surrounding landscape, with local people's homes and in harmony with nearby business or agricultural activities. The Group's wind farm installation designs follow strict rules to ensure that land use master plans are complied with, to minimize visibility from important sites, to distance installations from housing, etc. Wind farms take up relatively little space on the ground and therefore remain compatible with the continuation of agricultural activities on the land,
- Consultation: There are many stakeholders in the area around a wind farm (local residents, municipal representatives, government departments, associations, landowners, farmers, etc.). It is vital for success of the project that these parties are involved with the project development phase. All wind farm projects are implemented in an atmosphere of consultation and transparency.

These foundations are the bedrock for the daily work of our Group's staff, to ensure that the wind farms we install are optimized, well-integrated in their landscape and well-accepted by the local community. This approach guarantees the highest quality and good returns on investments in the longer term.

For THEOLIA, economic performance targets are closely linked to environmental and societal responsibility targets. As a socially-responsible and committed company, THEOLIA generates green electricity to meet today's energy needs, while protecting future generations. This forward-looking approach is shared by all our staff teams.

The social, environmental and societal responsibility information presented below covers The Group's wind power activities and therefore does not cover Environment activities that are currently being sold (primarily Seres Environnement and Ecoval 30).

- 140 employees in the wind power business
- 939 MW in operation in 4 countries
- Nearly 1,600 GWh generated in 2012
- Covers the domestic electricity needs of approximately 635,000 households (1)
- Emissions savings of nearly 705,000 tons of CO_2 (2)
- Savings in radioactive waste production of approximately 17.5 tons (3)

(1) Estimate based on consumption of 2500 kWh/yr for one household (excluding electric heating). Source: Ademe.
(2) Estimate based on average annual emissions of 443 g CO_2 per kWh of marginal electricity generated. Source: Ademe.
(3) Estimate based on 11 g radioactive waste generated for every MWh of nuclear-powered electricity generated. Source: EDF.

3.2 ENVIRONMENTAL RESPONSIBILITY

3.2.1 Environmental policy and management system

The resource and technology used (wind power, wind turbine) means that electricity generation by these methods is an environmentally-friendly activity:

- No air, water, or soil pollution;
- No greenhouse gas emissions;
- No water or raw materials consumption and very low electricity consumption, and
- No waste produced through operation.

Having said that, THEOLIA applies a strict environmental policy, aiming to reduce the environmental impact of its activities as much as possible. This ambitious policy, based on pragmatic management systems, applies to all wind power activities within the Group and is based on three main principles:

- preventive approach to environmental risk management;
- environmental management of wind farm sites, and
- staff awareness-raising to reduce the Group's carbon footprint.

Preventive approach to environmental risk management

An impact study is carried out for all wind projects developed by the Group, prior to turbine installation. This study covers a radius of several kilometers around the project site.

The study presents in detail the initial condition of the site and its surrounding area, in particular the condition of the physical environment (relief, soils, climate, precipitation, temperatures, etc..), natural environment (inventory of flora and habitats, bird life inventory, protected species, etc.), human environment (housing, business and tourist activities, road networks, rights of way, etc.), heritage sites and landscapes. This first stage of the study identifies the environmental issues related to the study site and highlights the areas that would be suitable for development of a wind farm.

The Group then works on the suitable areas to develop a turbine installation plan that will have the least impact on biodiversity (birds, bats, flora, etc.) and local communities (acoustics, landscape issues, etc.). The plan is then studied in detail to assess the direct and indirect, temporary and permanent effects of the project on the environment in the widest sense.

THEOLIA then defines the preventive measures to be implemented in order to limit the impacts on biodiversity from the construction, operation and future decommissioning of the wind farm as much as possible.

This preventive management approach eliminates the great majority of potential impacts. Any residual impacts are qualified and quantified in order to enable a strict monitoring program throughout the operating life of the wind farm.

Some examples of studies and measures are described in section 3.2.2 below.

Environmental management of wind farm sites

In order to properly manage the impacts of wind farm construction, THEOLIA has set two main environmental objectives:

- limit local pollution in construction phase, in particular run-off and water pollution,
- limit the amount of construction waste sent to landfill.

To this end, THEOLIA defines technical and organizational specifications for the construction phase, which must be complied with by subcontractors working at the construction site. These requirements are described in sections 3.2.3 and 3.2.4 below. The Group verifies on-site compliance with these specifications.

Finally, at the end of wind farm operating life, generally after 20 to 25 years' operation for the latest generation of turbines, the land is returned to its initial condition, in accordance with the commitments made towards landowners and farmers, in compliance with legislation (see section 3.2.5 below).

Staff awareness-raising to reduce the Group's carbon footprint

The Group also aims to limit the environmental impact of its office-based activities and has therefore implemented tangible initiatives with the aim of:

- reducing business travel by staff, in particular for internal meetings, by installing video-conferencing systems at the Group's European sites (France, Germany, Italy), and using teleconferences,
- reducing air travel, by using lower-carbon transport wherever possible (public transport such as trains),
- sorting and recycling as much office waste as possible, by individual pre-sorting by each staff member using special bins for recycling paper, card, plastic bottle and cup, drinks cans, batteries, etc., use of wax instead of ink printers, use of recycled paper, recycling obsolete IT hardware.

Due to its limited exposure, the Group does not recognize any provision or guarantee related to the environmental risk.

3.2.2 Protecting biodiversity

Protecting fauna

- Terrestrial fauna

An association of hunters in Lower Saxony commissioned a study from the *Institut für Wildtierforschung* – (IWFo, the Institute of Wildlife Research, University of Veterinary Medicine, Hanover). This research showed that the presence of wind turbines has no significant adverse effect on game species. Wind farm maintenance work causes no more disturbance than conventional agricultural work.

Terrestrial fauna can be disrupted during the wind farm construction phase. This disruption, if and when it occurs, is only temporary (a few months, during construction phase) and is limited by the fact that most mammals are nocturnal, whereas construction work takes place during the day.

The risk of impact on terrestrial fauna is often considered to be negligible.

- Bird life

The height of wind turbines and the rotating blades mean that wind farm installation creates issues for bird life. The main risks identified are collision (particularly for migratory species) and disturbance (particularly for nesting species).

As part of the impact study prior to wind-farm installation, an ornithological study is carried out to document species and their migratory activities, based on a literature review and fieldwork during different periods of biological activity (nesting, migration and wintering).

The study findings include proposals of suitable areas for wind farm development. In particular, wind turbine layouts allow spaces between the turbines to create migration corridors and flight routes, to ensure that wind farms do not create a barrier.

Because all precautions are taken at wind farm design phase, the risk of impact on birdlife during the operating periods is very low.

Wind farm construction can nevertheless cause temporary disruption to bird life through truck and construction site vehicle traffic. Construction timetables are tailored so that construction projects preferably start outside of nesting periods, in order to avoid endangering existing nests.

Finally, turbine connection networks are buried underground in order to limit collision risks for birds.

Management of bird life risk

Scope: Installed capacity for own account	2011	2012
Installed capacity for own account (net) at December 31	306 MW	307 MW
Proportion of wind farms operated for own account for which the impact study included an ornithological analysis	80.2 %	77.3 %

- Bats

Wind farms present a dual risk for bats populations: firstly, bats can collide with the blades during migration and secondly, because some wind turbines have artificial lighting, they can attract insects and become a tempting hunting ground for bats, which increases the risk of collision.

The impact study prior to wind farm installation may include a bat review at ground level and at altitude, to cover the whole period of bats activity. Field studies may also be carried out to identify their nesting sites. However, bat studies are not necessarily systematic. They will depend on local regulations and the site in question.

Management of bat life risk

Scope: Installed capacity for own account	2011	2012
Installed capacity for own account (net) at December 31	306 MW	307 MW
Proportion of wind farms operated for own account for which the impact study included a bat review	15.7 %	13.8 %

As for bird life, the installation location and layout is important. Firstly, wind turbines are often installed in agricultural areas, which are the environments least likely to be used by bats for travel. Depending on the bat-related issues, the turbines can be installed at a distance from bat hibernation sites and can be distanced from the local plant-growth areas (hedgerows, forest edges) which are corridors of choice for bat flight.

The Group may also decide during wind farm design phase to implement preventive management plans whereby the turbines are stopped under certain conditions (night time in the summer months with low winds, etc.) in order to prevent collision risks.

- Mitigation or compensation measures

Specific features can be developed on the installation site, for instance planting or maintaining hedgerows, to encourage the birds to disperse beyond the wind farm area, installation of owl nest boxes to create housing for an endangered species, planting fallow wildlife areas in order to create a broader range of fauna, development of calcareous grasslands (growing on chalky/limestone soils) to promote the development of ecosystems, etc.

- Accompanying measures

THEOLIA also monitors bird and bat activity in partnership with local players, in the period after wind farm construction. The aim is to identify potential disruption and monitor mortality rates. In the event that increased mortality is detected, the Group implements solutions that are appropriate to the local context.

Protecting plant life

Wind farms are generally built on agricultural land to limit the impact on the natural environment.

Risks of plant life destruction are most relevant in construction phase. The extensive work carried out during this period (e.g. turbine foundations, access road and track building, installation of the turbine power network, etc.) are liable to impact plant life.

A botanical study prior to wind turbine installation is used to characterize all natural habitats present on site and to identify all species of flora.

In the same way as for fauna, the turbine layout plan is adapted according to study findings. In particular, areas with heritage species are avoided.

The electrical cables that connect the wind turbines to the grid connection substation are buried underground, which requires the removal of plant cover only in limited areas.

Finally, it is preferable for turbine erection operations to take place after harvest time in order to avoid damage to crops by heavy vehicle traffic in the fields. Where relevant, compensation for loss of production is paid to farmers whose crops are damaged.

Management of flora risk

Scope: Installed capacity for own account	2011	2012
Installed capacity for own account (net) at December 31	306 MW	307 MW
Proportion of wind farms operated for own account for which the impact study included a botanical study	100 % (1)	96.5 % (2)

(1) 4 wind farms operated for own account in Germany are (exceptionally) not taken into account because information is not available (total capacity of 18.9 MW).

(2) 3 wind farms operated for own account in Germany are (exceptionally) not taken into account because information is not available (total capacity of 18 MW).

3.2.3 Preventing pollution risks (water, air and soil pollution)

Wind power is a clean energy that directly generates no carbon dioxide, sulfur dioxide, soot, ash, radioactive releases or any other type of air, soil or water pollution at its operating site. It does not emit any unpleasant odor, requires no pesticides, generates no thermal pollution or any pollution related to fuel supply. To the contrary, the use of wind energy to generate electricity avoids carbon dioxide emissions which would have been produced by conventional electricity generation (all fuels).

Annual CO_2 emissions savings

Scope: Installed capacity for own account and capacity installed for third parties	2011	2012
Installed capacity for own account and third parties at December 31	910 MW	939 MW
Annual output	1,557 GWh	1,589 GWh
Tons of CO_2 saved (thousands of tons) (1)	690	704

(1) Estimate based on average annual emissions of 443 g CO_2 per kWh of marginal electricity generated. Source: Ademe

The only potential for pollution is through accidental leakage of liquids (oils, fuels).

These leaks could come from lifting equipment, transport vehicles or liquids stored on site to be used for construction requirements. In any case, leakage risks remain limited to the duration of construction work and will be minimized by efficient construction site management.

Any pollutant substances are strictly prohibited on site. Vehicles are refueled and parked on impermeable areas. Liquids are stored in covered and closed premises. Decontamination kits are available on site. In events of an accidental spill, water-tight absorbent blankets are placed on the ground and contaminated soil is collected and disposed of via an appropriate service.

If necessary, settling tanks may be temporarily dug, in the immediate vicinity of the turbine construction platforms, in order to clean vehicles and tools used for concrete pouring. Any solid matter recovered after settling is disposed of by the contractor responsible for it.

In addition, some mechanical transmission systems in the wind turbines use hydraulic technologies and could present a risk in the event of system leakage. However, any liquid flows from the nacelle are contained inside the tower. Because the tower is a sealed system, any liquid spilled will be recovered, and may be reused or else removed from site as waste, via an authorized disposal route.

Likewise, the risk of accidental pollution from electrical substation leakage is very limited, since the transformer substations have a double safety system to protect against oil leaks.

Finally, periodical inspections are carried out on each wind turbine and electrical substation to ensure that any leaks are detected and to verify the leak-tightness of the tower.

Overall, given the low likelihood of occurrence and the means used to limit leakage risk as much as possible, this risk is estimated to range from very low to zero.

3.2.4 Waste management

The use of wind energy for electricity generation avoids the production of radioactive waste that would have been produced through nuclear power generation (all categories).

Annual radioactive waste savings

Scope: Installed capacity for own account and third parties	2011	2012
Installed capacity for own account and for third parties at December 31	910 MW	939 MW
Annual output	1,557 GWh	1,589 GWh
Tons of radioactive waste saved (1)	17.12	17.48

(1) Estimate based on 11 g radioactive waste generated for every MWh of nuclear-powered electricity generated. Source: EDF

Standard waste (in construction and operating phase)

Electricity generation from wind energy generates very little waste. Waste is produced by construction and equipment maintenance operations, and can be split into three categories:

- non-hazardous industrial waste (metal, wood, clean worn parts, etc.),
- inert waste (construction site rubble, etc.), and
- waste from maintenance operations (oil, cleaning products, dirty rags, etc.).

Each construction and maintenance subcontractor is responsible for managing waste from its operations. Instructions have been given to dispose of waste via appropriate THEOLIA-approved disposal routes. Subcontractors must provide THEOLIA with copies of their waste tracking forms.

Non-hazardous waste that is not contaminated by toxic substances or pollutants is recovered, recycled, or disposed of in authorized waste disposal facilities.

The very limited quantities of packaging waste mainly from construction phase are recovered for reuse, recycling or any action that can generate usable materials or energy.

During site preparation phase, the vegetation and topsoil is removed from the turbine installation zones. The topsoil is kept and reused on site or deposited nearby, in order to reconstitute the plant cover. For some sites, a temporary storage area may be used.

Any electronic or mechanical waste (spare parts) or hazardous substances used in maintenance are managed by the maintenance contractor. The contractor uses specialized waste processing or recycling systems.

The burning or burying of waste is prohibited on site. Where possible, concrete is produced off-site. Delivery pallets and electric cable reels are returned to the supplier.

Wind farm decommissioning

No THEOLIA site has yet been decommissioned. The Group's first decommissioning operation will be the repowering operation currently underway at the Koudia al Baida site in Morocco. The 84 current turbines will be dismantled and the site will be fitted with new wind turbines. This early decommissioning operation is carried out at the Group's initiative, in partnership with the Moroccan *Office National de l'Électricité et de l'Eau potable*, because the turbines were only commissioned in 2000 and still had a several years' service life ahead of them.

Other wind farms owned by the Group will not be decommissioned for another few years. Only 16% of our own installed capacity (excluding Morocco) was commissioned between 2000 and 2002. These sites are in Germany and are still under an electricity purchasing contract for at least another 8 years.

When the Group comes to deal with decommissioning issues, it will select a service provider to carry out this work on its behalf and shall itself bear the financial expense thereof. Turbine disassembly, removal and recycling shall be managed by the subcontractor.

The main issue in decommissioning is recycling the turbine components. A wind turbine primarily comprises steel and metal sheets (tower), composites (blades and nacelles casing) and mechanical, electronic, and electrical components. In the Group's opinion, electrical compounds, copper (used in the generator and cables) and steel are these days perfectly well managed by existing waste disposal service. These materials will be reused for other industrial uses or transferred to an authorized waste processing or disposal service (off-site) and will not constitute "non-standard" or difficult-to-dispose-of waste, as is the case for other power generation sources (especially nuclear power). However, the Group remains attentive to changes in recycling practices for composite materials and concrete. In particular, we are monitoring developments in composites recycling via cement plants, which is in test phase in some countries.

Although wind farm decommissioning challenges are still some way in the future, THEOLIA has, since 2012, been making provision in its accounts for the estimated future costs of decommissioning wind farms that are not intended for sale.

3.2.5 Site reconditioning after withdrawal from service

As well as removing the turbines, a wind farm operator is responsible for returning the site to its initial condition upon withdrawal from service, in accordance with the commitments made to landowners and farmers, and in compliance with legislation. This operation comprises:

- removing the upper section of foundations down to a depth of 1 meter minimum,
- excavating crane operating areas and access routes down to a depth of 40 centimeters approximately, and
- removing grid connection substations and their foundations.

Each turbine site is covered with soil that is comparable to the local soils and natural vegetation is replanted or farming restarted. This stage leaves no significant trace on site of the previous wind farm. Because the soil and sub-soil is not polluted, any type of usage can be envisaged on the land released, in particular agricultural usage.

3.2.6 Consumption

The use of wind energy for electricity generation does not require an industrial plant. The wind turbines on site use no fresh water, raw materials, fuel or gas. They only consume a very limited amount of electricity.

The Group's water, fuel and gas consumption is only due to office-based activities and is very low. The Group's electricity consumption is primarily due to office-based activities and, to a much smaller extent, wind farms. Given the low significance of these consumption figures and the high levels of green electricity output by the Group, THEOLIA has decided not to publish this information.

3.3 SOCIAL RESPONSIBILITY

Despite the difficulties in 2008, 2009 and 2010, the Group's men and women demonstrated their fighting spirit and commitment to ensure the Company's recovery. Having gradually improved the Group's financial position and successfully implemented a growth strategy, General Management now wants to consolidate the actions put in place since 2010 in terms of cross-departmental expertise and staff performance management.

The Group's ambition is to promote an integrated human resources policy, in order to enhance the motivation, professional development and accountability of its employees. The Group wants to be recognized as a responsible employer that respects the diversity of its teams and the individuality of each employee. The Group believes that an effective social responsibility policy will generate shared values and can therefore lead to improve overall performance and risk management within the Group.

Labor-related indicators

The Group's labor-related indicators are based on international guidelines, such as those issued by the Global Reporting Initiative, to promote maximum transparency and consistency. Indicators may change in the future, in line with developments in the Group's activities and changes in relevant regulations.

Some data was not reported in consolidated figures prior to 2012 and could therefore not be included in the labor-related indicators below.

3.3.1 Employment

Total staff numbers [1] for the Group's wind power business were 140 people at December 31, 2012.

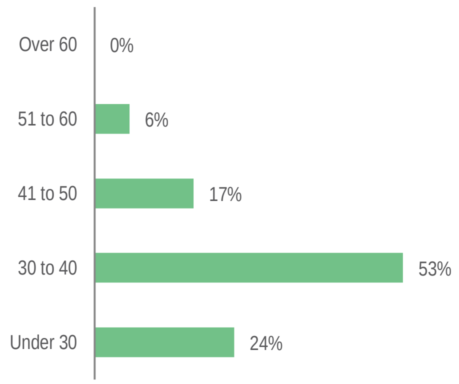
Variations in staff numbers

	2010/12/31	2011/12/31	2012/12/31
Staff numbers	167	155 [2]	140
Women (%)	38%	39%	44%
Men (%)	62%	61%	56%

(1) *"Employees" excludes corporate officers, temporary agency employees and independent service providers. Total staff numbers do not take into account employees of the Group's non-wind-power subsidiaries or external growth transactions carried out in 2013 Q1.*

(2) *The staff of THEOLIA Wind Power Private Limited were removed from consolidated accounting in the first half of 2011.*

Age profile [1]



(1) Data for 2012.

The drop in employee numbers reflects the General Management aim of continuing to control costs and optimize the Group's human resource management, in order to ensure its long-term future.

The majority of staff recruited in 2012 were hired to replace outgoing employees. The Group has no difficulties in recruitment.

New employees hired

	2012
France	10
Germany	14
Morocco	3
Italy	1
Brazil	0
TOTAL	28

Departures

	2012
France	16
Germany	14
Morocco	3
Italy	6
Brazil	4
TOTAL	43

Reason for departure

	2012
Redundancies on economic grounds	9
Dismissals for personal reasons	1
End of the contract	4
By mutual consent	1
Resignation	28
Retirement	0
End of probationary period	0
TOTAL	43

A redundancy plan was implemented during fiscal year 2012 within THEOLIA France on economic grounds (8 job losses).

The percentage of resignations remained high in 2012 (65% of total departures), and is the consequence of the Group's restructuring and the current organization of the wind power market. It is important for the Group to ensure effective management of strategic skills, and a formal succession plan will be developed in 2013.

3.3.2 Remuneration policy

In each country, the Group aims to grant remuneration in proportion to the levels of skill, responsibility and performance of each employee, in compliance with principles of fair treatment and in line with local legislation.

Payroll

	2012
Total annual payroll (1)	€5,973,467
Mean annual remuneration (2)	€41,094
Mean annual remuneration for women employees (3)	€36,010

(1) *Gross total payroll (including variable pay) excluding social security contributions, for the year in question, taken from DADS social security declarations.*

(2) *Total gross payroll (including variable pay) excluding social security contributions, for the year in question, divided by total Group employees (full-time equivalent).*

(3) *Total gross payroll (including variable pay) excluding social security contributions, for the year in question, divided by number of female employees (full-time equivalent).*

The Group's remuneration policy aims to motivate and generate loyalty in its employees and attract new talent. The following loyalty measures are currently in place:

- Variable remuneration

For some positions, remuneration includes variable pay, to reward employees if certain targets are achieved, in line with the Group's strategy.

- Profit-sharing scheme

Profit-sharing schemes are in place both within the Company and the subsidiary THEOLIA France. The THEOLIA SA profit-sharing scheme was renegotiated with staff representatives in 2011.

- Bonus shares

Bonus shares were distributed to Group employees on December 10, 2012, in order to align the performance of each employee with Group targets. Distribution was dependent on conditions of presence and performance with respect to operational, financial and stock market targets. Detailed information about the bonus share scheme can be found in section 6.2.5.2 hereof.

- Stock options

On July 29, 2011, following a delegation by the General Meeting of shareholders on June 17, 2011 (15th resolution), the Board of Directors granted 810,000 stock options to certain Group employees, subject to stock market performance. These stock options can be exercised at any time during a one-year period commencing four years after the date at which the stock options were issued by the Board of Directors (July 29, 2016), subject to performance conditions and specific rules for situations in which the employee in question had left the company. The subscription price is either €1.40 or the arithmetic mean of the weighted mean share price calculated over 20 trading sessions prior to the Board Meeting at which these options were issued.

3.3.3 Working hours

Working hours within the Group are adapted to local legislation. In France, the working time applicable to all French subsidiaries complies with the law on the 35-hour working week, with various adaptations as follows:

- 35-hour contracts;
- 35 hour + 4 hours overtime contracts;
- 218-day annual contracts with days off in lieu of work, as per the Collective Bargaining Agreement for Metalwork Executives (*Convention Collective Cadres de la Métallurgie et la Convention Collective Syntec*),
- Fixed contracts with no reference to working hours for executive-level managers.

Some employees have chosen to work four days out of five.

The average rate of absenteeism remains low, demonstrating the commitment of our employees and the good working conditions within the Group's various entities.

Absenteeism (1)

	Rate (%)
France	2.34
Germany	1.55
Morocco	2.27
Italy	0.82
Brazil	0
Mean rate of absenteeism – Group (2)	1.97

(1) *Data for 2012.*

(2) *Total number of days of absence or working days lost due to occupational accidents/occupational illness and other illness over the reference period, expressed as a percentage of the theoretical total number of days worked over the same period.*

3.3.4 Industrial relations and collective bargaining

There is open and active dialogue on industrial relations issues within the group. The Group complies with local legislation for informing, consulting and negotiating with personnel.

The General Management wants to ensure continual improvement in the quality of industrial relations and has asked the Group's Human Resources Department to start discussions with the various staff representative bodies in order to put in place a relevant criterion for the assessment of industrial relations quality from fiscal year 2013, to be defined by all stakeholders.

No collective bargaining agreement was negotiated in 2012.

3.3.5 Training

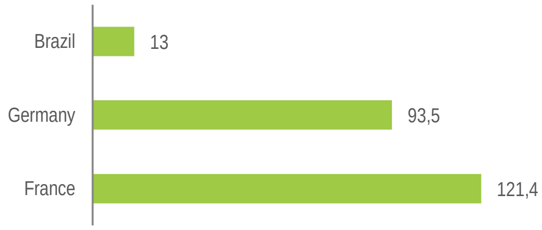
In order to ensure that training objectives were in line with the Group's strategic needs, General Management has asked to be involved in developing the Group's employee training plan, since 2012. This initiative shows that training is acknowledged to be not only a tool for improving Group's performance, but also an instrument for employee motivation.

The training policy is fitted to each employee's job environment. Therefore, training sessions are implemented in the aim of (i) protecting the employees on project sites (electrical certification, work at a height, OHS training) and (ii) improving the employees' performance at their job, both in technical terms (training in very specific fields which used to be subcontracted to third parties, adapting to new software, etc.) and linguistic terms (improving communication between the various Group entities), as well as in terms of behavior (management, communication, etc.).

During fiscal year 2012:

- the average duration of training for each trained employee was 3.7 days;
- 44% of Group employees benefited from external training.

Number of days of training [(1)]



(1) *Data from 2012.*

3.3.6 Health and safety

Since no French subsidiary employs more than 50 people, the staff representatives fulfill the statutory roles of members of the Health, Safety and Working Conditions committee under French law. These bodies are consulted as provided for under law whenever necessary.

The Group's low rate of accidents is the result of its effective health and safety policy. The Group has not had any occupational accidents leading to fatalities or serious injury.

Number of accidents

	2012
France	2
Germany	1
TOTAL	3

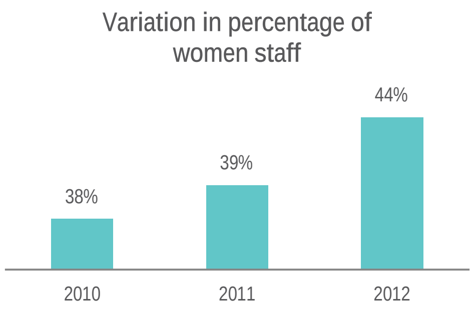
The only two accidents which occurred in the Group (one in France and one in Germany) happened on the home-office travel.

3.3.7 Equality

As a responsible employer, the Group attempts to combat all forms of discrimination and considers that diversity is a source of richness and momentum.

The Group has a professional equality policy, organizing the recruitment, careers management and personal development of its employees in a fair manner without discrimination, in accordance with the applicable provisions in each country in which the Group is present. Employees from the Holding Company have signed up to the Group's Ethical Charter. This Charter will be rolled out to other Group employees in 2013.

The increase in the proportion of women employees highlights the progress made in gender equality:



General Management intends to put in place a career development plan in order to increase the number of women in management positions within the Group.

The employment and integration of disabled workers is encouraged within the Group. The following practices apply within French companies:

COMPANY	PRACTICES
THEOLIA SA	Despite its recruitment policy to encourage the employment of people with disabilities, THEOLIA SA has to pay a contribution to the state (K-400) to promote the employment of disabled workers. The Company regularly places orders with "sheltered workshop" projects that enable disabled workers to return to the workplace.
THEOLIA France	Despite its recruitment policy to encourage the employment of people with disabilities, THEOLIA France has to pay the state contribution for the employment of disabled workers.

3.3.8 Compliance with the provisions of International Labor Organization conventions

The Group complies with the International Labor Organization provisions with respect to freedom of association and the right to collective bargaining, abolition of discrimination in employment and occupation, abolition of forced labor and abolition of child labor.

The Group intends to look beyond its own borders in this respect and intends, from 2013, to include in its contracts clauses that oblige partners, suppliers and service providers with respect to combating discrimination in employment and occupation, abolishing forced labor and child labor.

3.4 SOCIETAL RESPONSIBILITY

3.4.1 Stakeholder relations

Informing and consulting all stakeholders

Many stakeholders are affected by wind farm projects: the local community, mayors and municipal councilors, government departments, landowners and farmers, local or national associations, and any person affected in any way by the project under consideration. Information and consultation, particularly prior to project development, are one of the keys to successful integration of a wind farm in its natural and human environment. The Group has put in place organizational methods to ensure that all stakeholders can access project information with full transparency and give a reasoned opinion on the choices made by THEOLIA.

From the very outset of a project, THEOLIA teams meet with mayors and municipal councilors in the affected areas in order to assess the feasibility of installing a wind farm in that area. In parallel, every landowner and farmer is contacted and a “commitment to lease” agreement is signed for each plot of land covered by the study. Each meeting gives an opportunity to present stakeholders with the issues that are relevant to a wind farm project.

Throughout the project development and construction phases, regular information is provided to local residents, landowners and farmers. Regular drop-in information surgeries are held at the local town or village halls, preferably at weekends, in order to answer local people’s questions; visits to existing wind farms are proposed; in some cases, local project monitoring committees are formed; information brochures are distributed to homes in the relevant areas; construction kick-off and end meetings are organized. These methods help local people get a better understanding of the issues at stake and the choices that informed the final project design.

Regular and open dialogue takes place with local politicians. Several working meetings are held in order to define local perspectives on the project.

Finally, a public inquiry is generally held prior to the issuance of planning permission or equivalent authorization. This phase offers local people an opportunity to look at all the documents submitted with the application, to ask questions and give their opinion on the project, prior to closure of the planning permission examination phase. At minimum, the public inquiry is held in all local authorities (municipalities) that border onto the planned installation site.

Local initiatives with local authorities

In some cases, installation of a wind farm can be accompanied with financial support for local initiatives. The term we use is accompanying measures.

- Energy-related support

Building a wind farm gives an opportunity to provide information to local politicians and local people on the benefits of renewable energies and on issues of energy management. It is also an opportunity to correlate electricity generation, the presence of wind turbines and energy consumption.

THEOLIA wants to provide financial support to local initiatives that promote the use of renewable energies or reduced energy consumption. The Group consults local residents to identify their needs and desires and preferably supports energy efficiency initiatives. For instance, THEOLIA has contributed to thermal insulation of municipal buildings and the replacement of public lighting with low-energy lamps. The amounts of support available will depend on the size of the wind farm project.

- Heritage-related support

Building wind turbines alters the perception of a local landscape. The group aims to give its projects a positive value, by financially supporting projects to enhance local heritage. The Group consults local residents in order to identify their needs and desires and preferably supports initiatives to promote or renovate heritage projects. For instance, THEOLIA has contributed to funding renovation work on a local church and work to bury electricity grid installations underground.

Opening wind farms to visitors

If the wind turbines are installed in a tourist-friendly region, the wind farm can become an attraction for visitors who want to learn more about this environmentally-friendly technology. Some wind farms can be visited by the public. Special access routes and reception areas are provided and information signs are installed close to the grid connection substation.

3.4.2 Impact of activities on health and safety

Health

The impact study carried out prior to wind farm installation includes a study of the human environment to identify local housing areas, the main economic activities (usually agriculture), any risky industries and, wherever possible, any industrial or local development plans. Visitor numbers in the area and transport infrastructure are also studied. Rights of way, easements and technical constraints are also listed.

The two main preventive measures implemented by the Group are the systematic inclusion of a distance of at least 500 meters between wind turbines and the first housing units and inclusion of precautionary distances from other infrastructures (roads, buildings, etc.). Given these safety distances, the health risks related to the presence of wind turbines are limited. However, larger distances may be used, depending on the results of the acoustic studies.

- Acoustic impact

Over the last few years, significant technological progress has been made in acoustics: optimized blade profile and materials, use of silent gears, transmission shafts mounted on shock absorbers, padded nacelles. The sound of modern wind turbines is difficult to hear a few hundred meters away. However, noise is not inexistent and remains a fairly well-studied factor.

The impact study prior to wind farm installation includes an acoustic impact study. The purpose of this analysis is to estimate the perceived noise levels during wind farm operation. Outdoor measurements of the initial environment state are taken over several days at the homes of the most-exposed local residents. The measures are carried out by an independent expert, with simulation of the noise levels at these houses with operating wind turbines that are representative of those that will be installed. This technique is used to quantify the differential, or “noise aggravation”, calculated as the difference between the background sound level and the noise level with wind turbines in normal operating conditions. It should be noted that the wind has a significant influence on the sound levels. Above certain wind speeds, the turbine sound level stabilizes whilst the wind noise level increases. In these cases, there is a masking effect, whereby the wind noise covers the sound of the turbine.

Depending on the study findings, the Group may increase the distance of one or more turbines from a given house or building or put in place a preventive management plan, by limiting one or more machines under specific conditions (night time, sensitive wind speed range, wind direction).

Where projects have required special attention to acoustic details, and according to applicable legislation, the Group carries out post-installation acoustic monitoring. Depending on the results, the Group may decide to implement a corrective management plan by limiting one or more machines under specific conditions, to improve the well-being of local residents. The combination of measures mean that the acoustic performance achieved is often significantly better than the thresholds imposed by local regulations.

Management of acoustic risk

Scope: Installed capacity for own account	2011	2012
Installed capacity for own account (net) at December 31	306 MW	307 MW
Proportion of wind farms operated for own account for which the impact study included an acoustic study	100 % (1)	100 % (2)

(1) 2 wind farms operated for own account in Germany are (exceptionally) not taken into account because information is not available (total capacity of 3.7 MW).

(2) 2 wind farms operated for own account in Germany are (exceptionally) not taken into account because information is not available (total capacity of 3.7 MW).

- Stroboscopic effects

In the sunshine, rotating wind turbine blades block out the light periodically, which intermittently casts a shadow on to the area around it. This moving shadow phenomenon, referred to as "stroboscopic effect," occurs when the sun is low and the sky is clear. During the impact study, this effect is analyzed using specialized software that takes into account site topography, probability of sunlight, characteristics of the chosen wind turbine, installation layout and the location of receiving sites (windows of surrounding homes). The turbine layout plan takes this parameter into account in order to render the effect negligible.

Safety

- Safety of local people and visitors

The Group takes all necessary measures to ensure the safety of people and property around its wind farms.

Wind turbines are installed in compliance with statutory and/or precautionary distances from housing, roads and miscellaneous buildings.

All wind turbines installed by the Group are designed, manufactured and tested according to the regulations and standards in force. In particular, THEOLIA only selects turbines that have received type certification from accredited third-party bodies. These type certificates attest:

- the conformity of turbine design with the applicable standards (loads, safety and systems, blades, components, electrical equipment, tower, etc.),
- the use of an appropriate manufacturing process, and
- the fact that tests on a prototype have been successfully performed.

The manufacturers that supply turbines installed by the Group are ISO 9001 certified (for design, development, production, installation and customer support processes) and ISO 14001 certified (for environmental management).

The foundations are verified by an approved third-party inspection body.

Public access to the site is prohibited throughout the construction period and signposts are used to indicate this ban. Vehicle speed limits apply on-site and excavation zones are protected with fencing.

During operation, wind turbines and the grid connection substation are kept locked. The access doors display hazard warning signs. Unauthorized or unaccompanied persons are strictly forbidden to access the inside of the tower.

Direct fire risks affecting a wind turbine component or auxiliary, wind turbine drop risks, blade projection and ice projection risks are very limited because numerous precautions are taken:

- monitoring provisions (generator temperature, oil level, etc.) and safety measures for the main internal components significantly reduce the risk of fire and its direct consequences,
- fire extinguishers appropriate for electrical fires are installed closed to the transformers and in each nacelle,
- wind turbines are equipped with protection against atmospheric discharges (lightning conductor, specific systems on blades),
- in very high wind or dangerous weather conditions, wind turbines are stopped for preventive reasons to limit accident risks,
- wind turbines are equipped with on-blade ice detection mechanisms, which stop the turbine if necessary.

In addition, all wind farms have permanent remote surveillance, enabling operations to be monitored at all times, failures to be detected and accident risks to be minimized. In particular, any abnormal tower movement that could jeopardize structural stability is detected and leads to turbine stoppage. A maintenance team is then sent onsite and the wind turbine is only restarted if an inspection has been successfully completed.

Preventive and corrective maintenance is also performed by accredited personnel. In particular, a comprehensive inspection is carried out by qualified technicians at least once a year.

It is considered that the installation of a wind farm does not cause any risk for the safety of local people and visitors.

- Safety of workers

The main safety risk is related to occupational safety for technicians working on the wind turbines:

- risks associated with moving mechanical components in construction phase,
- risks associated with electrical power with high voltage and current, and
- risks associated with work at height.

In construction phase, signage is installed on site in order to indicate traffic directions, facilitate emergency service access, prohibit public access and warn workers of potential risks and hazards.

At least one person present on site carries a mobile telephone in order to contact emergency services if necessary.

Safety distances must be complied with when cranes are used to move wind turbine components.

In operating phase, maintenance work is carried out in fair weather conditions, with specially trained personnel, who have been trained to work at height and have the appropriate fall protection equipment.

Wind turbines are totally stopped during maintenance work.

Only a small proportion of these risks are relevant to THEOLIA employees, because most on-site operations are carried out by external service providers.

For THEOLIA employees, the primary response to these risks is training in electrical risks for personnel working on the wind turbines or electrical substations.

- Aircraft safety

Wind turbines are always installed outside of any areas of aeronautical easement, in order to avoid interference with air traffic procedures. The height of wind turbines may be adapted, according to site-related constraints.

Wind turbines are fitted with obstacle lighting, generally at the top of the nacelle. This hazard beacon is monitored by the operator.

Risks related to aircraft are considered to be negligible.

3.4.3 Impact of activities on heritage and landscape

The perception of a landscape and changes thereto remains very subjective and varies significantly from one person to another. Opinions can vary widely – what is visual pollution for some may be aesthetically pleasing for others.

Integration with the landscape is a fundamental issue for a wind farm. The planned installation site must preserve natural areas, fit into the existing landscape and respect cultural heritage and local architecture. The installation plan is based on two key principles: it must be designed in harmony with the surrounding area and limit any visual interference with important natural sites.

Wind farms fit in with and emphasize the terrain in which they are installed. Configurations are studied in order to integrate as closely as possible into the landscape and to ensure the clarity of the project from close by and at a distance. For instance, wind turbine rows may be accompany woodlands, which provides visual markers in the landscape, and a regular distance may be ensured between turbines. Encirclement/enclosure effects and visually overbearing designs are avoided. A new wind farm design must also take into account existing wind farms and ensure coherence between projects. In general, key notions include alignment, regularity, symmetry and the maintenance of visual windows.

The impact study prior to wind farm installation includes a landscape study. The landscape is photographed in order to define the key views over the site from characteristic locations. Photomontages are put together to present the projected views from homes, traffic routes and important natural sites. The aim is to provide a comprehensive presentation of the perception or lack of perception of the future wind farm and to study whether there is visual interference with any important local sites.

Finally, the foundations and internal electric network (electrical cables connecting the turbines together and to the grid connection substation) are buried. Two methods are commonly used to blend the substations into the countryside: either the substation is colored to fit with a local landscape or vegetation is planted, according to a landscaper's design.

Management of landscape risk

Scope: Installed capacity for own account	2011	2012
Installed capacity for own account (net) at December 31	306 MW	307 MW
Proportion of wind farms operated for own account for which the impact study included a landscape study	100 % (1)	100 % (2)

(1) 5 wind farms operated for own account in Germany are (exceptionally) not taken into account because information is not available (total capacity of 10.6 MW).

(2) 4 wind farms operated on our behalf in Germany are (exceptionally) not taken into account because information is not available (total capacity of 9.7 MW).

3.4.4 Direct and indirect contribution to the local economy

Wind farm installation has a direct financial impact on local authorities, landowners and agricultural operators:

- Every year, local authorities with a wind farm on their territory receive taxes as a result, according to the applicable local regulations, and
- Landowners and farmers of the turbine installation sites and neighboring plots receive an annual compensation fee throughout the term of operations.

Beyond these effects, THEOLIA consistently seeks to favor local labor, chiefly:

- local subcontractors (specialists in natural habitats, environmentalists, landscape architects, acoustic scientists, land surveyors, geologists),
- specialist contractors for preparatory work (earthmoving, structural construction work), connection work (installation and electrical connections) and maintenance, and
- companies to maintain the platforms and surrounding areas around the turbines.

Other work is indirectly generated, for instance in accommodation and catering for construction site personnel.

Through its inherent activity and the accompanying measures, a wind farm contributes to local economic development.

3.4.5 Subcontractor relations

The Group's main suppliers are turbine suppliers. 75% of the investment costs in a project are accounted for by the costs of purchasing and installing the turbines. In addition, the turbine supplier also generally provides technical maintenance services for the first 15 years. Turbine manufacturer selection is therefore a decision which is taken with great care.

The Group seeks to establish a long-term and balanced relationship with its wind turbine suppliers. To achieve this, the group created a centralized Purchasing Division in 2012. Previously, wind turbine purchasing was a decentralized activity in each country.

Turbine selection within the Group is an individual process for each wind farm because THEOLIA does not sign framework agreements with turbine suppliers. For each project, THEOLIA selects the most appropriate turbine for the site. This is how the Group aims to achieve optimum performance for its operating wind farms and the highest levels of profitability.

Wind turbines operated on behalf of the Group come from European and American suppliers only, who are not located in risky countries. The Group has not identified any major industrial relations risks to be taken into account in its turbine supplier selection process.

Turbine suppliers by country of origin

Scope: Installed capacity for own account	2011	2012
Installed capacity for own account (net) at December 31	306 MW	307 MW
Proportion of German suppliers (Enercon, REpower, Nordex, Fuhrländer)	65%	65%
Proportion of Danish suppliers (Vestas, NegMicon)	27%	27%
Proportion of American suppliers (GE)	8%	8%

With respect to environmental issues, THEOLIA purchases turbines from ISO 14001 certified suppliers, to ensure that the environmental impact on supplier activities is taken into account.

Proportion of ISO 14001 turbines suppliers

Scope: Installed capacity for own account	2011	2012
Installed capacity for own account (net) at December 31	306 MW	307 MW
Proportion of ISO 14001 certified turbines suppliers, to the Company’s best knowledge	96 %	96 %

In building its wind farms, the Group also uses subcontractors for various work packages, foundations, roadways and access (structural construction), electricity substation, inter-turbine network, etc.

As for the main work package (turbines), the Group uses a tender process to select the Subcontractors. This selection process is decentralized in each country. As far as possible, THEOLIA prefers to work with local subcontractors and/or subcontractors who have already successfully collaborated with the Group.

3.4.6 Business ethics

THEOLIA undertakes to work as a socially responsible business and expects its staff members’ conduct to be above reproach. The group has developed a Charter of Ethics to prevent any behavioral risks.

This Charter specifies the ethical principles that the Group wishes its employees to adhere to under all circumstances, in order to manage risks related to conflicts of interest, insider trading, compliance with laws and regulations, respect for individuals and shareholders, corruption and the protection of Group property.

The Charter illustrates the Group's ethical values (fairness, trust, solidarity and transparency), and discusses some issues of corporate life (health, safety, and non-discrimination).

This Charter has initially been presented to staff working at head office, as an appendix to their employment contract. The aim is to roll this Charter out to all subsidiaries working in the wind power business.

3.4.7 Sponsorship

THEOLIA is not involved in sponsorship actions.

4 Review of fiscal year 2012

4.1 ACTIVITY IN 2012

4.1.1 Highlights of the year

Development, construction and commissioning

During 2012, THEOLIA finalized the construction of three wind farms:

- a 10 MW wind farm built for own account in Italy;
- a 15 MW wind farm built for THEOLIA Utilities Investment Company in France; and
- a 12.5 MW wind farm built for a third party in France.

Those three wind farms were commissioned in late 2012.

In Morocco, THEOLIA carries on developing its great 300 MW project, in partnership with the Moroccan *Office National de l'Électricité et de l'Eau Potable*. Pursuant to design and engineering studies, the call for tenders to choose the subcontractor who will supply, install and technically maintain the wind turbines for the first 100 MW phase was launched in April 2012. The five applications received in November 2012 are currently being analyzed. This first repowering phase will bring the installed capacity of the Koudia al Baida wind farm from 50 to 100 MW. An additional 200 MW will then be built on sites next to the wind farm.

In the meantime, the Group started selecting wind turbines for a future 21 MW wind farm in France, the building permit of which had been obtained in late 2011.

Disposals

In July 2012, THEOLIA sold the Gargouilles wind farm to THEOLIA Utilities Investment Company. This 18.4 MW wind farm had been commissioned in France between June and September 2011.

With this sale, THEOLIA carries on its co-investment strategy, according to which the Group strikes a balance between wind farms held for own account and wind farms and projects sold to the investment vehicle, of which it holds a 40% interest. This strategy enables the Group to continue its development, while maximizing the use of its cash.

Moreover, within the framework of its operating wind farm purchase-sale activity in Germany, THEOLIA sold 5.2 operating MW during fiscal year 2012.

Governance

The Board of Directors evolved during fiscal year 2012. The General Meeting dated June 1 appointed Lilia Jolibois as Independent Director of THEOLIA. This appointment followed the resignation of Jean-Pierre Mattéi as Director, the mandate of whom was coming to an end, as well as the end of Georgius Hersbach's mandate as Director. Since the end of this General Meeting, THEOLIA's Board of Directors is made up of four members.

Transactions on securities

The General Meeting dated June 1, 2012 authorized the Board of Directors to proceed to a capital reduction by reducing the par value of the shares, as well as to consolidate two shares into one new share.

Hence, on June 25, 2012, the Board of Directors acknowledged the performance of a reduction of the share capital due to losses by means of a reduction of the shares' par value. The par value of each share of THEOLIA's capital was thus reduced by 0.30 euro, from 1 euro to 0.70 euro.

On July 20, 2012, THEOLIA implemented the consolidation of its shares carried out by exchange of two old shares with a par value of 0.70 euro each against one new share with a par value of 1.40 euro. The exchange period for non-consolidated shares will last for two years, i.e. until July 21, 2014.

The conversion/exchange ratio applicable in case of bond conversions has been automatically modified. Up to the seventh business day prior to December 31, 2013, it will be equal to 4.32 shares for 1 OCEANE and to 3.46 shares for 1 OCEANE from January 1, 2014, up to the seventh business day prior to December 31, 2014.

4.1.2 Analysis of the consolidated financial statements

The Group's consolidated financial statements were examined by the Audit Committee, and then approved by the Board of Directors during its meeting of April 15, 2013, in the presence of the Statutory Auditors.

Consolidated income statement (selected information) (in thousand euros)	Year ended December 31	
	2012	2011
Revenue	67,736	67,480
EBITDA (1)	32,877	25,769
Current operating income	18,763	10,384
Operating income	(545)	(18,204)
Financial income	(31,990)	(18,001)
Net income from continued activities	(33,676)	(37,082)
Net income	(34,238)	(39,233)
of which Group share	(34,206)	(38,520)
of which minority share	(32)	(714)

(1) EBITDA = current operating income + amortization + non-operational risk provisions.

4.1.2.1 Consolidated revenue

THEOLIA's consolidated annual revenue amounted to 67.7 million euros in 2012. This revenue, similar to the one of 2011, includes an increase in the Sales of electricity for own account activity. The sale of the Gargouilles wind farm (18.4 MW in France) to THEOLIA Utilities Investment Company ("TUIC") is not recognized as revenue.

Consolidated revenue by business segment (1) (2) (in thousand euros)	Year ended December 31	
	2012	2011
Sales of electricity for own account	49,314	47,109
Operation	6,260	6,243
Development, construction, sale	10,786	12,563
Non-wind activity	1,376	1,564
Total	67,736	67,480

(1) Excluding Environment activities.
(2) The Corporate activity does not generate revenue and is therefore not shown in this table.

Sales of electricity for own account

The revenue from the Sales of electricity for own account activity includes revenue from the sales of electricity produced by operating wind farms held by the Group in France, Germany, Morocco and Italy.

The revenue from the Sales of electricity for own account activity reached 49.3 million euros in 2012. Despite the sale of a few wind turbines to third parties in Germany, the Sales of electricity for own account activity kept growing. Its revenue increased by + 5% in 2012 compared to 2011.

The implementation of the co-investment strategy through TUIC enabled the Group to quickly commission (in late November 2012) the Magremont wind farm (15 MW in France), whose electricity production will contribute to the increase in the 2013 revenue.

The Sales of electricity for own account activity, which relies on 15- to 20-year electricity buy-back contracts, benefits from a predictable and recurring revenue, as well as from significant margins over the long term.

The revenue from the Sales of electricity for own account activity represents 73% of the consolidated revenue for fiscal year 2012.

Operation

Revenue from the Operation activity includes management fees for several wind farms operated on behalf of third parties, as well as, for a limited number of farms, proceeds from the sales of electricity produced on behalf of third parties under service-provision agreements.

The revenue from the Operation activity amounted to 6.3 million euros in fiscal year 2012, at the same level as in 2011. The effect of the increase in capacities managed for third parties in France, namely the operation of the Gargouilles and Magremont wind farms for TUIC, was offset by the impact of less favorable wind conditions in Germany in 2012 than in 2011.

The revenue from the Operation activity represents 9% of the consolidated revenue for fiscal year 2012.

Development, construction, sale

The revenue from the Development, construction, sale activity includes the income from the sale of projects or operating wind farms, as well as from development and construction services carried out on behalf of third parties. Historically high, the revenue from this activity declined sharply over the past three years, in line with the Group's strategy to reduce the pace of disposals of wind farms and projects to favor recurring income from the sales of electricity for own account.

The revenue for the Development, construction, sale activity reached 10.8 million euros in 2012. During the year, THEOLIA sold 5.2 operating MW in Germany, whereas in 2011, the Group had sold a 4 MW wind farm in Germany and a 12 MW wind project in France. The fees for developing and constructing wind farms for third parties in France are similar in 2011 and 2012.

Revenue from the Development, construction, sale activity represents 16% of the consolidated revenue for fiscal year 2012. It is reminded that the revenue of this activity does not include the Gargouilles wind farm's sale to TUIC.

Non-wind activity

The revenue from the non-wind activity primarily includes income generated by the sales of electricity produced by a solar farm in Germany.

In 2012, the non-wind activity registered a revenue of €1.4 million, i.e. 2% of the consolidated revenue.

The consolidated revenue registered for fiscal year 2012 is in line with the strategy implemented by the Group, which is based on:

- a co-investment strategy, which enables to boost the pace of commissioning, directly benefiting to the Sales of electricity for own account and Operation activities;
- geographical spread, which contributes to reducing the impact of possible variations in local weather conditions;
- a controlled policy of disposals, which generates cash according to the needs and enables to allocate funds to investments with more added value.

Therefore, in 2012, the decline in the Development, construction, sale activity, due to the reduction of disposals, was offset by a 5% increase in the Sales of electricity for own account activity.

It should be noted that the consolidated annual revenue disclosed for fiscal years 2011 and 2012 does not integrate the acquisition of the control of the Breeze Two Energy German company, which has only been consolidated in THEOLIA's financial statements since January 31, 2013.

4. REVIEW OF FISCAL YEAR 2012

The Group has operations in four countries (Germany, France, Italy and Morocco).

Consolidated income by geographical zone (in thousand euros)	Year ended December 31	
	2012	2011
Germany	37,017	37,920
France	19,307	18,746
Italy	4,650	4,255
Morocco	6,534	6,558
Other countries	229	-
Total	67,736	67,480

Germany

Total revenue registered in Germany in 2012 is largely the result of sales of electricity produced by the 145 MW held by the Group in the country, fees from the operation of 497 MW on behalf of third parties, and the sale of a 5.2 MW operating wind farm.

The slight decline in revenue registered in Germany in 2012 (- 2%) is mainly due to the decrease in the Sales of electricity for own account activity (- 3%), which was penalized by an adverse scope effect (sale of 5.2 MW in operation during the year), and less favorable wind conditions in 2012 than in 2011.

The revenue registered in Germany represents 55% of the consolidated revenue for fiscal year 2012.

France

The Sales of electricity for own account and Operation activities recorded a strong increase in France (+ 20% and + 41% respectively), both benefiting from positive scope effects and more favorable wind conditions in 2012 than in 2011.

To the contrary, the Development, construction, sale activity is strongly decreasing (- 46%), mainly due to the absence of wind farm and project disposals in France in 2012, whereas a 12 MW project had been sold in France in 2011. Fees for development and construction for third parties in France are similar in 2011 and 2012.

In total, the revenue performed in France in 2012 is up by + 3%.

The revenue registered in France represents 29% of the consolidated revenue for fiscal year 2012.

Italy

In Italy, THEOLIA operates a 15.2 net MW wind farm for own account. More favorable wind conditions in 2012 than in 2011 enabled the revenue of the Sales of electricity for own account activity in Italy to grow by + 6%.

The revenue registered in Italy represents 7% of the consolidated revenue for fiscal year 2012.

Morocco

The revenue registered in Morocco corresponds to the sales of electricity produced by the 50.4 MW wind farm operated by the Group for own account. The revenue for fiscal year 2012 is similar to the one of 2011.

The revenue performed in Morocco represents 10% of the consolidated revenue for fiscal year 2012.

4.1.2.2 Consolidated EBITDA

Consolidated EBITDA is not a financial indicator defined by IFRS standards. It corresponds to the current operating income before depreciation and provisions for non-operating risk (see table for the conversion of EBITDA to current operating income in Section 4.1.2.3 below).

The consolidated EBITDA shows a 28% growth between 2011 and 2012. It amounted to 32.9 million euros for fiscal year 2012, compared to 25.8 million euros for fiscal year 2011. The consolidated EBITDA/consolidated revenue margin significantly improved, going from 38% in 2011 to 49% in 2012.

Consolidated EBITDA by business sector	Year ended December 31	
(in thousand euros)	2012	2011
Sales of electricity for own account	35,374	33,531
Operation	3,368	901
Development, construction, sale	(5,927)	(7,494)
Non-wind activity	1,248	1,162
Corporate	(1,185)	(2,331)
Total	32,877	25,769

All of the Group's activities registered an increase in EBITDA.

Sales of electricity for own account

The EBITDA from the Sales of electricity for own account activity keeps growing. It amounted to 35.4 million euros in 2012, compared to 33.5 million euros in 2011, up by 5.5%.

The EBITDA/revenue margin for the Sales of electricity for own account activity also keeps improving. It reached 72% in 2012, compared to 71% in 2011 and 66% in 2010.

Operation

The EBITDA from the Operation activity registered a very strong increase in 2012, going from 0.9 million euros in 2011 to 3.4 million euros in 2012.

In 2012, some old trade receivables related to this activity, which were fully depreciated, were abandoned and others were cashed. The balance between the reversal of provisions on these trade receivables and the adverse effect of trade receivables' abandonment shows a positive impact on this activity's EBITDA amounting to 2.6 million euros.

Development, construction, sale

This activity showed a loss of 4.8 million euros during the first half of 2012.

During the second half of 2012, margins generated by the development-construction for third party activities and the sales of wind farms and projects allowed to almost offset this activity's structure costs. In total, for 2012, the EBITDA from the Development, construction, sale activity is a loss of 5.9 million euros, compared to a loss of 7.5 million euros in 2011.

As part of a complete review of its pipeline of projects, the Group depreciated some of its projects under development in inventories by a net amount of 1.3 million euros, mostly in France.

Non-wind activity

In 2012, the Non-wind activity registered an EBITDA of 1.2 million euros, a stable figure compared to 2011.

Corporate

The Corporate activity primarily includes the THEOLIA SA parent company, as well as some sub-holdings with no operational activity.

The EBITDA from the Corporate activity kept improving in 2012. It recorded a loss of 1.2 million euros during fiscal year 2012, compared to a loss of 2.3 million euros in 2011.

In 2012, the Group mainly pursued the reduction of the headquarters' structure costs, mainly by decreasing external expenses and personnel costs.

The following table shows the Group's EBITDA by geographical zone for each relevant period:

Consolidated EBITDA by geographical zone (in thousand euros)	Year ended December 31	
	2012	2011
Germany	18,753	15,642
France	10,565	9,246
Italy	637	499
Morocco	4,420	3,544
Other countries	(986)	(1,250)
Headquarters [1]	(512)	(1,912)
Total	32,877	25,769

(1) *"Headquarters" includes only the THEOLIA SA parent company and therefore differs from the Corporate activity.*

4.1.2.3 Current operating income

Current operating income is not a financial indicator defined by IFRS standards. It corresponds to the operating income before non-current provisions, other non-current income and expenses, share in income of associates and impairments.

The table for converting EBITDA to current operating income for each specified period is as follows:

(in thousand euros)	Year ended December 31	
	2012	2011
EBITDA	32,877	25,769
Amortization	(16,048)	(13,538)
Provisions for non-operating risks	1,934	(1,847)
Current operating income	18,763	10,384

Despite the increase in amortization, the Group's current operating income recorded a strong growth of + 81%, from 10.4 million euros in 2011 to 18.8 million euros in 2012. It benefited, in 2012, from the aforementioned strong increase in the consolidated EBITDA and from a reversal of provision, further to a dispute resolution.

Almost the entire amortization is associated to wind farms held and operated by the Group. At each closing, the depreciation expense for these farms is calculated according to the residual value of the farms (estimated sale price) and the estimated date of disposal by the Group.

Amortization registered on wind farms in operation is distributed as follows by geographical zone in 2012 (in million euros):

- Germany (8.1)
- France (3.0)
- Italy (1.0)
- Morocco (2.7)

The annual update of the farms' residual value (estimated sale price) involves, each year, an update of the amortization expense. In 2012, this update led to an increase in the registered amortization.

Change in provisions for non-operating risks during fiscal year 2012 mainly includes a reversal of provision, further to a dispute resolution. As a transactional agreement was signed between the two opposing parties, the 1.8 million euro provision which was primarily made has been reversed.

4.1.2.4 Operating income

Operating income is not a financial indicator defined by IFRS standards. It corresponds to all the income and expenses not related to financial activities, discontinued operations or tax.

The Group's operating income almost reached breakeven, recording a loss of 0.5 million euros in 2012, compared to a loss of 18.2 million euros in 2011, which represents a strong improvement. In 2012, the operating income was impacted by depreciations for 23.3 million euros, compared to 28.3 million euros in 2011.

Conditions for wind project development in Italy are still difficult. The significant decrease in the electricity buy-back tariff, taken into account by the Group in its financial statements closed on December 31, 2011, was confirmed by a decree issued in July 2012. The economic and financial crisis is still ongoing, which significantly restricts access to financing and increases credit cost.

This unfavorable background, associated to the worsening of the situation of some projects and wind farms, led to a significant amount of depreciations, notably:

- Italian authorities cancelled the building permits of two projects. 49 MW were withdrawn from the project portfolio and the associated costs were entirely depreciated for a total amount of 6.8 million euros. As those cancellations were based on a failure by respective developers, to whom the projects had been purchased, THEOLIA launched legal actions to obtain refunding of the incurred costs. These projects had been bought by Maestrale Green Energy before THEOLIA purchased Maestrale Green Energy;
- the Group decided to give up a 20 MW gross capacity wind farm. As construction works were started and then suspended as from the time the construction site was placed in escrow (2007), the likeliness of works starting again having become very low, the associated costs, i.e. 4.6 million euros, were depreciated. THEOLIA had purchased wind turbines for this project in 2008. Impairment tests performed on those wind turbines highlighted an impairment of 7.4 million euros;
- the valuation of a project having obtained a building permit and of the operating Giunchetto wind farm highlighted an cumulative impairment of 4.5 million euros.

In total, in 2012, the Group posted impairments in Italy for a cumulated total of 23.3 million euros, breaking down in depressions of assets (wind projects) for an cumulative amount of 22.2 million euros and depreciation of goodwill (operating wind farm) for 1.1 million euros.

However, the tests performed did not show any impairment on assets registered in France, Germany, Morocco and the rest of the world at December 31, 2012.

Finally, further to the sale of securities, the deconsolidation of the Asset Electrica company in Spain, formerly consolidated according to the equity method, impacted positively the "Share in income of associates" item by 3.6 million euros.

In total, the Group performs another year of very strong operational improvement. The table below shows growth rates of the operational aggregates registered in 2012:

	Year ended December 31		change
(in thousand euros)	2012	2011	
Revenue	67,736	67,480	+ 0.4%
EBITDA	32,877	25,769	+ 27.6%
Current operating income	18,763	10,384	+ 80.7%
Operating income	(545)	(18,204)	n/a

4.1.2.5 *Financial income*

The Group's financial income represented a net loss of 32.0 million euros in 2012, compared to a net loss of 18.0 million euros in 2011. This loss included non-recurring items in 2012 for an aggregated amount of 9.8 million euros.

Financial income	Year ended December 31	
(in thousand euros)	2012	2011
Current financial income		
Interest cost calculated according to the effective interest rate of the convertible bond	(12,504)	(8,021)
Net interest cost related to project financing debt held by operating wind farms	(8,701)	(9,071)
Other	(1,021)	(909)
Non-current financial income		
Depreciation of financial assets	(7,777)	n/a
Impact of debt restructuring for some operating wind farms in France	(1,987)	n/a
Total	(31,990)	(18,001)

The net annual interest cost related to the convertible bond is strongly increasing. In 2012, it comes back to normal levels, after having benefited from the positive impact, in 2011, of a 4.1 million euro interest reversal related to the significant bond conversions performed over the period.

This interest cost includes, in 2012 (in million euros):

- accrued interest at December 31, 2012 paid in January 2013 (4.3)
- an additional non-cash interest cost due to the convertible nature of the bond (8.5)
- an interest reversal related to bond conversions performed during the year 0.3

The net interest cost related to project financing debt held by operating wind farms, as part of the Group's regular activities, slightly decreased, pursuant to wind farm disposals carried out over the period. In 2012, this cost broke down as follows by geographical zone (in million euros):

- operating wind farms in France (3.8)
- operating wind farms in Germany (3.3)
- operating wind farm in Italy (1.6)

Non-recurring items had an adverse effect on the 2012 financial income, for an aggregated amount of 9.8 million euros:

- during the first semester of 2012, the Group conducted, in France, the optimization of the debt structure of its main operating wind farms, with the aim to improve financial ratios of those wind farms (covenants). This optimization led to the partial refund of the par value and hedging instruments relating to some project financing. The accounting treatment of this operation, in compliance with IFRS standards, led to a non-recurring financial cost of 2 million euros;
- the Group registered depreciations of financial assets (non-consolidated securities and trade receivables on proportionally consolidated subsidiaries) for an aggregated amount of 7.8 million euros:
  - depreciation of the Ecolutions GmbH & Co KGaA's securities, based on public information available as regards this company (4.8 million euros);
  - depreciation of the securities of the company holding an Italian project whose building permit was cancelled (1.3 million euros); and
  - depreciation of the intercompany accounts of the company holding an Italian project which was given up (1.7 million euros).

4.1.2.6 Net income

Income net of tax from discontinued activities or activities being sold, covering the companies involved by the application of IFRS 5 (Seres Environnement and its subsidiaries, as well as Ecoval 30 and its parent company), showed a loss of 0.6 million euros in 2012, compared to a loss of 2.2 million euros in 2011.

The net income of the consolidated Group for 2012 is a loss of 34.2 million euros, compared to a loss of 38.5 million euros in 2011.

In 2012, the Group carried on improving significantly its operational performance (EBITDA +28%, current operating income +81%). The net income has nevertheless been penalized by various non-recurring items, described in the above sections, for a cumulative amount of 25.5 million euros. The net income excluding those non-recurring items would have been a loss of 8.8 million euros for fiscal year 2012:

<table>
<tr><th>Consolidated income statement (selected information)
(in thousand euros)</th><th>Year ended
December 31, 2012</th><th>Of which main non-recurring items</th></tr>
<tr><td>Revenue</td><td>67,736</td><td></td></tr>
<tr><td>EBITDA</td><td>32,877</td><td>2,559</td></tr>
<tr><td>Current operating income</td><td>18,763</td><td>1,445</td></tr>
<tr><td rowspan="2">Operating income</td><td rowspan="2">(545)</td><td>(23,307)</td></tr>
<tr><td>3,582</td></tr>
<tr><td rowspan="2">Financial income</td><td rowspan="2">(31,990)</td><td>(1,987)</td></tr>
<tr><td>(7,777)</td></tr>
<tr><td>Net income</td><td>(34,238)</td><td>(25,485)</td></tr>
<tr><td>Net income excluding main non-recurring items</td><td>(8,753)</td><td></td></tr>
</table>

All non-recurring items which had an impact on the 2012 consolidated financial statements are related to investment decisions made before 2009.

4.1.3 Financial structure

In recent years, the Group's main sources of liquidity have been its operating activities, project financing backed by cash flows generated by wind farms in operation, the issuance of convertible bonds, increases in share capital, asset disposals and corporate credit lines in Germany.

4.1.3.1 Shareholders' equity - Group share

The Group share of shareholders' equity totaled 165.5 million euros at December 31, 2012, as opposed to 197.8 million euros at December 31, 2011.

On June 25, 2012, the Board of Directors acknowledged the performance of a reduction of the share capital due to losses by means of a reduction of the shares' par value, which went from €1 to €0.70. The share capital was therefore reduced by 38.4 million euros and reserves increased by 38.4 million euros. This operation had no impact on shareholders' equity.

The two main changes in shareholders' equity, Group share, are related to (in million euros):

- the net loss registered for the consolidated Group in 2012 (34.2)
- the impact of the creation of new shares further to the conversion of 20,936 bonds in 2012 +2.2

4.1.3.2 Net financial debt

Net financial debt is calculated by reference to current and non-current financial liabilities (including the position of derivative instruments for hedging interest rates), less cash, cash equivalents and other current financial assets.

The consolidated net financial debt decreased by 19.1 million euros between late 2011 and late 2012.

Net financial debt (in thousand euros)	December 31	
	2012	2011
Project financing	(172,647)	(214,824)
Convertible bond	(109,358)	(103,390)
Other financial liabilities of which:	(16,445)	(13,865)
Derivative financial instruments (interest rate swap)	*(11,192)*	*(10,026)*
Other	*(5,253)*	*(3,838)*
Financial debt	(298,450)	(332,079)
Cash and cash equivalents	69,171	87,831
Current financial assets	4,569,	487
Net financial debt	(224,710)	(243,761)

- FINANCIAL DEBT

Financial debt amounted to 298.5 million euros at December 31, 2012, compared to 332.1 million euros at December 31, 2011, i.e. a decrease of 33.6 million euros, mainly due to the significant reduction of project financing.

Notes 22.3 and 22.4 to the consolidated financial statements for the fiscal year ended December 31, 2012 (see Section 5.1.6 hereof) show maturities for financial debt ending December 31, 2012.

It is specified that no item of the Group's debt has been subject to rating by a rating agency.

Project financing

At December 31, 2012, project financing debt represented 172.6 million euros, or 57.8% of the Group's financial debt, compared to 214.8 million euros at December 31, 2011, or 64.7% of the Group's financial debt at that date.

Project financing debt decreased by 42.2 million euros over the year. Indeed, loan repayments performed during the year (normal amortization of financing and early repayments) were superior to project financing take-outs, for a net amount of 23 million euros. Project financing was also reduced by 13.9 million euros, further to disposals performed during the year (net sale of 60% of the Gargouilles wind farm in France and sale of 5.2 operating MW in Germany).

It is reminded that:

- every project financing is directly taken out by the Special Purpose Vehicle (SPV), which holds the assets of the wind farm subject to the financing; the SPV is the debtor of financing and ensures repayment of the installments through cash flows from the wind farm's operation;
- financing is designed so as not to exceed the guarantee period for the electricity feed-in tariffs or the issuance of green certificates from which the wind farms benefit under the national regulatory frameworks; and
- financing that is taken out is without recourse or with limited recourse against the parent company.

Project financing is based on fixed or variable rate loans. If the debt has a variable rate, it may be subject to rate hedging via an interest rate swap corresponding to 65% to 100% of the outstanding amount.

At December 31, 2012, before financial hedging instruments, 51.4% of project financing debt had a fixed rate and 48.6% of project financing debt had a variable rate.

At December 31, 2012, after financial hedging instruments, 91.8% of project financing debt had a fixed rate and was therefore protected against an unfavorable change in interest rates, and 8.2% of project financing debt had a variable rate.

Covenants

Project financing contracts contain financial covenants, including the need to comply with financial ratios, such as the coverage ratio for debt service and the debt ratio on shareholders' equity. If the ratios are not maintained above an initial threshold, the SPV is prevented from making distributions to its shareholders. If the ratios are not maintained above a second (lower) threshold, lenders have the right to demand early repayment of the debt. Cross-default clauses are present in some agreements and enhance the impact of a default on the Group's debt. In the event of implementation of a cross-default clause, the Company may face a significant liquidity problem (see Section 4.4.1.2 hereof).

These financial ratios are calculated by the Group and are subject to certification by the Statutory Auditors when required by the financial documentation. The Group has a policy of continuously checking that SPVs comply with their commitments, specifically as regards financial ratios.

At December 31, 2012, the Group did not comply with some financial commitments required in the context of project financing of a wind farm located in Italy. In fact, the ministerial decree dated July 6, 2012 changed the payment schedule for green certificates related to the production of energy from 2011 to 2015. This payment delay is the cause for of technical breach of covenant for this wind farm. A waiver is being negotiated with the lenders.

Pursuant to the IAS 1 standard, the Group posts under current financial debts the non-current part of financial debts corresponding to wind farms in operation for which defaults have been identified at the closing date, even if waivers have been obtained from lenders after the closing date. At December 31, 2012, the debt for the Italian wind farm under technical breach of covenant and the associated swap were reclassified from non-current financial debt to current financial debt for an amount of 23.4 million euros.

Convertible bond

The convertible bond amounted to 109.4 million euros at December 31, 2012, compared to 103.4 million euros at December 31, 2011. That increase is mainly due to the registration of a non-cash interest cost due to the convertible nature of the bond for 8.5 million euros, offset by a reduction of 2.5 million euros pursuant to bond conversions performed over the period.

Movements acknowledged on the convertible bond during fiscal year 2012 are as follows (in million euros):

• non-cash interest due to the convertible nature of the bond	+ 8.5
• impact of the conversion of 210,936 bonds in 2012	(2.5)
• payment, in January 2012, of accrued interest at December 31, 2011	(4.3)
• accrued interest at December 31, 2012	+ 4.2

Other financial liabilities

At December 31, 2012, other financial liabilities totaled 16.4 million euros and included (in million euros):

- the fair value of interest rate hedging instruments (swap), 11.2
- current accounts 5.3
  - current account with the minority shareholder of the Giunchetto wind farm in Italy 2.6
  - current account with THEOLIA Utilities Investment Company 2.7

Analysis of financial debt by rate type

The following table shows the share of fixed- and variable-rate debt before and after financial instruments at December 31, 2012:

Financial debt at December 31, 2012 (in thousand euros)	Before financial instruments		After financial instruments	
	Fixed rate	Variable rate	Fixed rate	Variable rate
Project financing	(88,787)	(83,861)	(158,437)	(14,211)
Convertible bond	(109,358)	-	(109,358)	-
Other financial liabilities, of which:	(5,253)	(11,192)	(5,253)	(11,192)
Fair value of the financial instruments (interest rate swap)	-	*(11,192)*	-	*(11,192)*
Other	*(5,253)*	-	*(5,253)*	-
Financial debt by rate type	(203,398)	(95,053)	(273,048)	(25,403)
Percentage of financial debt	68,2,%	31,8,%	91,5,%	8,5,%

- CASH, CASH EQUIVALENTS AND CURRENT FINANCIAL ASSETS

The Group's treasury resources consist of free cash, cash reserved for special purpose vehicles ("SPVs") and pledged cash:

- free cash may be used by the Group at any time;
- reserved cash may be freely used by SPVs for current operational expenses, but may not be transferred to the French holding companies (THEOLIA France and THEOLIA SA), to the German holding company (THEOLIA Naturenergien GmbH) and to the Italian holding company (Maestrale Green Energy) due to financing conditions;
- pledged cash corresponds to cash that SPVs cannot, due to financing agreements, either apply to their shareholder nor use freely for their current activities, generally corresponding to amounts pledged in favor of lending banks.

The Group's cash position broke down as follows on the specified dates:

Cash and cash equivalents (thousand euros)	At December 31	
	2011	2010
Free cash	27,969	48,073
Cash reserved for SPVs	21,514	19,707
Pledged cash	19,688,	20,051,
Total cash and cash equivalents	69,171	87,831
Current financial assets	4,569	487
Total net cash and cash equivalents	73,740	88,318

In June 2012, THEOLIA implemented, with Credit Suisse, a dynamic management mechanism for one part of its cash associated to a swap contract relating to its OCEANEs. THEOLIA assigned 5 million euros to guarantee this mechanism, which were reclassified, in compliance with the IFRS standards, from cash to "Current financial assets".

At December 31, 2012, given the OCEANEs' stock price at this date and movements which have occurred since this mechanism was implemented, the market value of Credit Suisse's position showed an unrealized loss of 0.5 million euros, recognized as a depreciation of current financial assets.

The Group's total cash decreased by 14.6 million euros between year-end 2011 and year-end 2012. In particular, the Group reminds that given the significantly restricted access to financing in Italy and the associated very unfavorable credit terms, the Group financed the Bovino wind farm (10 MW for own account in Italy) with equity.

4.1.4 Consolidated cash flows

The following table shows extracts from consolidated data on the Group's cash flows for the specified periods:

Consolidated cash flows (extracts) (in thousand euros)	Year ended December 31	
	2011	2010
Cash flow from operating activities	40,602	16,768
Net flow generated by investment activities	(23,104)	(26,950)
Net flow generated by financing activities	(36,150)	(12,322)
Impact of changes in cash flow	(8)	(25)
Change in cash and cash equivalents	(18,661)	(22,528)

Net cash flow from operating activities

In line with the strong growth of consolidated EBITDA, the gross cash flow registered a strong increase in 2012. Operating activities generated 29 million euro in gross cash flow in 2012, compared to 24.4 million euros in 2011.

The change in the working capital requirement showed a cash flow generation of 13.9 million euros for fiscal year 2012, mainly related to the reduction of trade receivables and inventories. The strong decrease in trade receivables mainly involves the Operation and Sales of electricity activities, in Germany and in France. The decrease in inventory is mainly due to the sale of German wind farms stored in the framework of the Group's wind farm purchase-sale activity.

In total, operating activities generated cash inflows totaling 40.6 million euros in 2012, compared to 16.8 million euros in 2011.

Net cash flow used by investment activities

Net cash flow used by investment activities totaled 23.1 million euros in 2012, as opposed to 27 million euros in 2011.

In 2012, the Group continued investing in projects under development and construction, primarily with the construction and commissioning of the Bovino wind farm (10 MW) in Italy and the Magremont wind farm (6 net MW for the Group) in France. Given the fact that access to financing is particularly difficult in Italy and the associated very unfavorable loan conditions, the Group financed the Bovino wind farm on equity. The Group also paid for suppliers in the construction of the Gargouilles wind farm (18 MW) in France, which was commissioned in 2011. In total, investment amounted to 21.2 million euros in 2012.

In June 2012, the implementation of a swap contract relating to the OCEANEs generated a 5 million euro disbursement in favor of the bank, as a guarantee to this mechanism.

Net cash flow used by financing activities

Financing activities used 36.2 million euros in 2012, compared to 12.3 million euros in 2011. Payments of project financing (normal maturities and early repayments) were superior to take-outs, for a net amount of 21.1 million euros. Moreover, the Group paid 14.9 million euros of interest on borrowing during the fiscal year.

In total, the Group used 18.7 million euros of cash during fiscal year 2012, composed of investment in ongoing wind projects for 21.1 million euros, early repayment of some project financing in France in the framework of the non-recurring financing optimization operation for 5 million euros, as well as the implementation of the swap contract relating to the OCEANEs for 5 million euros.

4.1.5 Research and development

The Group develops, builds, operates and sells wind farms. The Group's wind activity does not include research and development and getting patents and specific licenses.

In 2012, the Seres Environnement company, specialized in design and marketing of water- and air-quality measurement devices, capitalized 363 thousand euros in research and development expenses. This company belongs to the THEOLIA Group's environmental division and is therefore recognized as a "discontinued operation" in compliance with IFRS 5 standard.

4.1.6 Dividends

The Company did not pay any dividends during the last three fiscal years.

4.2 INVESTMENTS

4.2.1 Main investments made in the last two fiscal years

4.2.1.1 Commissioning of the Gargouilles wind farm in France

Construction of the Gargouilles wind farm, located in the Eure et Loir department in France, began in September 2010. This farm comprises 8 wind turbines with a nominal capacity of 2.3 MW, i.e. a total of 18.4 MW for own account. The commissioning has been progressive between June and September 2011.

This wind farm was sold to THEOLIA Utilities Investment Company in July 2012. THEOLIA therefore kept indirectly 40% of this operating wind farm.

4.2.1.2 Commissioning of 8 MW in Germany

As part of its purchase-sale activity in Germany, the Group commissioned 3 wind farms during the first quarter of 2011, for a cumulative capacity of 8 MW.

4.2.1.3 Commissioning of the Magremont wind farm in France

Construction of the Magremont wind farm, located in the Somme department in France, began in September 2011. This wind farm comprises 6 wind turbines with a nominal capacity of 2.5 MW, i.e. a total capacity of 15 MW. This wind farm was sold to THEOLIA Utilities Investment Company in December 2011. THEOLIA therefore invested in this project, in 2012, up to the share it holds in THEOLIA Utilities Investment Company, i.e. 40%. Commissioning occurred in November 2012.

4.2.1.4 Commissioning of the Bovino wind farm in Italy

Construction of the Bovino wind farm, located in the Puglia region in Italy, began in September 2011. This wind farm comprises 5 wind turbines with a nominal capacity of 2 MW, i.e. a total capacity of 10 MW. In order not to lose the authorization granted and to secure the feed-in tariff for wind farms commissioned before December 31, 2012 (see section 1.4.5.4 of this Reference Document), the Group made its best efforts to commission this wind farm before the end of fiscal year 2012. It was therefore commissioned in late December 2012 and the wind farm will then benefit from a tariff of about €150/MWh produced from 2013 to 2015.

Given the fact that access to financing is particularly difficult in Italy and the associated very unfavorable loan conditions, the Group financed the Bovino wind farm on equity.

THEOLIA already signed contracts with several banks in the aim of implementing project financing for this wind farm. The Group will be in a situation to implement financing as soon as debt cost in Italy is in line with its internal criteria. This financing could reach from 11 to 13 million euros.

4.2.1.5 Continued investment in wind projects under development

During fiscal year 2012, the Group continued to invest at a sustained pace. Such investments mainly involve wind projects under development in Italy and France.

The following table presents the Group's investments during fiscal year 2012:

Investments *(in thousand euros)*	Fiscal year ended December 31, 2012
Intangible assets	
Projects under development	9,000
Development costs	222
Software and similar rights	71
SUBTOTAL	9,293
Tangible assets	
Land	89
Fittings and fixtures	4
Projects under construction	11,584
Technical facilities	6,224
Other tangible assets	77
SUBTOTAL	17,978
TOTAL	27,271

More detailed information on the Group’s tangible and intangible assets can be found in notes 12 and 13 to the consolidated financial statements for the year ended December 31, 2012.

4.2.2 Main investments in progress

During fiscal year 2013, the Group will keep investing in projects under development.

4.2.3 Main planned investments

At December 31, 2012, the Group has 160 MW which obtained a building permit, notably a 21 MW project in France, a 38 MW project in Italy and the first 100 MW phase of the Moroccan project. These projects will be either subject to future investment or will be disposed.

The Group may also pursue carefully selected external growth opportunities that would contribute to accelerating its development.

4.3 MATERIAL CONTRACTS

The Group has not entered into a material contract over the two fiscal years preceding this Registration Document, other than those concluded within the normal course of business, with the exception of the contracts presented below:

- on May 31, 2011, the Company signed a memorandum of understanding with the Moroccan *Office National de l'Électricité et de l'Eau potable* (ONEE) to plan and build together a 300 MW wind farm in Tétouan, Morocco (see Section 4.1.1 hereof);
- on December 13, 2011, an agreement between Centrale Éolienne du Magremont SAS ("the Borrower") and the *Crédit Industriel et Commercial* bank was signed for financing the Magremont wind farm located in the towns of Beauval and Naours, in the Somme department, in France. It comprises 6 wind turbines with a unit capacity of 2.5 MW, representing a total capacity of 15 MW for the farm. Financing breaks down as follows: a long-term loan of 18.2 million euros and shareholders' equity and quasi-shareholders' equity of the Borrower;
- on December 22, 2011, a share purchase agreement was signed, according to which THEOLIA France SAS sold all the shares it held in Centrale Éolienne du Magremont SAS to THEOLIA Utilities Investment Company SA;
- on December 29, 2011, a share purchase agreement was signed, according to which THEOLIA France SAS sold all the shares it held in Centrale Éolienne Biesles SAS to a third party;
- on July 12, 2012, a share purchase agreement was signed, according to which THEOLIA France SAS sold all the shares it held in Centrale Éolienne des Gargouilles SAS to THEOLIA Utilities Investment Company SA, effective as of July 24, 2012;
- on December 12, 2012, a settlement agreement was signed by and between Ecoval Technology and the Town of Cabriès (French department number 13), putting an end to the legal action initiated by the town in 2008 (see Section 4.5 hereof); and
- on January 28, 2013, THEOLIA signed an agreement for taking control of Breeze Two Energy, a German company holding and operating wind farms for a total of 337 MW for own account, of which 311 MW are located in Germany and 26 MW are located in France.

4.4 MAIN RISK FACTORS

The purpose of the Group's internal control mechanism is to prevent and control risks which, should they arise, would be likely to have a significant adverse effect on the Group, its activities, its financial position, its results or its share price.

The Company conducted a review of the Group's risks and is not aware of any other significant risks apart from those presented below.

4.4.1 Risks related to the Group's activities

4.4.1.1 Risk related to the Group's debt

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

At December 31, 2012, the Group's net consolidated financial debt reached €225 million, compared to €244 million at December 31, 2011, and broke down as follows:

(in thousand euros)	2012/12/31	2011/12/31
Project financing	(172,647)	(214,824)
Convertible bond	(109,358)	(103,390)
Other financial liabilities	(16,445)	(13,865)
Cash and cash equivalents	69,171	87,831
Current financial assets	4,569	487
Net financial debt	(224,710)	(243,761)

At December 31, 2012, financial liabilities broke down as follows:

	Less than 1 year		1 to 5 years		More than 5 years		TOTAL	
(in thousand euros)	Nominal	Interests	Nominal	Interests	Nominal	Interests	Nominal	Interests
Bank loans	20,314	5,835	73,370	17,585	78,964	14,349	172,648	37,769
Convertible bond	-	4,228	125,813 (1)	8,456	-	-	125,813	12,684
Other financial liabilities	47	2,572	5,206	6,908	-	1,959	5,253	11,439
Total financial liabilities	20,361	12,636	204,389	32,949	78,964	16,308	303,715	61,892

(1) *To be reimbursed on January 1, 2015 in case of early buyback requests from all bondholders.*

The estimate of future interests was obtained by using the yield curve at December 31, 2012. This presentation of the debt does not take into account short-term redeployment of the project debts of the Italian farm in technical breach of covenant and the associated swap for an amount of 23.4 million euros.

The Group is subject to the risk that, in the long term, it may be unable to generate sufficient cash flow or to obtain sufficient funding to satisfy its obligations to refinance its debt. 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 flows to satisfy its debt obligations;
- limiting the Group's ability, over the long term, to obtain additional financing for working capital requirements, investments, acquisitions or its ability to refinance the existing debt;
- limiting, through financial and restrictive covenants, the Group's ability to borrow additional funds, issue equity or engage in transactions with its subsidiaries;

- increasing the Group's vulnerability to general adverse economic conditions;
- using the Group's assets as a guarantee; and
- increasing the cost of servicing the Group's debt in the event that its financial commitments are renegotiated.

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

4.4.1.2 Risk related to the breach of project financing agreements

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

Some financing commitments made in project financing agreements contain debt covenants that require the Group to retain financial ratios related, among other things, to the leverage and hedging of debt service (covenants) of each special purpose vehicle or group of companies. These covenants are mainly founded on a Debt Service Coverage Ratio (DSCR) (ratio of EBITDA to interest charges and amortization of principal) of which the annual minimum value must be greater than a threshold between 1.0x and 1.15x and with debt ratio control (ratio of the outstanding capital to shareholders' equity) determined according to each financing agreement. Failure to comply with these and other debt covenants could result in the Group's obligation to make early repayment of the related financing.

In addition, cross-default provisions could magnify the effect of a single default.

If the Group does not meet its financial commitments, the Group cannot guarantee that it will be able to renegotiate or obtain waivers for its shortcomings. Early repayment of financing granted to the Group would have a significant adverse effect on the Group's liquidity, financial position and results.

At December 31, 2012, the Group had not met some financial commitments which were required for project financing on a wind farm located in Italy. Indeed, the ministerial order dated July 6, 2012 delayed the deadline for payment of green certificates related to energy production from 2011 to 2015. This difference in the payment date led to the breach of one covenant for this wind farm (see Section 4.1.3.2 hereof). A waiver is being negotiated with the lenders.

4.4.1.3 Dilution risk for shareholders

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

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

	OCEANEs	Performance shares	Stock options	Stock warrants
Outstanding at 2011/12/31	8,439,406	475,000	2,310,000	2,062,106
Cancellation, conversion or definitive acquisition during fiscal year 2012	210,936	475,000 (1)	-	1,785,190
Granted during fiscal year 2012	n/a	1,900,000 (2)	-	-
Outstanding at 2012/12/31	8,228,470 (3)	1,900,000	2,310,000	276,916 (4)
Maximum possible issue of new shares	35,546,990 *	1,900,000	1,155,000 *	167,336 *

(1) *Over the 475,000 free shares, 441,638 were definitively acquired on March 28, 2012. The balance, i.e. 33,362 free shares, was not granted. The corresponding shares were not created.*

(2) *Grant of 1,900,000 free performance shares decided by the Board of Directors dated December 10, 2012 (900,000 performance shares granted to the CEO and 1,000,000 to staff members of the Group).*

(3) *Since December 31, 2012, 1,052 OCEANEs were converted, which gave rise to the creation of 4,544 new shares.*

(4) *Since December 31, 2012, 118,730 stock warrants matured without having been exercised and were therefore cancelled. Over the 158,186 outstanding stock warrants at the date of publication hereof, 108,186 (or 68%) will mature by the end of 2013, the balance maturing in late 2014.*

* *Amounts adjusted further to the implementation, on July 20, 2012, of the share consolidation plan with the exchange of two (2) shares of a par value of 0.70 euro against one (1) new share of a par value of 1.40 euro.*

At December 31, 2012, if all securities granting access to the capital had been exercised, a shareholder holding 1% of the share capital before they were exercised would have held 0.63% of THEOLIA's share capital after they were exercised:

	Number of shares in the share capital	Investment stake of a shareholder with 1% of capital
Situation at 2012/12/31	64,885,834	1.00%
Situation after conversion of the 8,228,470 outstanding OCEANEs (35,546,990 potential new shares)	100,432,824,	0.65%
Situation after definitive acquisition of the 1,900,000 free shares granted	102,332,824	0.63%
Situation after exercise of the 2,310,000 outstanding stock options (1,155,000 potential new shares)	103,487,824	0.63%
Situation after exercise of the 276,916 outstanding stock warrants (167,336 potential new shares)	103,655,160	0.63%

At December 31, 2012, a maximum of 38,769,326 new shares were able to be created.

4.4.1.4 Risk related to the uncertainty of international credit markets

With the sovereign debt crisis in Europe and the downgrading of France's credit rating, the cost of credit on the international markets is higher and the financial markets have generally deteriorated, leading to an overall deterioration in the economic environment of the wind power sector, making it more difficult for the Group to access financing.

The situation on the financial markets is of particular concern in Italy, where political uncertainty is having repercussions on the conditions for the Group to finance the development of new wind farms.

Any deterioration in economic conditions could have a material adverse effect on the Group's business, in many ways, in particular through a fall in income from the sale of electricity or wind farms or through reduced access to finance for wind power projects, and on the Group's liquidities, financial position and results.

4.4.1.5 *Risk related to the fluctuation of prices of technical equipment*

Constructing a wind farm requires the delivery and assembly of many technical elements, such as towers and wind turbines, which only a known number of suppliers are able to supply to the Group. In 2011, for instance, the fifteen main turbine suppliers represented in total 85.3% of world market shares (Source: *Make Consulting – Global wind turbine supply chain – Market report June 2012*).

As the Group did not enter into framework agreements for joint turbine supply over different countries and/or projects, it remains free to adapt its purchasing policy according to its suppliers' commercial efforts.

The Group estimates that turbines represent about 75% of the cost of investment in a wind project. Consequently, any decrease in turbine prices has a significant direct and positive effect on the Group's operational costs. Deflation of the turbine price also leads to a lower basic asset cost, which enables the Group to reduce its project financing through debt, which affects favorably the Group's business, financial position and operating income. In countries like France or Germany, in which the Group is bound by a system of fixed prices and purchase obligations for farms operated for own account, the Group is not required to impact the decrease in turbine prices on the electricity purchase price. Ultimately, the decrease in the price of technical equipment has a marked favorable impact on the Group's operational costs, its level of indebtedness, its capacity to maintain its supply and its development deadlines.

As regards the development of its wind projects, the Group favors a case-by-case approach. It selects the manufacturer according to specific features of the site most appropriate to the turbine type in order to optimize performance and based on the supplier's capacity to assume maintenance of the facilities. The Group has no framework agreement in force for its turbine supplies and is therefore not restricted by large long-term commercial and financial commitments. Thus, the Group is entirely free while selecting its suppliers for each of its wind projects. This approach enables the Group to use a wider range of suppliers and reduces the risk of dependence on a supplier. However, the Group is also exposed to three major risks:

- the risk related to the increase in turbine prices: even though the price of the equipment necessary for the construction of a wind farm has remained at a low level for two years, a risk of price inflation persists for these components, due to the volatility of the price of raw materials required to produce turbines. Nevertheless, at the date hereof, this risk has not led to an actual significant price increase;
- the risk related to turbine availability: there has been no sign of shortage for two years. However, several suppliers delayed their growth projects and some of them had to implement cost and personnel reduction schemes; and
- the risk related to supplier default : the Group reduces its exposure to that risk by diversifying its purchases. Moreover, suppliers who showed signs of weakness already implemented cost and personnel reduction schemes supposed to ensure their longevity.

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

4.4.1.6 *Risk related to investments*

The Group's success depends significantly on its capacity to develop its portfolio, which requires sizeable investments. The main investments performed during the fiscal year ended on December 31, 2012 are related to continued investments in wind projects underway.

As part of its activities, the Group may invest in projects (in particular in terms of turbine purchase) even when bank financing for these projects is not secured.

Pursuant to the international financial market crisis, the share of investment financed by debt markedly decreased (about 70% to 80%) and its cost increased.

The Group has suffered adverse consequences from the European financial crisis: credit contraction, deterioration of financing conditions, extension of structuring deadlines for financing files and necessity of resorting to club deal structures that take longer to implement. In the current global economic environment, considering its financial position, the Group cannot ensure that it will be in a position to raise the necessary funds that will allow it to grow and handle its commitments. However, the Group partly reduced its exposure to this risk through the creation of its co-investment vehicle, which enables it to continue developing with a reduced contribution of equity, while limiting the deterioration of loan terms.

The possible difficulty to obtain financing could force the Group to continue investing by means of equity, to suspend or discontinue the development or construction of its projects, or to transfer them to third parties. This could have a marked adverse effect on the business, financial position or operating income of the Group.

For more information on the current Group debt, see Section 4.1.3.2 hereof.

4.4.1.7 Risk related to fluctuations of the Group's revenue

In countries where it is present, the Group's revenue fluctuates from one fiscal year to the next, depending in particular on the wind farms commissioned or sold. It is stated that, as part of its new co-investment strategy, the Group favors the sale of its wind projects to the investment vehicle, and that these disposals are not considered as revenue in accordance with accounting standards in force.

Thus, the Group recognized a revenue of €67.7 million in 2012, compared to €67.5 million in 2011 and €154.5 million in 2010.

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

4.4.1.8 Risk related to the construction and commissioning of wind farms.

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

These events might lead to significant delays in the construction and commissioning of wind farms, which might have a marked adverse effect on cash flows, operating income and the financial position of the Group.

The Group most often uses turnkey contracts, which impute expense and deadline-related costs to the supplier. Accordingly, within a specific limit, extra costs are paid by the supplier and delays in commissioning are offset by compensation payments. When a turnkey structure is not possible, the Group can rely on its strong experience in organizing contractual construction plans and seeks to allocate each risk to the party most able control it. However, the Group cannot guarantee that these measures will be sufficient to prevent or compensate for a significant delay.

4.4.1.9 Risk related to the connection to electricity transport and distribution grids

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

4.4.1.10 Risk related to the impact of acquisitions or investments

The Group may make acquisitions or investments as part of its growth strategy. Such transactions may include certain risks related to the integration of the activities and staff transferred, the inability to implement expected synergies, the difficulty of maintaining homogeneous standards, controls, policies and procedures, discovery of liabilities or unexpected costs, or regulations applicable to such transactions.

More generally, those risks, should they be effective, could have a marked adverse effect on the Group's business, operating income or financial position, or its capacity to achieve its objectives.

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

4.4.1.11 Risk related to partnerships

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

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

In addition, in Germany and Italy, the Group might choose to co-develop some projects in partnership with local developers. The occurrence of disagreements with one or more of the Group's partners could negatively impact the Group's projects and have an adverse effect on the Group's business, financial position or operating income, or its capacity to achieve its objectives.

4.4.1.12 Risk related to competition

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

4.4.1.13 Risk related to dependency to some senior managers and key employees

The Group's future success depends, to a significant extent, on the total implication of its main executives. The Company leaned in particular on Fady Khallouf, Chief Executive Officer and also Chief Financial Officer of the Company, for its development, as well as for the definition and implementation of its strategy. If the Company was to lose the services of one or several main executives with extensive experience of the sector in which the Group exercises its activity, and in particular Fady Khallouf, or if one or several of them decided to reduce or to end their implication, the Company could meet difficulties to replace them and its activities could be slowed down or its financial situation, its results or its capacity to achieve its objectives could be affected.

Besides, the Group's future success also depends on its capacity to retain, motivate its key managers and to attract new highly qualified employees. The Group might not be able to do so in order to maintain its competitiveness and its profitability. This inability could have a significant effect on the activity, the financial situation or the results of the Company or on its capacity to achieve its objectives.

4.4.1.14 Risk related to interest rate variations

At December 31, 2012, the Group had a debt of €298.4 million, of which 31.8% of the amount had a variable rate, before interest rate hedging and 8.5% after interest rate hedging. During 2012, the Group paid €14.49 million in loan interest. The Group is subject to interest rate fluctuation risks for the variable-rate part of its debt.

The table below shows the position of the Group's debt exposed to interest rates at December 31, 2012 (in thousand euros). This presentation of the debt takes into account the short-term redeployment of the debts related to projects further to the non-compliance with some financial covenants:

2012/12/31	Financial liabilities (1)		Interest rate hedging instruments		Exposure after hedging	
	Fixed rate	Variable rate	Fixed rate	Variable rate	Fixed rate	Variable rate
Less than one year	17,702	27,353	-	2,528	37,627	9,955
Between one and five years	151,455	24,645	-	-	172,993	3,106
Over five years	34,241	31,864	-	8,664	62,427	12,341
TOTAL	203,398	83,861	-	11,192	273,048	25,403

(1) *Excluding interest rate hedging instruments.*

4.4.1.15 Risk of social, economic and political nature which are inherent to emerging markets

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

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

4.4.1.16 Litigation risk

The Group is exposed to a risk of litigation with its clients, suppliers, employees and any third party claiming damages with respect to health, the environment, safety or operations, hazards, negligence, or non-observance of a contractual, regulatory or legal obligation that may have a marked adverse effect on the Group's business, financial position and revenue. In the consolidated financial statements at December 31, 2012, the Group set aside an overall amount of approximately €4.2 million for litigations.

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

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

4.4.1.17 Risk related to obligations guaranteed by off-balance sheet commitments

As part of its activities, the Group grants certain off-balance sheet commitments to obtain financing and support its direct and indirect subsidiaries.

The main off-balance sheet commitments are described in Section 5.1.6, note 29 hereof.

By granting guarantees to cover some commitments of its subsidiaries, the Group could be forced to reimburse the lenders of some financing projects or pay the amounts owed to commercial creditors (such as equipment suppliers) or clients, should a wind project not manage to be successful or a wind farm become insolvent. In such case, the creditors could exercise the security or the guarantee granted by the Group. The corresponding payments made by the Group could have a marked adverse effect on its cash flow, financial position or results.

4.4.1.18 Risk related to insurance

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

The Group has implemented a coverage policy for the main risks related to its wind activities that may be insured, subject to the usual exemptions or exclusions imposed by the market. In this regard, during 2012, the Group paid €1,528 thousand in insurance premiums and brokerage fees, compared to €1,295 thousand in 2011.

The Group has taken out professional public liability insurance to cover the Company and its subsidiary THEOLIA France against the monetary consequences resulting from bodily, material or consequential harm, incurred under their liability in connection with their activities. This coverage applies notably in the event of harm caused to others because of the companies covered by the insurance policy or on account of the people for which they are responsible of or objects over which they have custody. The other companies of the wind division (outside France) have subscribed to similar local liability insurance policies.

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

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

- an insurance policy that covers various construction risks (also known as "all construction risks"): from the construction period up to the works' commissioning, this insurance covers the project manager and funding bodies, as needed, and material damage, including fire, machinery breakdown, explosion of works (equipment and civil engineering), theft and the planned operating losses;

- "transport" insurance: in some cases, the Group also chooses to take out "transport" insurance that provides coverage for the material harm to goods transported (and related financial loss) that constitute so-called "strategic" transport; and
- an insurance policy that covers the project manager's civil liability against any pecuniary consequences of its civil liability that may be due as part of the construction phase.

Besides, the Group subscribes insurance policies that are in force when the wind farms are commissioned. They cover machine breakdown (of accidental origin), damage by fire, lightning, explosion, fall of aircrafts or theft and operating loss consecutive to the guaranteed damage, as well as the pecuniary consequences that the developer may be required to pay for under its civil liability.

The Group is also protected by the contractual guarantees subscribed to by its subcontractors, covering the damaged items and other harm for which they are responsible.

Moreover, the Group is protected by the contractual guarantees provided by the suppliers of wind turbines, which cover the loss suffered in the event of the defective functioning of these turbines (including, in particular, operating loss related to malfunctioning of equipment and replacement costs for defective parts).

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

4.4.1.19 Risk related to significant trade receivables in Germany

As part of its operating activity for third parties in Germany, the Company's German subsidiary, THEOLIA Naturenergien (formerly NATENCO GmbH), used to pay a monthly compensation to its clients, based on the estimated production of electricity of each wind turbine. For several years, this compensation was greater than the production levels.

Since 2011, THEOLIA Naturenergien has been proceeding to the recovery of overpayments to some clients. In some cases, THEOLIA Naturenergien had to undertake legal procedures against reluctant clients. To date, the courts have confirmed the validity of the actions initiated by the Group.

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

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

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

4.4.1.20 Risk related to the implementation of IFRS standards

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

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

4.4.1.21 Risk related to the former management of the Italian subsidiary

During the 2012 fiscal year, the Company became aware of events that could be qualified as misfeasance on the part of the former *Amministratore Delegato* of the subsidiary Maestrale Green Energy, stemming from conflicts between the individual's obligations as a Corporate Officer and his private interests. Following this discovery, the Company decided to dismiss this Manager in June 2012.

The Company has taken all necessary measures to remedy the consequences of this mismanagement, but it cannot guarantee that other incidents related to the former management will not come to light in the future, with a negative impact on the activities of its Italian subsidiary.

4.4.2 Risks related to the wind sector

4.4.2.1 Risk related to weather conditions

The Group operates, for own account and for third parties, wind farms that produce electricity. For fiscal year 2012, the revenue from the sales of electricity for own account represented 72.80% of the consolidated revenue and revenue from the Operation activity for third parties represented 9.24% of the consolidated revenue.

The profitability of a wind farm depends not only on the wind conditions observed onsite, but also on the consistency between the wind conditions observed and the forecasts made during the project development phase. Prior to the construction of a wind farm, a wind deposit survey is conducted at the proposed site and an independent research firm prepares a report on wind conditions likely to be found onsite. The core assumptions made by the Group with respect to the selection of sites and positioning of wind turbines are based on the findings of this report. The Group cannot guarantee that the weather conditions observed, in particular wind conditions, will comply with the assumptions made during the wind project development phase.

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

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

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

The Group is particularly exposed to this risk due to the relative lack of geographical diversification of its wind farms compared with other sector participants and due to a greater dependence to the French and German wind markets in particular.

4.4.2.2 Risk related to dependency to national and international policies that support the wind sector

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

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

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

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

4.4.2.3 Risk related to the difficulty to find proper sites for wind farm development

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

In particular, as regards the turbines, the growth in the number of wind farms tends to restrict the number of sites available for this type of project, while at the same time the continuous growth of operators in this market for wind energy is intensifying competition for the available sites. The high level of growth of wind farms installed on the German territory, where the Group is active, tends to reduce the number of potential sites.

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

4.4.2.4 Risk related to obtaining construction permits and operating authorizations

Obtaining construction permits and authorizations to operate from various national and local authorities is necessary for the construction and operation of a wind farm. Due to the plurality of the administrations involved, the process to obtain construction permits and authorizations to operate is often long and complex. In some cases, third parties may initiate claims against building permits or authorization applications. The Group cannot guarantee that construction and operation permits will be obtained for the projects under development.

Furthermore, for operational wind farms, maintaining the necessary authorizations in force could be reconsidered, or even cancelled, if the Group does not comply with the terms of said authorizations, to electricity sales contract provisions, or applicable regulations. Finally, in some jurisdictions, especially in Italy, negotiations with nearby residents and local governments that may grant authorizations to operate, or on the territory of which the wind farms are located, can be difficult and, in some cases, lead to the payment of financial compensation to their benefit.

On December 31, 2012, the Group had, in its project portfolio, 347 MW of projects in development, 224 MW of projects for which a permit or equivalent authorization had been filed and were under review, as well as 160 MW having obtained a permit.

In France, until now, the wind energy sector has faced a significant number of construction permit rejections and administrative claims from third parties against building permits already granted. Moreover, operating authorization requests and grants, which are now required, could face rejections or claims from third parties. At December 31, 2012, two projects of an estimated total capacity of 18 MW are subject to an administrative claim initiated by third parties in France.

In 2011, a construction permit authorizing the construction of a wind farm was granted to the Group, free of any claims in France. In Italy, organizations composed of neighboring residents and those against the development of wind farms could continue to dispute the construction permits after they are granted.

However, the Company initiated several appeals against construction permit rejections made against the Group. The difficulty to obtain permits and authorizations might significantly affect the Group’s ability to develop and operate wind power plants in France and in Italy, which could consequently affect its revenue, income and financial position, and could result in increasing the Group’s focus on its activities in Germany.

The Group develops its projects with the utmost care, in collaboration with the French State agencies and local governments involved, as well as with political players and local associations, and uses the services of qualified experts.

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

In addition, Act No. 2010-788 of July 12, 2010 regarding national commitment to the environment, also known as “Grenelle 2”, provides for the creation of two new planning instruments for onshore wind turbines: the Regional Climate, Air and Energy Plan (Section 68 of the Act) and the Regional Wind Plan (Article 90 I of the Act). This proliferation of actors and planning tools will complicate establishment procedures and increase the risk to increase the development cycle of wind projects. Moreover, under the terms of this law, wind turbines will not only require a construction permit, but also an authorization as facilities classified for environmental protection (ICPE), which may also extend the development cycle of wind projects and enable further appeals before the administrative courts as described in Article 90 V, VI and VII of the Act during a period of 6 months. The law also stipulates that it is prohibited to build a wind farm within 500 meters of all “dwellings or areas intended for habitation”; nonetheless, this restriction should have no impact on the Group’s projects, as its internal development practices recommend greater distances. Finally, to benefit from the obligation to purchase, it was necessary for the production units to be composed of a minimum of five masts per wind farm.

The “Brottes Act”, adopted in early 2013, simplifies the conditions for wind farm development, as this legislation repeals the “wind energy development zone” (ZDE) procedure and the rule requiring a minimum of five wind turbines on each site.

4.4.2.5 Risk of non-compliance with legal or regulatory provisions in terms of environment, health and safety

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

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

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

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

4.4.2.6 Risk related to public acceptance of the installation of wind projects

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

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

If any part of the population opposes the construction of a wind farm, it could be more difficult to obtain the construction permits required. In France and Italy in particular, a growing number of groups are actively opposed to wind farms. This may have implications on obtaining construction permits and delays in the development of wind projects. These actions may also lead to the cancellation of the permit or, in some cases, the decommissioning of an existing wind farm. At December 31, 2012, the Group is the target of third-party claims for two projects in France, one project in Germany and two projects in Italy.

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

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

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

4.4.2.7 Risk related to the variation of the price of sales of electricity

For fiscal year 2012, the sales of electricity from wind farms operated for own account by the Group represented 72.80% of the consolidated revenue and the revenue from the Operation activity accounted for 9.24% of the gross consolidated revenue. In addition, the revenue from the Development, construction, sale activity represented 15.92% of the consolidated revenue of fiscal year 2012. The Group's revenue from the sales of electricity produced by its wind farms, as well as the sale of wind farms, depends in particular on the sale price of electricity. Depending on the country, sale prices are established, either in whole or in part, by regulatory authorities in the form of guaranteed rates, or by the market.

When prices are established in the form of guaranteed rates, sales are usually governed by long-term agreements. Fixing rates may result in administrative rejections or legal proceedings that may delay the application of modified rates or cause them to be cancelled. In France, in 2001 and 2006, the Commission for Energy Regulation published unfavorable opinions to the effective rates for electricity generated from wind, stating that these rates were bringing undue income to producers. These opinions were merely consultative in nature and did not prevent the relevant rates to come into force.

In 2012 in France, the Council of State was called on to rule on the validity of the Decree establishing the wind power feed-in tariff in the light of European regulations on state aid. In this context, it requested an opinion from the European Court of Justice. This decision is expected in late 2013. An unfavorable decision would jeopardize the French tariff structure for operating projects with an existing signed electricity purchase contract, and would prevent new contracts being signed for wind farms that are under construction. A new legal framework would need to be put in place.

Due to this legislative uncertainty, most banks are choosing not to commit to unconditional financing of wind farms until a new tariff framework is defined, in conformity with European regulations. This delay in obtaining project funding is leading to postponements in the execution of supply contracts, which in turn could lead to delays in the launch of wind farm construction. Delays in construction may potentially lead to expiry of the administrative authorization validity, if an extension cannot be obtained.

The Group also faces a risk of change in the levels of feed-in tariffs. In France and Germany, where the Group performs the vast majority of its sales of electricity, the Group has entered into long-term electricity sales agreements at a rate set by the regulatory authorities for the farms in operation. Any decision by the authorities to amend the fixed rates could have a material adverse effect on the cash flow and the income of the Group's existing wind farms, although the risk of unilateral rate change for already commissioned wind farms seems highly theoretical. In addition, these purchasing rates fluctuate according to determined indices. Therefore, in France for example, the purchase price in Euros/MWh increased from 81.89 in 2011 to 84.71 in 2012, then to 85.20 in 2013.

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

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

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

The fixed tariff will be applicable from January 1, 2016 for wind farms commissioned before December 31, 2012 and the auction terms that will be applicable for those wind farms after that date were set by the Italian government and by the FER decree published on July 10, 2012:

- the fixed tariff applicable from January 1, 2016 for projects connected to the grid prior to December 31, 2012 will correspond to the electricity market price with an additional premium, which amount will be calculated thanks to the following method: 78% * (€180 – average MWh price of the preceding year on the electricity market);
- as regards projects commissioned as of 2013, the feed-in tariff will be set according to an auction system and for a capacity limited to 500 MW over the period 2013-2015. As regards 2013, the set tariffs will range between €124.46/MWh and €88.9/MWh.

The Group cannot guarantee that the regulated rates and market prices applicable in each country in which it operates or intends to operate will always reach a level that ensures the Group's profitability margins as initially planned during the project's financing. These fluctuations in electricity prices could have a material adverse effect on the cash and income of the Group's wind farms, the Group's financial position and ability to complete its projects under development, the sale price of wind farms to third parties and the Group's ability to meet its financial obligations.

4.4.2.8 Risk related to dependency to the cost of electricity produced from conventional energy sources.

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

Moreover, a decline in the competitiveness of wind electricity in terms of production price or the use of technological progress in other renewable sources, the discovery of new large deposits of oil, gas or coal or a reduction in prices of oil, gas, coal or other renewable energies, could create a slowdown, or even a reduction in the demand for wind power, which could have an impact on the Group's development.

4.4.2.9 Risk related to national regulations and their evolution

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

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

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

If regulations, or their implementation, were strengthened, new restrictions on the Group's activities, likely to increase its investment expenses or its compliance costs (for instance the implementation of procedures or controls and of additional monitoring), or even extend the development deadlines for its projects (see, in particular, Section 4.4.2.4 regarding the "Grenelle II" bill in France) could be implemented.

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

4.5 LEGAL AND ARBITRAL PROCEEDINGS

4.5.1 France and Morocco

Litigation with Jean-Marie Santander

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

- On March 13, 2009, THEOLIA SA filed a civil claim with the Commercial Court of Marseille against Jean-Marie Santander (as well as the companies Athanor Equities and Global Ecopower). The Company claimed a total of €5.95 million from Jean-Marie Santander and the companies Athanor Equities and Global Ecopower, regarding the damage that it considers to have suffered. The claim alleged that Jean-Marie Santander (a) established and operated a group that competed with the Company while he was still managing the Company, (b) used and recruited Company employees, (c) committed parasitic competitive acts to the detriment of the Company, notably through the use of the image and reputation of the Company, (d) committed acts in competition with Global Ecopower as accomplice in the wind sector and (e) the prejudice resulted from the acts committed by Jean-Marie Santander that led to a fine imposed on the Company by the AMF further to their decision of October 1, 2009. Jean-Marie Santander has filed a counterclaim in relation to these proceedings, in which he sought an allocation of 100,000 free shares in the Company. These proceedings led to the Commercial Court of Marseille ruling on February 21, 2011 that Jean-Marie Santander should pay the Company €450,000 for breaching the non-compete clause binding him and the sum of €2,000 on the basis of the provisions in Article 700 of the Code of Civil Procedure (*Code de procédure civile*). In addition, Jean-Marie Santander's counterclaim seeking an allocation of free shares was dismissed.

  The parties appealed this ruling. This case was pleaded before the Court of Appeal of Aix-en-Provence at a hearing on October 18, 2012 and the decision was handed down on November 15, 2012. The Court of Appeal of Aix-en-Provence confirmed the initial judgment handed down by the Commercial Court of Marseille on February 21, 2011, in which Jean-Marie Santander was ordered to pay THEOLIA the sum of €450,000 for the breach of a non-compete clause. The Court also rejected the petition by Jean-Marie Santander for the award of shares and ordered him to pay €2,000 under Article 700 of the French Code of Civil Procedure.

  The Court of Appeal also partially overturned the judgment of February 21, 2011 and ordered Jean-Marie Santander and the company Global Ecopower jointly and severally to pay THEOLIA the sum of €500,000 as reparation for the losses suffered as a result of the acts of unfair competition committed against THEOLIA. The Court also ordered the same parties to pay THEOLIA compensation of €20,000 on the grounds of Article 700 of the French Code of Civil Procedure.

  All other petitions by the parties were dismissed.

  In a statement dated January 23, 2013, Jean-Marie Santander and the company Global Ecopower gave notice of appeal to the Court of Cassation to have the order handed down by the Court of Appeal on November 15, 2012 quashed. This appeal has no suspensory effect and the orders against Jean-Marie Santander and the company Global Ecopower by the Court of Appeal of Aix-en-Provence, to pay damages to THEOLIA, remain enforceable. At the time that this Registration Document went to press, the sentences against Jean-Marie Santander and the company Global Ecopower had all been enforced, with the exception of €2,000.

- On May 22, 2010, TEM brought on its side an action against Jean-Marie Santander before the Commercial Court of Casablanca for the repayment of MAD 1,300,000, which corresponds to the compensation that the Company considers to have been improperly received by Jean-Marie Santander when he was Chairman and Managing Director of TEM. TEM also requested Jean-Marie Santander to reimburse 2,000,000 MAD excluding taxes, paid to Faracha (a Luxembourg company of which Jean-Marie Santander is the sole director) in the framework of the promotion agreement, given the absence of a tangible service provided by Faracha to TEM. The Commercial Court of Casablanca ruled that the said court was competent. An order of the Appeal Court of Casablanca dated May 17, 2011 confirmed that ruling. Various procedural hearings have been held since March 22, 2012, but at the time that this Registration Document went to press, no date has yet been set for the main hearing.
- On December 29, 2009, THEOLIA SA and TEM filed a criminal complaint with the Public Prosecutor of the Court of first instance of Marseille against Jean-Marie Santander. This complaint exposed acts liable to be qualified as misuse of company assets, abuse of power and breach of trust. At the initiative of the Prosecutor, and after preliminary investigation, Jean-Marie Santander was summoned on May 25, 2011 before the Criminal Court of Aix-en-Provence, to be charged with eight counts: three corresponding to abuse of power offenses, three to misuse of company assets offenses and two to breach of trust offenses. Upon request of Jean-Marie Santander, the case was referred to a hearing on February 1, 2012, when it was argued. By judgment of March 13, 2012, the Criminal Court of Aix-en-Provence said Jean-Marie Santander guilty of two counts of abuse of power, one count of misuse of company assets and two counts of abuse of trust, and discharged him for the remainder. The Court sentenced Jean-Marie Santander to suspended terms of imprisonment of 8 months and pronounced against him, as a supplementary punishment, a prohibition to manage for a three-year period. In the civil action, the Court received THEOLIA SA and TEM in their civil party and sentenced Jean-Marie Santander to pay (i) to THEOLIA SA the sum of €109,278.76 as damages in compensation for financial loss and €1 as moral damages, and (ii) to TEM the global amount of €299,753.74 as damages in compensation for financial loss. All parties having filed appeal, this ruling is therefore not definitive. This case was pleaded before the Chamber of Criminal Appeals of the Court of Appeal of Aix-en-Provence on March 27, 2013. The Court of Appeal of Aix-en-Provence is due to announce its decision on May 7, 2013.
- In January 2008, TEM entered into a three-year lease agreement with JMZ Holding (a company owned by Jean-Marie Santander) for the rental of premises in Casablanca, for a monthly rent of MAD 151,970. Once Jean-Marie Santander had left the Group, TEM terminated this lease on February 17, 2009. On February 7, 2013, the Commercial Court of Casablanca (i) ordered TEM to pay JMZ Holding the sum of MAD 1,775,000 for the wrongful termination of this lease agreement and the sum of MAD 430,000 for damage to the premises under the main petition filed by JMZ Holding and (ii) ordered the company JMZ Holding to return the bank guarantee of MAD 339,940 under a counterclaim submitted by TEM. TEM contests the validity of the judgment relating to the main petition and will lodge an appeal against this decision.

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

No accrual was made in the framework of this dispute.

City of Cabriès wastewater treatment plant defects

In 2008, the Cabriès City Council instituted legal proceedings against a subsidiary of the Environmental Unit, Ecoval Technology, in relation to alleged defects that have occurred with the city's wastewater treatment plant and late-payment penalties; it requested Ecoval Technology to pay a sum of €1.5 million. An independent expert was appointed by the Marseille Administrative Court (*Tribunal Administratif de Marseille*) in order to determine liability as well as the cost of works to be planned. It submitted its expert report to the Marseille Administrative Court on May 18, 2012. On December 12, 2012, a settlement was reached between Ecoval Technology and the Municipality of Cabriès, bringing an end to the legal proceedings brought by the local authority.

4.5.2 Italy

During the 2012 fiscal year, the Company became aware of events that could be qualified as misfeasance on the part of the former *Amministratore Delegato* of the subsidiary Maestrale Green Energy, stemming from conflicts between the individual's obligations as a Corporate Officer and his private interests. Following this discovery, the Company decided to dismiss this Manager in June 2012. Since the departure of this Manager, the Company has carried out an in-depth investigation of contracts between its Italian subsidiaries and third parties. These irregularities explain the increase in the number of cases of litigation in Italy.

Administrative and criminal proceedings related to the Martignano wind farm

Administrative proceedings

Under the administrative proceedings described above, the Public Prosecutor of Lecce, at the request of the petitioners, has opened an investigation into Carlo Durante, as former legal representative of NeoAnemos, for having built structures with a view to the construction of a wind farm in the municipality of Martignano without a valid Single Authorization, and against the civil servants that issued the Single Authorization for (i) forgery and (ii) misuse of position. It is specified that, if the civil servants are found guilty, the Single Authorization would automatically become null and void.

By an Order dated September 21, 2009, the Investigating Judge referred the case for trial on the merits, confirming the Prosecutor's motion. The trial started in December 2010.

The Court of First Instance is due to hand down its decision in the second half of 2013.

Criminal proceedings

As part of the aforementioned administrative proceeding, the Prosecutor of Lecce, approached by the plaintiffs, conducted an investigation against Carlo Durante, in his capacity as former legal representative of NeoAnemos, for having built constructions with a view to establishing a wind farm in the city of Martignano without a valid Single Authorization and against the civil servants who issued the Single Authorization for (i) forgery and (ii) abuse of office, being specified that the conviction of said civil servants would result in the nullity of the Single Authorization.

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

The Court of First Instance is due to hand down its decision in the second half of 2013.

Proceedings concerning the Giuggianello project

On March 26, 2012, the sellers of the company Wind Service Srl that was leading the Giuggianello project, issued summons to Maestrale Green Energy Srl and Giuggianello Srl to appear before the Civil Court of Lecce, petitioning to have them sentenced jointly and severally to acquire the remaining 75% of the share capital in the company Wind Service Srl for the contractual price of €4,050,000 and to pay damages, currently estimated to be €50,000. Maestrale Green Energy Srl and Giuggianello Srl have filed a counterclaim for defeasance of the contract on the grounds of breach of the guarantees and representations given by sellers, petitioning for reimbursement of the sum of €1,360,000 that was paid in 2010 for the purchase of the first 25% of the share capital in Wind Service.

Pending the court's decision on the merits of the case, the sellers have temporarily placed some assets of Maestrale Green Energy Srl and Giuggianello Srl in receivership, as from February 2013. This decision has been appealed, and the judgment is expected in the second quarter of 2013.

Proceedings concerning the Pergola project

On January 9, 2013, the Administrative Court of the Marche Region annulled the Single Authorization for the Pergola project following proceedings brought by local people in June 2010. This decision was based on a failure to assess the acoustic impact of the wind farm. The decision will become definitive on July 8, 2013, if an appeal is not lodged.

The agreement to purchase the project company includes an obligation on the sellers to refund the full sale price if a definitive legal decision leads to the annulment of the Single Authorization, following a legal challenge brought prior to July 5, 2010.

Arbitration concerning the Bovino project

In April 2011, Maestrale Green Energy and Vibinum initiated arbitration proceedings against the company leading the Bovino project, in order to have the contract terminated and accessory damages paid.

Maestrale Green Energy was ordered to pay the balance of the sale price to the sellers, less €574,342.94 for costs unduly incurred by Maestrale Green Energy over the last two years.

Criminal proceedings concerning the Giunchetto wind farm

Following complaints filed by some local people about noise levels from the Giunchetto wind farm, the regional agency for protection of the environment ARPA Sicilia carried out an acoustic study, with a report published in September 2012.

The report found that, although the absolute sound limit values set by Law were complied with, some turbines did not always comply with the night-time differential values. The Aerochetto company asked for an additional series of acoustic measurements, since the test campaign performed by ANRA had substantial shortcomings. In the meantime, and as a precautionary measure, the company has implemented an acoustic plan to regulate certain turbines at night. According to estimates, this could lead to a 2% reduction in output on an annual basis.

The report also highlighted a discrepancy between the actual and authorized position of certain turbines. According to the lawyers of the financing banks, this discrepancy would constitute variations that at the time of construction should have been identified as non-material contractual variants.

Litigation was brought in the second half of 2012 against the construction management contractor for failure to comply with contractual obligations.

In addition, some former managers of the company are being investigated by the public prosecutor of the Court of Nicosia for the following offences: (i) diversion of a watercourse and modification of the site condition, (ii) destruction of natural heritage, (iii) disturbing the peace, (iv) floods and landslips that were allegedly caused during wind farm construction. According to the local press, the offense of improper construction has also recently been added to the list.

4.5.3 Germany

Disputes opposing the Company and its German subsidiary THEOLIA Naturenergien to Willi Balz

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

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

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

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

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

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

Windreich appealed this ruling on June 15, 2011.

During the hearing held on November 23, 2011, the Oberlandesgericht (*Appeal Court*) of Stuttgart decided that the partial judgment dated May 16, 2011 was not admissible for formal legal reasons and referred the case back to the Landgericht of Stuttgart, while highlighting that the Appeal Court followed the decision of the latter on the merits.

On July 23, 2012, the Landgericht of Stuttgart handed down a decision rejecting the petitions of Windreich, and ordering the company to pay the costs of the legal proceedings. Windreich has therefore brought an appeal before the Oberlandesgericht of Stuttgart to challenge the decision. Following the hearing on February 6, 2013, the Oberlandesgericht of Stuttgart once again rejected the petitions from Windreich and Willi Balz on the same grounds as the Landgericht of Stuttgart, and further ruled out the possibility of an appeal to the highest level of jurisdiction, the Bundesgerichtshof (Federal Supreme Court).

Windreich has since brought a suit to challenge the Oberlandesgericht decision to rule out an appeal to the supreme court.

No accrual was made in the framework of this dispute.

Litigation opposing the German subsidiary THEOLIA Naturenergien to some of its O&M customers

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

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

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

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

Through negotiations with its customers, THEOLIA Naturenergien has executed a large number of amicable settlements, which should enable it to avoid the occurrence of further litigation.

The legitimacy of the different requests from these customers depends mainly on the facts and circumstances specific to each sale. As a result, insofar as it is impossible to rule out the possibility that fraudulent dealings have been committed during some transfers, it is also not possible to reasonably measure the risk associated with the clients' claims for damages. THEOLIA Naturenergien is analyzing and closely following these different procedures and is undertaking claims towards the former exclusive partner and the former Managing Director, as well as the former associated companies in order to prepare its possible recourses. However, this risk is constantly being reduced as a result of the successful negotiations by THEOLIA Naturenergien with the relevant customers.

No accrual was made in the framework of this dispute.

Legal actions initiated against ecolutions GmbH & Co. KGaA, represented by its "General Partner", ecolutions Management GmbH, formerly called Altira ecolutions Management GmbH

In order to better protect its interests as a shareholder of the company ecolutions GmbH & Co. KGaA and strengthen the rules of good governance within the Supervisory Board of said company, the Company initiated, on December 19, 2011, two legal actions against ecolutions GmbH & Co. KGaA represented by its "General Partner", Ecolutions Management GmbH (formerly called Altira ecolutions Management GmbH), a subsidiary of Angermayer, Brumm & Lange Unternehmens gruppe GmbH Group. On April 17, 2012 the Landgericht of Frankfurt rejected one of the two suits and the Company has not appealed against this decision. The Landgericht of Frankfurt handed down a decision in favor of the Company in the other suit, but on June 4, 2012, ecolutions GmbH & Co. KGaA lodged an appeal against this decision. The case is now pending before the Oberlandesgericht (Court of Appeal) of Frankfurt.

In order to prevent any misappropriation by the General Partner, on September 19, 2012 the Company petitioned the Landgericht of Frankfurt for a temporary injunction to have the General Partner Ecolutions Management GmbH removed from its role in the management and legal representation of ecolutions GmbH & Co. KGaA. This temporary injunction was initially granted on September 20, 2012 but was subsequently suspended on October 29, 2012 following the hearing on October 18. The Supervisory Board of ecolutions GmbH & Co. KGaA, which had appealed against the decision, withdrew its proceedings on March 5, 2013.

Following these proceedings, the shareholders of the company ecolutions GmbH & Co. KGaA, represented by its Supervisory Board, brought a legal action before the Landgericht of Frankfurt on October 18, 2012, to have the General Partner Ecolutions Management GmbH removed from its role in the management and legal representation of ecolutions GmbH & Co. KGaA. On April 23, 2013, the Landgericht of Frankfurt handed down a decision in favor of the Supervisory Board ecolutions GmbH & Co. KGaA, removing the General Partner, Ecolutions Management GmbH, from its role in the management .and legal representation of ecolutions GmbH & Co. KGaA. The parties can lodge an appeal against this judgment within one month of its notification, but the judgment is enforceable with respect to the petitions for costs.

Following the Extraordinary General Meeting of shareholders in ecolutions GmbH & Co. KGaA on September 10, 2012, the Company initiated a legal action to have the validity of the shareholders' resolutions from this meeting confirmed, and supported the defendant, the company ecolutions GmbH & Co. KGaA, in the legal proceedings brought by Ecolutions Management GmbH and Impera Total Return AG against these same resolutions. The action brought by the Company is currently suspended by the Landgericht of Frankfurt. However, on March 12, 2013, the same Landgericht of Frankfurt rejected the entirety of the action brought by Ecolutions Management GmbH and Impera Total Return AG, thus indirectly confirming the validity of the shareholders' resolutions from the Extraordinary General Meeting of September 10, 2012. Ecolutions Management GmbH and Impera Total Return AG lodged an appeal against this decision on April 12, 2013.

4.5.4 Other proceedings

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

4.6 MANAGEMENT REPORT ON THE THEOLIA SA PARENT COMPANY

4.6.1 Comments on THEOLIA SA's income statement

The annual financial statements of THEOLIA SA were approved by the Board of Directors at its meeting on April 15, 2013.

4.6.1.1 Income statement

The table below presents excerpts from the THEOLIA SA income statement for fiscal years 2011 and 2012:

Income statement (selected information) (in thousand euros)	Fiscal year to December 31	
	2012	2011
Revenue	6,368	5,431
Operating income	(5,709)	(1,278)
Financial items	(5,404)	(43,747)
Exceptional items	147	(392)
Net profit / (loss)	(11,719)	(45,665)

Revenue

In 2012, the revenue of THEOLIA SA was €6.4 million, compared with €5.4 million for the previous fiscal year.

This improvement comes from the increase in Group costs charged to the subsidiaries, up from €5.4 million in 2011 to €6 million in 2012, and from charges of €0.4 million billed for guarantee services granted to the subsidiaries.

Operating income

The company made an operating loss of €5.7 million in 2012, compared with a loss of €1.3 million in 2011. This is mainly because of a non-recurring €7.4 million impairment loss affecting trade receivables that was recognized in 2012.

In 2010, for a wind farm project, THEOLIA had sold its Italian subsidiary some wind turbines that had previously been purchased. This operation led to a receivable being recognized, owed by the subsidiary. In 2012, impairment tests showed that the value of these turbines (still not installed) had fallen by €7.4 million. The value of the corresponding receivable was reduced by the amount of the impairment loss.

In 2012, THEOLIA continued its cuts in head office operating costs, chiefly by reducing expenditure on external services and personnel costs

Financial items

A financial loss of €5.4 million was made in 2012, compared with a €43.7 million loss in 2011. This significant improvement is chiefly due to a reduction in net impairment of financial assets. Impairment loss on financial assets was €51.4 million in 2011, but only €17.7 million in 2012.

Financial items for 2012 are broken down as follows (in million euros):

Financial income (net of reversals of impairment loss on financial assets)

- interest on advances granted to subsidiaries + 10.2
- dividends from subsidiaries + 6.9
- other + 0.4

Financial expenses

- impairment of financial assets, net of reversals (17.7)
- interest linked to convertible bond issue (4.2)
- other (0.9)

As a holding company, THEOLIA SA offers advances to its subsidiaries. €10.2 million in interest was generated by these advances in 2012. In addition, THEOLIA SA received dividends from its subsidiaries. THEOLIA received €6.9 million in dividends from the *Compagnie Eolienne du Détroit*, a subsidiary that operates a 50.4 MW wind farm in Morocco.

Every year, the Company carries out impairment tests to ensure that the value of the securities and receivables held are correctly recognized. In 2012, THEOLA recognized impairment losses on financial assets (net of reversals) of €17.7 million, an amount that is chiefly broken down as follows (in million euros):

- impairment of securities and advances granted to Maestrale Green Energy (Italy) (23.7)
- impairment of Ecolutions securities (4.1)
- other net reversals + 10.1

The unfavorable economic, financial and regulatory context in Italy, along with a deterioration in the position of certain wind farms and projects led to recognition of a net impairment loss of €23.7 million on the Maestrale Green Energy securities and the advances granted to this subsidiary.

Public information available about the company Ecolutions GmbH & Co KGaA led to recognition of an impairment loss of €4.1 million on securities in this subsidiary.

The impairment losses recognized in 2012, as described above, are related to investment decisions taken prior to 2009.

Finally, interest charges of €4.2 million related to the convertible bond issue for 2012 were recognized.

Exceptional items

A profit of €0.1 million was made on exceptional items in 2012, compared with a €0.4 million loss in 2011.

Net loss

The overall position is a net loss of €11.7 million, compared with a €45.7 million loss in 2011 and a €89.8 million loss in 2010.

In 2012, the figures were particularly hit by the recognition of impairment losses related to Italian activities, €7.4 million of impairment on receivables owed by the Italian subsidiary and €23.7 million of impairment on securities and advances granted to the Italian subsidiary.

4.6.1.2 Balance sheet

Changes in equity

Shareholder equity was €199.7 million at December 31, 2012, compared with €207 million at December 31, 2012.

On June 25, 2012, the Board of Directors reported a reduction in share capital, due to losses from a decrease in the par value of shares, from €1 to €0.70. The share capital was reduced by €38.4 million and retained earnings increased by €38.4 million. This operation had no impact on shareholder equity.

The two main changes in equity are the following (million euros):

- loss for 2012 (11.7)
- impact of the creation of new shares through the conversion of 210,936 bonds in 2012. + 4,0

Provisions

The €1.7 million reduction in provisions between December 31, 2011 and December 31, 2012 is mainly due to reversal of a provision, following resolution of a dispute. A settlement agreement was reached between the two parties and the previous provision of €1.8 million was therefore reversed.

Financial debts

The Company's financial debts were €161.2 million at December 31, 2012, compared with €165.3 million at December 31, 2011 – a reduction of €4.1 million, primarily related to the conversion of 210,936 bonds in 2012.

Trade payables

Debts to suppliers at the end of the last two fiscal years break down by maturity as stated below:

Trade payables (in thousand euros)	December 31	
	2012	2011
Trade payables not yet due (invoices not received)	734	429
Total trade payables due	578	2 018
Of which:		
• 0 to 3 months	442	422
• 3 to 6 months	5	35
• 6 to 9 months	-	39
• 9 to 12 months	131	1 522

4.6.1.3 Statement of cash flows

The table below presents excerpts from the THEOLIA SA cash flow statements for the stated periods:

Statement of cash flows (excerpts) (in thousand euros)	Fiscal year to December 31	
	2012	2011
Cash flow from operating activities	(1,123)	(2,080)
Cash flow from investing activities	(14,361)	(11,237)
Cash flow from financing activities	(4,429)	(5,619)
Changes in cash and cash equivalents	(19,913)	(18,935)
Cash and cash equivalents at beginning of period	36,098	55,034
Cash and cash equivalents at end of period	16,185	36,098

Cash flow from operating activities

Funds from operations for fiscal year 2012 generated a negative cash flow of €6.4 million.

The impairment loss of €7.4 million on trade receivables related to the Italian subsidiary for the wind turbines sold to this subsidiary in 2010 led to a €5.3 million improvement in working capital requirements.

Overall, operating activities required an outgoing cash flow of €1.1 million in 2012, compared with €2.1 million in 2011.

Cash flow from investing activities

Investing activities led to an outgoing cash flow of €14.4 million in 2012, compared with €11.2 million in 2011.

In 2012, THEOLIA SA granted its subsidiaries advances for a total of €21.2 million under the Group Cash Pooling Agreement. These advances were chiefly granted to the Italian subsidiary for the construction of the Bovino wind farm, 10 MW of own capacity.

In addition, the Company received €6.9 million in dividends from the *Compagnie Éolienne du Détroit*, a subsidiary that operates a 50.4 MW wind farm in Morocco.

Cash flow from financing activities

Financing activities required an outgoing cash flow of €4.4 million in 2012, chiefly from payment of annual interest on the convertible bond issue.

At December 31, 2012, the Company held net cash and cash equivalents of €16.2 million, compared with €36.1 million at December 31, 2011. This change in the cash position of THEOLIA SA mainly reflects the advances granted to the Italian subsidiary for construction of the Bovino wind farm, 10 MW of own capacity.

4.6.2 Income statement summary for last five years

Readers are reminded that on July 20, 2012, the Company carried out an operation to merge two shares of €0.70 par value to create one new share whose par value was €1.40.

This operation had a direct impact on the number of shares that make up the share capital and the number of share that can be created by bond conversion or share subscription.

Under French accounting standards	Fiscal year ended on December 31				
(in euros)	2008	2009	2010	2011	2012
Total shareholders' equity	189,106,745	226,249,000	214,198,711	207,040,044	199,735,606
Balance sheet total	454,935,459	490,940,000	425,942,835	379,045,758	364,067,076
Share capital at fiscal year end					
Share capital	39,746,992	39,895,207	110,292,782	127,591,147	90,840,168
Number of ordinary shares	39,746,992	39,895,207	110,292,782	127,591,147	64,885,834
Preferred shares without voting right	-	-	-	-	-
Maximum number of shares to be created					
By allotment of shares	561,715	2,070,611	1,777,111	475,000	1,900,000
By conversion of bonds	11,538,462	11,538,462	90,170,427	72,916,468	35,546,990
By stock options	-	-	-	2,310,000	1,155,000
By subscription rights	4,415,450	3,997,450	4,053,504	2,355,504	167,336
Operations and results					
Revenue net of taxes	7,414,503	6,118,146	24,918,915	5,431,054	6,367,980
Income (loss) before taxes, employee profit-sharing, amortization and provisions	828,527	20,224,750	(6,003,856)	(5,915,935)	13,079,705
Income tax	(240,050)	(422,000)	(296,945)	(247,182)	752,898
Employee profit-sharing	-	-	-	-	-
Income (loss) after taxes, employee profit-sharing, amortization and provisions	(163,010,876)	36,668,169	(89,828,723)	(45,664,560)	(11,719,039)
Income distributed	-	-	-	-	-
Earnings per share (undiluted)					
Income (loss) before taxes and employee profit-sharing, but before amortization and provisions	0.02	0.51	(0.05)	(0.05)	0.20
Income (loss) after taxes, employee profit-sharing, but before amortization and provisions	(4.10)	0.92	(0.81)	(0.36)	(0.18)
Dividends paid	-	-	-	-	-
Earnings per share (diluted)					
Income (loss) before taxes and employee profit-sharing, but before amortization and provisions	0.01	0.36	(0.03)	(0.03)	0.13
Income (loss) after taxes, employee profit-sharing, but before amortization and provisions	(2.90)	0.64	(0.44)	(0.22)	(0.11)
Dividends paid	-	-	-	-	-
Employees					
Average number of employees	38	30	23	23	21
Total salary expenses	3,081,088	3,147,000	4,030,393	2,186,020	1,854,135
Employee benefits paid	1,979,021	1,607,000	1,291,694	1,052,110	946,778

4.7 EVENTS AFTER YEAR-END AND PROSPECTS

4.7.1 Events after year-end 2012

In late January 2013, THEOLIA took control of Breeze Two Energy GmbH and Co. KG ("Breeze Two Energy"), a German company which holds and operates wind farms for its own account for a total of 337 MW, of which 311 MW are located in Germany and 26 MW in France. Almost all of those farms were commissioned between 2006 and 2008. They all benefit from long-term electricity purchase agreements (20-year contracts in Germany and 15-year contracts in France). Taking control of new wind farms in operation in Germany and France enables THEOLIA to significantly enhance its operational position in its two historical countries. The economic strength of Germany, which decided to phase out nuclear energy and is clearly in favor of renewable energy, permits to develop a long-term strategy.

In 2011, Breeze Two Energy registered a revenue of 47 million euros, entirely generated through sales of electricity.

Breeze Two Energy will be fully consolidated in THEOLIA's financial statements as from January 31, 2013.

Consolidating Breeze Two Energy enables THEOLIA to operate its business model over a doubled scope:

- the Group's installed capacity operated for own account increases from 307 MW to 644 MW;
- based on an annual integration of Breeze Two Energy, THEOLIA's annual consolidated revenue will exceed 100 million euros;
- THEOLIA intends to create significant operational synergies with Breeze Two Energy, in particular by performing the future management of Breeze Two Energy's wind farms, which is today subcontracted to third parties. This new organization is currently under study as its implementation would require mastering specific constraints for Breeze Two Energy.

Breeze Two Energy is a limited partnership controlled by its General Partner, Breeze Two GmbH. Breeze Two Energy's wind farms were financed through a bond issue, performed in 2006 and divided in three categories: A, B and C, the Class A bond debt being the senior debt. Par values initially issued for each category are respectively 300 million euros, 50 million euros and 120 million euros for Class A, B and C bonds. Since the issue, Breeze Two Energy did pay each and all of the principal and interest installments of the A bonds. However, Breeze Two Energy was not able to pay installments for the B and C bonds in compliance with the primarily set schedule. Only a part of the B bond installments were paid for. The B and C bonds were inflated by the unpaid interest in Breeze Two Energy's financial statements. Breeze Two Energy is facing difficulty paying the installments due to the difference between the forecast cash flow generation and the actual cash flows generated by operation. THEOLIA intends to improve the operational management of Breeze Two Energy's wind farms in order to increase the generated cash flows.

Breeze Two Energy is currently submitted to a tax audit by German authorities for the past fiscal years.

BGE Investment S.à.r.l. ("BGEI"), a subsidiary wholly owned by THEOLIA, purchased 70% of the Class C bonds of CRC Breeze Finance S.A., a company incorporated under Luxembourg law and a securitization vehicle for Breeze Two Energy's debt, as well as the right to indirectly appoint Breeze Two GmbH's Managing Director. Those bonds and rights used to be held by the International Power group, who had sold them to Loach S.à.r.l. ("Loach").

The main counterpart of THEOLIA and its subsidiaries (BGEI and BGE Management S.à.r.l.), in the framework of the transaction performed on January 31, 2013, was a company incorporated under Luxembourg law and a subsidiary entirely held by CRC European Loan Origination Platform Limited ("ELOP"), a vehicle incorporated under Irish law. This transaction was performed directly with the other party, without intermediation. Christofferson, Robb & Company, LLC, a company incorporated under Delaware law and registered with the Securities and Exchange Commission, does not hold, directly or indirectly, any stake in the share capital of ELOP. ELOP benefits from the services of Christofferson, Robb & Company, LLC under an investment management agreement. It is reminded that David Fitoussi is the Manager of Christofferson, Robb & Company, LLP, as detailed in section 2.4.2 of this Reference Document.

This transaction amounts to 35.5 million euros, mostly financed by a vendor loan amounting to 34 million euros, due in 2026, and by cash for 1.5 million euros. This loan was taken out by BGEI and is without recourse towards the parent-company, THEOLIA. A part of that debt could nevertheless be guaranteed by THEOLIA in the future, according to the levels of cash-flows generated by Breeze Two Energy which will be available to THEOLIA.

Moreover, THEOLIA benefits, in the framework of this purchase, from several associated rights, which may be exercised with Loach to the benefit of THEOLIA according to the time schedule and the operational and financial situation of Breeze

Two Energy. In particular, BGEI and Loach granted each other purchase and sale options on the Class C bonds, which may be exercised according to a number of circumstances provided for in the contractual documents.

Breeze Two Energy's estimated enterprise value, which is reflected in this transaction, amounts to approximately 309 million euros.

Fady Khallouf, THEOLIA's CEO, was also appointed Managing Director of Breeze Two GmbH. These new functions grant him the power to manage Breeze Two Energy.

4.7.2 Future prospects

For two years, THEOLIA made significant efforts to rationalize and maximize its operations. To date, the business model which was implemented and the operational organization as an industrial group enable the Company to grow at constant costs.

The Group's future growth will first of all be organic, based on its portfolio of wind projects under development. In 2012, the Group commissioned the Bovino wind farm, with a capacity of 10 MW in Italy and the Magremont wind farm in France, of a 6 MW net capacity for the Group. THEOLIA will continue investing while focusing on its projects with the highest profitability.

To accelerate its development in Europe (France, Germany and Italy), THEOLIA created, in August 2011, the THEOLIA Utilities Investment Company investment vehicle with two major European partners in the energy sector, IWB in Switzerland and Badenova in Germany.

For each European project in its portfolio, THEOLIA may choose to keep it for own account or to sell it to its investment vehicle. It therefore retains 40% of the wind farm's profit and reinvests the margin generated from the sale in new projects in the portfolio. Moreover, as it is the operating shareholder of the investment vehicle, THEOLIA undertakes the construction and operation of these projects/farms on behalf of the vehicle, thus increasing its additional revenue.

This co-investment strategy enables the Group to accelerate its commissioning pace.

In the meantime, THEOLIA continues, with the Moroccan *Office National de l'Électricité et de l'Eau potable*, developing a 300 MW wind farm in Morocco, which will be performed in two stages:

- development of 100 MW at the current site Koudia al Baïda, as part of an effort to replace the existing turbines with higher-powered turbines (repowering); and
- development of an additional 200 MW on sites next to this farm.

Finally, the Group is always on the watch for any external growth opportunity which may accelerate its future development, as shown when Breeze Two Energy's control was acquired in early 2013.

The overall objective pursued by the Group is to establish a solid base of operational assets to achieve profitability and create value. The Group expects its situation to continue improving gradually, as a result of these developments and rigorous management.

4.7.3 Earnings projections or estimates

The Company does not publish projections or estimates.

5 Financial statements

5.1 CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

5.1.1 Income statement

INCOME STATEMENT (in thousand euros)	Notes	2012/12/31	2011/12/31
Revenue		67,736	67,480
Change in inventories of finished goods and work in progress		(11,276)	(11,017)
External expenses		(19,441)	(21,999)
Tax		(1,615)	(1,277)
Employee benefits expense	7.1	(8,824)	(9,938)
Amortization	7.2	(16,049)	(13,538)
Current provisions	7.2	7,674	(899)
Other operating income and expenses	7.3	557	1,571
Current operating income		18,763	10,384
Provisions non-courantes		945	-
Other non-current income and expenses		(573)	(127)
Share in income of associates		3,582	(161)
Operating income (before impairment)		22,717	10,096
Impairment	7.4	(23,262)	(28,300)
OPERATING INCOME (after impairment)		(545)	(18,204)
Net financial debt cost	8.1	(21,883)	(17,786)
Other financial income	8.2	3,206	1,033
Other financial expenses	8.3	(13,314)	(1,248)
Financial income		(31,990)	(18,001)
Corporate tax expenses	9	(1,140)	(877)
Net income from continuing operations		(33,676)	(37,082)
Net income for the year from discontinued operations		(562)	(2,151)
NET INCOME of the consolidated Group		(34,238)	(39,233)
Of which Group share		(34,206)	(38,520)
Of which non-controlling interest		(32)	(714)
Earning per share of the consolidated Group (in euros)	10	(0.53)	(0.44)
Diluted earning per share of the consolidated Group (in euros)	10	(0.21)	(0.15)

5.1.2 Comprehensive income

COMPREHENSIVE INCOME (in thousand euros)	2012/12/31	2011/12/31
NET INCOME of the consolidated Group	(34,238)	(39,233)
Foreign exchange differences	325	57
Fair value on derivatives instruments after tax	(1,338)	(3,572)
Total earnings and expenses posted	(1,013)	(3,515)
COMPREHENSIVE INCOME	(35,251)	(42,748)
Earning per share of the consolidated Group (in euros)	(0.55)	(0.49)
Diluted earning per share of the consolidated Group (in euros)	(0.35)	(0.21)

5.1.3 Balance sheet

ASSETS (in thousand euros)	Notes	2012/12/31	2011/12/31
Goodwill	11	39,489	40,591
Intangible assets	12	66,209	80,429
Tangible assets	13	270,735	295,704
Investments in associates	15	-	9,341
Non-current financial assets	16	17,928	12,418
Deferred tax assets	25.2	2,787	2,172
NON-CURRENT ASSETS		397,148	440,655
Inventories and work in progress	17.2	14,934	14,350
Trade and other receivables	17.3	21,221	35,912
Other current assets	17.4	15,346	19,809
Tax receivables		4,325	5,989
Current financial assets	16	4,569	487
Cash & cash equivalents	18	69,171	87,831
CURRENT ASSETS		129,566	164,378
Assets classified as held for sale		11,404	12,291
TOTAL ASSETS		538,118	617,324

EQUITIES & LIABILITIES (in thousand euros)	Notes	2012/12/31	2011/12/31
Share capital	20	90,840	127,591
Share premiums	20	305,654	305,193
Retained earnings	20	(196,811)	(196,458)
Net income of the consolidated scope, Group share	20	(34,206)	(38,520)
Shareholders' equity - Group share	20	165,477	197,806
Non-controlling interests	20.2	66	(2,822)
SHAREHOLDERS' EQUITY		165,543	194,984
Non-current financial liabilities	22	250,868	269,139
Provisions - non-current share	27	13,006	20,231
Retirement benefit obligation	26	186	150
Deferred tax liabilities	25	14,126	13,993
Other non-current liabilities		2,833	2,678
NON-CURRENT LIABILITIES		281,019	306,191
Current financial liabilities	22	47,581	62,940
Provisions - current share	27	39	363
Trade and other payables	17.5	31,872	35,586
Tax and social liabilities	17.5	3,697	6,587
Current corporate tax liabilites		565	1,660
CURRENT LIABILITIES		83,754	107,136
Liabilities directly assicated with assets classified as held for sale		7,802	9,013
TOTAL EQUITIES & LIABILITIES		538,118	617,324

5.1.4 Cash flow statement

(in thousand euros)	2012/12/31	2011/12/31
NET INCOME of the consolidated Group	(34,238)	(39,234)
Net income for the year from discontinued operations	562	2,151
Elimination of amortization, depreciation and provisions	43,858	43,298
Elimination of change in deferred tax	1,140	897
Elimination of capital gains/losses from disposals	(974)	846
Elimination of the share in income of associates	13	161
Financial expenses	22,468	18,571
Other income and expenses with no effect on cash	(3,824)	(2,315)
Gross cash flow	29,005	24,375
Change in working capital requirements	13,851	(4,665)
Corporate tax paid	(1,721)	(1,122)
Flows related to discontinued activities	(532)	(1,819)
NET FLOW FROM OPERATIONAL ACTIVITIES	40,602	16,768
Acquisitions of fixed assets	(21,238)	(26,915)
Disposals of fixed assets	2,274	2,347
Change in loans granted	(4,424)	(2,561)
Effect of change in scope of consolidation: subsidiary acquisitions net of cash acquired	284	179
NET FLOW GENERATED BY INVESTMENT ACTIVITIES	(23,104)	(26,950)
Capital increase (decrease)	(77)	-
Increase in loans and other debt	12,873	41,299
Repayments of loans and other debt	(34,018)	(39,200)
Interest paid	(14,930)	(14,421)
NET FLOW GENERATED BY FINANCING ACTVITIES	(36,150)	(12,322)
Flows related to discontinued activities		
Effect of change in exchange rates	(8)	(25)
CHANGE IN CASH AND CASH EQUIVALENTS	(18,661)	(22,528)
Net cash and cash equivalents – opening balance	87,831	110,360
Net cash and cash equivalents – closing balance	69,171	87,831
CHANGE IN CASH AND CASH EQUIVALENTS	(18,661)	(22,529)

5.1.5 Changes in shareholders' equity

(in thousand euros)	Capital	Premiums	Currency translation	Change in fair value and others	Consolidated reserves and income	Shareholders' equity - Group share	Non-controlling interest	Total Shareholders'
At 2010/12/31	110,293	304,948	299	-	(193,272)	222,268	(2,261)	220,007
Expenses and income directly recorded under shareholders' equity			57	(3,572)		(3,515)		(3,515)
Net Income of the consolidated scope, Group share					(38,520)	(38,520)	(714)	(39,234)
Comprehensive income	-	-	57	(3,572)	(38,520)	(42,034)	(714)	(42,748)
Capital increase						-		-
Expenses paid for capital increase						-		-
Bond conversion	17,253	291			-	17,544		17,544
Share-based payment	45	(45)			174	174		174
Treasury shares					59	59		59
Transactions between shareholders					(143)	(143)	143	0
Other reclassifications			62		(122)	(60)	10	(50)
At 2011/12/31	127,591	305,194	419	(3,572)	(231,825)	197,806	(2,822)	194,984
Expenses and income directly recorded under shareholders' equity			325	(1,338)		(1,013)		(1,013)
Net Income of the consolidated scope, Group share					(34,206)	(34,206)	(31)	(34,237)
Comprehensive income	-	-	325	(1,338)	(34,206)	(35,219)	(31)	(35,250)
Capital increase						-		-
Capital reduction	(38,412)				38,412	-		-
Expenses paid for capital increase						-		-
Bond conversion	1,303	897			-	2,200		2,200
Share-based payment	442	(442)			167	167		167
Treasury shares	(83)	5			(107)	(185)		(185)
Transactions between shareholders					102	102	2,916	3,018
Other reclassifications					606	607	3	610
At 2012/12/31	90,841	305,654	743	(4,910)	(226,851)	165,478	66	165,544

5.1.6 Notes to the consolidated financial statements

NOTE 1 GENERAL INFORMATION

THEOLIA ("the Company") is a French Public Limited Company witch registered office is located in Aix-en-Provence, France. The Company and its subsidiaries ("the Group") form an integrated industrial operator involved at each stage of wind project development. The Group is active over the entire wind value chain: prospecting, development, construction and operation of wind farms.

The Group's activities are primarily in Europe.

The fiscal year for which the financial statements are submitted began on January 1, 2012 and ended on December 31, 2012. The Group's financial statements were approved by the Board of Directors on April 15, 2013.

NOTE 2 ACCOUNTING PRINCIPLES

2.1 General Principles

Compliance statement

In accordance with regulation EC No. 1606/2002 dated July 19, 2002, the consolidated financial statements for the period from January 1, 2012 to December 31, 2012 are issued in accordance with IFRS (*International Financial Reporting Standards*) standards published by the IASB (*International Accounting Standards Board*) at December 31, 2012 and with adoption of regulations published in the Official Journal of the European Union at the date the financial statements were closed. IFRS standards include both IFRS and IAS (*International Accounting Standards*) standards, as well as their interpretation (IFRIC and SIC), available at the following address:
http://ec.Europa.eu/internal_market/accounting/ias_fr.htm.

The accounting methods applied at December 31, 2012 are similar to those for the preceding fiscal year.

New standards, amendments and interpretation applicable as of January 1, 2012

The standards, amendments or interpretation shown below were applied permanently to all of the periods shown in the financial statements unless otherwise required by specific transitional provisions.

Standard number	Text	Potential impact on the Group's financial statements
IFRS 7 Amendment	Transfer of financial assets	This amendment has no impact on these financial statements

New standards, amendments and interpretation applicable as of January 1, 2013 not anticipated by the Group:

- IAS 1 Amendment "Presenting Comprehensive Income";
- IAS 27 (2011) "Separate Financial Statements";
- IAS 28 (2011) "Investments in Associates and Joint Ventures";
- IFRS 10 "Consolidated financial statements";
- IFRS 11 "Joint arrangements";
- IFRS 12 "Disclosure of Interests in Other Entities";
- IFRS 13 "Fair Value Measurement";
- IAS 12 Amendment "Deferred Tax: Recovery of Underlying Assets";
- IAS 32 Amendment "Offsetting Financial Assets and Financial Liabilities";
- IFRS 1 Amendment "First-time Adoption of International Financial Reporting Standards";
- IFRS 7 Amendment "Disclosures — Offsetting Financial Assets and Financial Liabilities";
- IAS 19 Amendment "Employee Benefits";
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine".

Standards, amendments and interpretation not yet applicable as not yet adopted by the European Union:

- IFRS 9 "Financial instruments: Classification and Measurement";
- IFRS 9 supplements "Financial instruments: Classification and Measurement";
- IFRS 10,11,12 Amendment « Transition Guidance »
- IFRS 10,12 and IAS 27 Amendment « Investment Entities »
- Annual improvements 2009-2011.

In the future, application of the IFRS 11 standard may lead to consolidating THEOLIA Utilities Investment Company by the equity method and its operational subsidiaries by the global integration method. These entities are consolidated with the proportionate consolidation method in the 2012 financial statements.

Basis for preparing financial statements

The comparative information provided concerns the fiscal year ended December 31, 2011.

The financial statements are shown in thousand euros, unless otherwise indicated, rounded up to the nearest thousand euros.

In accordance with IFRS 3, the 2011 financial statements (opening and closing) presented comparatively are restated in the event of final allocation of goodwill. The same is true for application of the IFRS 5 standard – Non-current Assets Held for Sale and Discontinued Operations.

General evaluation principles

The Group's consolidated financial statements are issued according to the principles of continuity of operation and historical cost, with the exception of certain financial instruments and financial assets available for sale that are evaluated at fair value.

2.2 Consolidation methods

Controlled entities

Subsidiaries are consolidated if they are controlled by the Group, with the latter directing their financial and operational policies. Subsidiaries are consolidated by global integration as of the date when effective control is transferred to the Group. They are deconsolidated at the date when this control ends.

Profit or loss from subsidiaries acquired or assigned during the fiscal year is included in the consolidated profit and loss statement, respectively either as of the date control was acquired or up to the date control was lost.

Where applicable, restatements are made on financial statements of subsidiaries to harmonize and homogenize the accounting principles used with those of the other businesses within the scope of consolidation.

All intra-group balances and operations are eliminated in the consolidation.

Associated companies

Associated companies are businesses in which the Group exercises a substantial influence over operational and financial policy without holding control. In general, these are companies in which the Group holds at least 20% of voting rights.

The Group's stakes in associated businesses are recorded using the equity method. The financial statements of the associated companies are included in the consolidated financial statements as of the date when substantial influence started and until the date when substantial influence is lost.

The balance sheet value of securities using the equity method includes the cost of purchasing the securities (including goodwill) plus or minus variations in the Group's share of net assets in the affiliated company as of the purchase date. The profit and loss statement reflects the Group's share in the results of the associated business.

As of fiscal year 2011, profit or loss from associated businesses is included in operating profit or loss when the activities carried out by these companies are considered close to those of the Group (renewable energy).

Business combinations

Business combinations prior to January 1, 2010

Business combinations occurring subsequent to July 1, 2004 are recorded using the purchase method. The cost of the business combination is equal to the total of fair values at the date of the exchange, assets remitted, liabilities incurred or assumed, and treasury instruments issued by the Group, in exchange for control of the business acquired, and of all the costs directly attributable to the business combination. If determination of the fair value of the assets and liabilities cannot be made on the date the accounts are closed, a provisional allocation is made leading to the determination of provisional goodwill. The final allocation is then made within a maximum period of one year following the date control is transferred.

The favorable variations between the purchase cost and the share at the fair value of the assets, any liabilities and identifiable liabilities on the date of transfer of control are entered under assets as goodwill. Any negative variances are recorded directly into the results for the period.

When the business combination agreement includes an adjustment to the purchase price depending on future events, the amount of this adjustment is included in the cost for business combination at the purchase date if this adjustment is likely and can be measured reliably.

In the event of disposal of a subsidiary or jointly-controlled entity, the goodwill attributable to the subsidiary is included in calculation of the profit or loss from the disposal.

Goodwill is not amortized. In accordance with standard IAS 36 “Impairment of assets”, goodwill is tested at least once a year and more frequently if an impairment is indicated. The test methods seek to ensure that the recoverable value of the unit generating the cash flow to which the goodwill is allocated or attached is at least equal to its net book value. If an impairment is noted, a depreciation is recorded in the operational income statement on a line specifically named “Impairment”. This depreciation is irreversible.

When the additional purchases occur after the transfer of control, the transaction is considered as a simple investment operation with the minority shareholders: The identifiable assets and liabilities of the controlled business are not reevaluated; the favorable or unfavorable variance generated between the purchase cost and the additional share acquired in the net assets of the business is recorded under goodwill.

Business combinations subsequent to January 1, 2010

Business combinations subsequent to January 1, 2010 are recorded according to the purchase method defined by revised IFRS 3 standard. The cost of a purchase corresponds to the fair value of the assets remitted, company treasury instruments issued and liabilities incurred or assumed at the date of the exchange.

When an exclusively controlled business is first consolidated, to the extent that reliable evaluation is possible, fair value is used to evaluate the acquired company’s assets and liabilities and any liabilities due to past events corresponding to existing obligations at the purchase date, except for those exceptions specifically indicated in revised IFRS 3 standard.

The goodwill entered on the consolidated balance sheet represents the difference between:

- the sum of the following components:
  - purchase price for transfer of control;
  - the amount of minority interest in the acquired company, determined either at the fair value on the purchase date (full goodwill method), or on the basis of their share in the fair value of the net identifiable assets and liabilities acquired (partial goodwill method); this option is opened transaction by transaction;
  - and for purchases in stages, at the fair value on the purchase date of the Group’s proportional stake before the transfer of control;

- and the net amount of identifiable assets acquired and assumed identifiable liabilities, evaluated at their fair value on the purchase date.

When the purchase cost is lower than the fair value of the Group's proportional share of acquired identifiable assets and assumed identifiable liabilities from the acquired subsidiary, the variance is recorded directly on the profit and loss statement.

Any price supplements are evaluated as the fair value on the purchase date; they are evaluated definitively within 12 months following the purchase date. Any subsequent variation in these price supplements is recorded in profit or loss for the period. The standard provides a period of 12 months to finalize evaluation of these price supplements.

The costs directly attributable to the business combination are recorded as charges against the consolidated profit or loss for the period.

After its original entry, the goodwill undergoes an annual depreciation test. The test is done more often if Impairment indicators appear between the two annual tests.

The identification and evaluation of assets and liabilities acquired are done provisionally on the purchase date.

The identification and evaluation are done definitively within a period of twelve months following the purchase date. When the original entry is modified within twelve months, this modification is recorded retrospectively, as if the definitive values had been recorded directly at the time of the purchase. The impact of the variations in value noted after expiration of the allocation period compared to the values attributed to the assets acquired and liabilities assumed at the time of the first consolidation is noted in a forward-looking manner, in the profit and loss statement for the fiscal year in which the change is noted and for subsequent fiscal years, where applicable, without adjustment of goodwill.

If the modifications of the original entry of the combination are related to correction of an error, then there is a retrospective modification of values attributed to the acquired assets and liabilities as well as non-controlling stakes in companies or purchase price elements, just as if their corrected fair value had been recorded on the purchase date.

For additional purchases of interest in a subsidiary made since January 1, 2010, which do not change control exercised over the entity, the variation between the stock purchase price and the added proportion of consolidated shareholders' equity is recorded as shareholders' equity attributable to the Group's parent company owners, leaving unchanged the consolidated value of the subsidiary's identifiable assets and liabilities including goodwill. The part of these purchases paid in cash, net of the associated purchase expenses, is classified under cash flow related to the financing operations from the table of consolidated cash flows.

For assignments of interest made since January 1, 2010, which do not modify control exercised over the entity, the variation between the fair value of the share transfer price and the proportion of consolidated shareholders' equity that these shares represent on the date of their transfer is recorded under shareholders' equity attributable to the Group's parent company owners, leaving unchanged the consolidated value of the subsidiary's identifiable assets and liabilities including goodwill. The part of these transfers, received as cash, net of the associated transfer costs, is classified under cash flow related to financing operations in the table of consolidated cash flows.

Assignments of interest made since January 1, 2010, involving the loss of exclusive control, generally give rise to constitution of a profit (loss) from disposal posted to the profit and loss statement, calculated based on the entire stake on the date of the transaction. Any residual stake retained is thus evaluated at its fair value in the profit and loss statement at the time of loss of exclusive control. When the security transfer operation is analyzed as a contribution of assets in a jointly-controlled entity, the share of the retained assets and liabilities remains recorded at its historic value, without posting the profit (loss) from the disposal pursuant to the SIC 13 interpretation.

2.3 Foreign currency

The consolidated financial statements are presented in Euros, which is the operational and presentation currency of the parent company. The operational currency of foreign subsidiaries is generally local currency.

Presentation of financial statements

Items in the balance sheet for entities located outside the Euro zone are converted at the closing exchange rate in effect in the operational currency and the items in the profit and loss statement are converted at the average exchange rate in effect in the operational currency.

Operations in foreign currency

Transactions in foreign currency are converted at the exchange rate in effect on the day of the operation.

2.4 Recognizing revenue

Proceeds are recorded when the Group has transferred significant risks and benefits inherent to ownership to a purchaser, and it is neither participating in management nor in active control of the assigned assets, and it is likely that the economic benefits resulting from the sale will benefit the Group, and the cost of the transaction can be evaluated reliably.

Electricity production

Sales recorded at wind farms correspond to sales of electricity produced and sold to the operator pursuant to the various contracts, guaranteeing in particular the sales price according to volumes produced and sold.

Sales of electricity produced from Group-owned farms are recognized based on quantities produced and delivered during the period.

The same is true for sales of electricity for third parties if the contracts include guaranteed margins for customers.

Sales of electricity for third parties are not recorded as revenue, except for a few cases in which, given contractual terms, the Group holds most of the transactional risk.

Purchase of wind farms for resale

The margin is generated upon disposal of the farm, in proportion to the number of MW sold.

Development, construction, sale of wind farms

The development operations and the construction of wind farms to be operated by the Group for the purpose of selling them lead to the recording of revenue only on the date of the effective sale of wind farms previously classified as non-current assets. They are classified as inventory when the client is identified (signature of a sales contract) for sale of the farm. The sale date corresponds then to the date of transfer of risks and benefits related to ownership.

Financial proceeds

Proceeds from interest are recorded *prorata temporis* according to the effective interest rate method.

Dividends

Dividends are recorded as financial income when the right to receive the dividend is acquired.

2.5 Intangible assets

Intangible assets are recorded at their purchase cost minus total amortization and any loss in value.

Costs related to projects can be generated internally or be acquired through business combinations.

The main intangible assets recorded by the Group concern development expenses of the various projects related in particular to operation of the wind farms. The projects are valuated at their production or purchase cost. An identifiable intangible asset generated internally resulting from development of an internal project is recorded on the balance sheet if, and only if, the following conditions are met:

- technical feasibility of the project;
- the intention to complete the intangible asset and to use it or sell it;
- the capacity to use or sell the intangible asset;
- the probability of generating future economic benefits;
- the availability of technical and financial resources to complete project development;
- the capacity to evaluate in a reliable manner the expenses attributable to the asset during its development.

When the conditions for recording an asset generated internally are not met, development expenses are recorded under charges for the fiscal year during which they are incurred.

When the Group acquires wind projects developed by companies which were taken over, those wind farms are valuated at their fair value. The value of the intangible asset thus determined therefore includes the fair value of all of the contracts acquired.

The costs related to these projects stop being capitalized as of the date projects are commissioned. They are then amortized according to the following provisions: the amortizable basis corresponds to the difference between the cost and the estimated resale value, with the duration of amortization established at, for most wind farms, between 2 and 4 years (operating period projected by the Group before disposal to a third party). Wind farm intangible assets which will not be sold before the end of the electricity buy-back contract are amortized over the duration of said contracts (15 to 20 years).

The cost of loans used to finance the assets over a long startup or manufacturing period is incorporated into the original cost of the assets.

The amortization, calculated as of the startup date of the asset, is recorded under charges to reduce the book value of the assets on their estimated useful lifetime, according to the linear mode and considering the residual value of the assets.

For contracts and licenses, the amortization periods used are 2 to 4 years.

Most of the wind farm development costs are amortized over an average period of 3 years, depending on the projected operation time before disposal, considering a residual resale value at the end of the period. Wind farms which will not be sold before the end of the electricity buy-back contract are amortized over the duration of said contracts (15 to 20 years).

The amortization expense for fixed assets is recorded under “Amortizations” on the profit and loss statement.

Intangible assets mainly consist of wind projects in development. They appear in “Assets in progress” and thus are not amortized, however their value is tested at least once a year.

2.6 Tangible assets

Evaluation of tangible assets

Tangible assets are recorded at their purchase cost after deduction of amortization and any losses in value.

Assets acquired within the framework of a business combination are evaluated at fair value on the purchase date. At each closing, the purchase cost is decreased by the cumulative amortization and any depreciation.

The amortization, calculated as of the startup date of an asset, is recorded under charges to reduce the book value of the assets on their estimated life, according to the linear mode and on following bases:

• construction	20 years
• wind farms	3-20 years
• equipment and tools	4-10 years
• fixtures and facilities	5-10 years
• office equipment, information technology	3-5 years
• office furniture	5-10 years

Most wind farms are amortized over an average period of 3 years, depending on the projected operation time before disposal and considering a residual resale value at the end of the period. Wind farms which will not be sold before the end of the electricity buy-back contract are amortized over the duration of said contracts (15 to 20 years).

The amortization expense for the assets is recorded under “Amortizations” on the profit and loss statement.

2.7 Lease agreements

Assets financed using lease agreements-financing, transferring to the Group almost all of the risks and benefits inherent to the ownership of the asset leased, are recorded under assets on the balance sheet at the fair value of the asset leased or at the updated value of the minimum payments for the lease, whichever is lower. The corresponding debt is entered under financial liabilities.

Payments made under the lease are allocated between financial expenses and amortization of debt so as to obtain a periodic rate consisting of the balance of the loan appearing under liabilities.

Assets covered by a lease-financing agreement are amortized over their useful lifetime in accordance with the Group rules. If an Impairment is indicated, they are tested for depreciation in accordance with standard IAS 36 “Depreciation of assets.”

Lease agreements in which the lessor retains almost all of the risks and benefits inherent to the ownership of the asset are simple leases. Payment made under these contracts is recorded under charges linearly over the term of the contract, corresponding to the asset’s lifetime.

Assets used within the framework of a lease-financing agreement are not significant.

2.8 Impairments

A depreciation test is conducted:

- at least once a year, for assets having an indefinite lifetime, mainly goodwill, non-amortizable intangible assets and work in progress;
- each year, for assets with a definite useful life;
- in the presence of indications of impairment at another time.

Except with the Impairment indication, the annual test is done during the process of the annual budget forecast and the medium-term plan.

For the needs of the impairment test, goodwill is allocated to each of the Income generating units (IGU) that could benefit from business combination synergies. The IGU correspond to homogeneous sets of assets whose continuous use generates an identifiable cash flow independent from the cash flow generated by other assets or groups of assets.

The Group's business lines are classified in the following categories:

- the Sales of electricity for own account activity corresponds to the sales of electricity produced by the Group's wind farms;
- the Development, construction, sale of wind farms activity includes the development, construction and the sale of wind projects and farms;
- the Operation activity includes management of wind farms on behalf of third parties, as well as the sales of electricity produced by wind farms managed but not held by the Group;
- Non-wind activity is not strategic and the environmental activities are currently being disposed;
- the Corporate activity mainly includes the holding company THEOLIA SA.

The Development, construction, sale of wind farms activity is subdivided into as many IGUs as countries involved, mainly France, Germany and Italy.

The Sales of electricity for own account and Operation activities are subdivided into as many IGUs as farms in operation.

The Non-wind activity is itself subdivided into as many IGUs as legal entities.

A depreciation is recorded in the amount of the surplus of the book value over the recoverable value of the asset.

The recoverable value is the higher amount between the fair value of the asset (or group of assets) net of the disposal costs and its value in use.

The value in use is thus determined exclusively from the discounted future cash flows expected from the use of the asset (or group of assets).

The projected cash flows used are consistent with the initial business plans issued by Group management. All non-amortizable and amortizable assets of each IGU were tested on December 31, 2012.

The rate used to discount the associated cash flows is based on the activities that can be attached to each individual goodwill area and considers the risks and activities, as well as on their geographical location. The rate is determined, according to the assets withheld, from the weighted average cost of capital (WACC) for Production of wind energy, and from the cost of capital for the Development, construction, sale of wind farms activity.

The discount rates used by the Group are between 5.8 and 8.5% (compared to 5.5 and 9% in 2011) and are broken down as follows:

- Sales of electricity for own account IGU: 5.8% to 8.5% (compared to from 5.5% to 8.1% in 2011);
- Development, construction, sale IGU: 6.1 to 7.5% (compared to from 5.7% to 9% in 2011).

For the "Development, construction, sale" IGU, the recoverable values mainly correspond to the business plans of the relevant entities by country:

- Germany: the business plan concerns the operating wind farm purchase-sale activity;
- France: the business plans reflect the capacity of these entities to develop and then construct wind farms for operation over a duration of 2 to 4 years, before transferring them to third parties;
- Italy: given the specific situation of Italian wind projects, recoverable values are defined on a case-by-case basis and in some cases, they may be based on selling price estimates.

For the “Sales of electricity for own account” IGU, the main assumptions used are the following:

- probability rate of effective wind hours: P75, corresponding to the annual production level, with a 75% probability of exceeding it over the long term;
- duration of forecasts: projected duration of operation of the asset, i.e. 20 years as of the date of farm commissioning;
- end value: this value corresponds to the residual value (20% of the original investment net of taxes) after deduction of dismantling expenses. This leads on average to an end value representing 10 to 12% of the valuation of the asset.

This method of valuating farms intended for sale corresponds to that used by the market. In fact, the recoverable value of a farm intended to be assigned corresponds to the discounted sum of its future discounted cash flows.

Any Impairment is allocated to goodwill on a priority basis then, where applicable, to the other IGU assets, on a pro rata basis with their book value. Impairment noted on goodwill is irreversible. It is recorded directly as a charge in the operating income statement on the line “Impairment.”

Data on sensitivity to depreciation calculation assumptions appears in note 14 “Impairments”.

2.9 Inventory and work in progress

Inventory is evaluated at the lowest cost and at the net realizable value.

The cost for inventory of raw materials, merchandise and other supplies consists of the purchase price excluding taxes for raw materials, direct labor, other direct costs and general production expenses after deduction of discounts, remittances and any rebates obtained, plus accessory expenses for purchases, expenses for unloading, customs charges, commissions on purchases, etc.). The inventory is evaluated according to the “first in/first out” method.

The inventory recorded by the Group represents:

- wind projects purchased for resale (operating wind farm purchase-sale activity in Germany);
- projects intended for sale at the end of the 2 to 4 years of operation according to the Group strategy.

Their net realizable value is determined by their level of progress and the latest transactions made in the business line. The Group analyzes, at least annually and more frequently in the presence of indications of Impairment, this net realizable value (see note 2.8 “Impairment”). Depreciations may be recorded on projects with uncertain development and with insufficient probability of operation by the Group as well as by a third party.

Development costs for wind farms having obtained a building permit are considered as intangible assets.

Wind farms (previously recorded as intangible and tangible assets) intended to be sold receive an inventory reclassification when these assets are going to be transferred and the customer is identified (signed sales contract).

2.10 Financial assets and liabilities

Financial assets include long-term financial investments (non-consolidated stakes in other companies and other securities), financial debts and loans, as well as derivative financial instrument assets.

Financial liabilities include financial loans and debts, advances from banks and derivative instrument liabilities.

Financial assets and liabilities, except for instruments classified as current components, are shown on the balance sheet under current/non-current assets and liabilities according to whether or not their maturity is greater than one year.

This item also includes, where applicable, non-current financial debts:

- with early repayment at the lender's option;
- made payable due to non-compliance with covenants.

Fair value is determined using the following hierarchy:

- prices (not adjusted) quoted on "liquid" markets for identical assets or liabilities (Level 1);
- Directly or indirectly observable data other than the quoted prices indicated in Level 1 (Level 2); and
- data related to the asset or liability not based on observable market data (non-observable data) (Level 3).

Assets and financial liabilities at fair value with variation in results

Assets and financial liabilities evaluated at fair value with variation in results are designated as such when the operation is initiated.

These assets are recorded at their fair value, and are evaluated at the closing of each accounting period. The variation in this fair value is recorded under results as "Other financial income" or "Other financial charges."

For all intents and purposes, the main assets and liabilities involved are hedging derivatives attached to bank loans and short-term financial investments.

Financial assets held until maturity

This item records fixed maturity assets and interest payments that are fixed or determinable when the Group has the intention and capacity to hold them until maturity. These assets are recorded at their amortized cost, and interest recorded at the effective interest rate is recorded on the profit and loss statement as "Other financial charges."

Financial debts and loans

Financial debts and loans are evaluated at amortized cost minus depreciation, where applicable. The interest, evaluated at the effective interest rates, is recorded on the profit and loss statement as "Other financial income."

Financial assets available for sale

Financial assets available for sale include non-consolidated investments as well as debt certificates not classified in the other categories. They are evaluated in each accounting year, at fair value. Potential capital gains or losses are recorded under shareholders' equity except in the event of depreciation.

Financial and supplier debts

Financial and supplier debts are evaluated at amortized cost. The interest calculated at the effective interest rate method is recorded under the item "Gross financial debt cost" on the profit and loss statement.

Swaps

Nature

The Group may use swaps to hedge against interest rate risk resulting from its variable rate financing policy.

Evaluation and recording

Swaps are initially recorded at fair value. They are subsequently evaluated at their fair value. The variation in fair value of derivative instruments is recorded on the profit and loss statement, except when these instruments are designated as cash flow hedging instruments. In this case, variations in fair value are recorded directly in shareholders' equity for the part of the hedge considered effective. The non-effective part remains under financial profit (loss).

2.11 Trade receivables and other receivables

Trade receivables come from sales of assets, wind farms and services performed by the Group within the framework of its management of wind farms on behalf of third parties. The other receivables basically include fiscal (VAT) and corporate receivables.

Trade receivables are recorded at amortized cost.

Impairment is recorded when objective indicators indicate that the amounts owed cannot be partially or fully recovered. Particularly when assessing the recoverable value of trade receivables, any balances owed at closing are examined individually and the necessary provisions are formed if there seems to be a risk of non-recovery.

2.12 Cash and cash equivalents

The item "Cash and cash equivalents" includes liquid assets and immediately available monetary investments subject to a negligible risk of change in value used to meet cash flow needs.

Monetary investments are evaluated at their market value on the closing date. Variations in values are recorded as cash and cash equivalent income.

2.13 Share capital

Common shares are classified as shareholders' equity instruments.

Costs directly attributable to the issuance of new options or shares are recorded in shareholders' equity by deducting the income from the issue, net of taxes.

Shares in THEOLIA held by the Group are deducted from shareholders' equity, until cancellation or the disposal of the shares. If these shares are sold, the net income from costs directly attributable to the transaction and the tax impact are included in the attributable Group's share of shareholders' equity.

THEOLIA is not required to meet asset-to-capital ratios, except for the obligation to maintain shareholders' equity above half of the share capital.

2.14 Stock warrants (SW), stock options and bonus shares

Stock warrants and stock options

Prior to 2010, the Group had offered stock warrants to members of the Board of Directors. During the Board of Directors meeting of December 1, 2010, the Group introduced a plan to offer stock options to Upper Management (maximum of 1,500,000 options) and employees (maximum of 2,000,000 options).

These transactions for which payment is based on shares and which are settled using in equity instruments are evaluated at their fair value (excluding the effects of purchasing conditions other than market conditions) on the date of allocation. The fair value determined on the purchase date is recorded as a charge using the linear mode over the rights acquisition period, based on the number of shares that the Group expects it will need to issue, adjusted by the effects of rights acquisition conditions other than market conditions (presence, performance).

The fair value is evaluated using the most appropriate model (Black-Scholes-Merton, recombinant trees or binomial trees). The expected life used in the model was adjusted based on Management estimates, effects of non-transferability, restrictions on exercise conditions and information on employees' exercise behavior.

Bonus shares

At the Board Meeting of December 10, 2012, the Group decided to set up a performance share allocation plan, with shares awarded to General Management (maximum 900,000 shares) and other employees (maximum 1,000,000 shares).

These transactions, whose payment is share-based and which are governed as equity instruments, are valued at fair value on the date of award (share price on the date of award). The fair value determined on the date of award is recognized as an expense, with amortization on a straight-line basis over the acquisition period, based on the number of the shares that the Group expects to have to issue, adjusted for the effects of the acquisition conditions, other than market conditions (presence, performance).

Recording

The benefit corresponding to the rights allocated in the form of stock warrants, stock options or bonus shares is recorded based on the beneficiary:

- under personnel costs;
- as other income and operating expenses for non-employees.

2.15 Personnel benefits

Types of system

In keeping with legal obligations and custom, the Group participates in supplementary retirement or other long-term benefits for employees. The Group offers these benefits through defined contribution plans.

Under the defined contribution plans, the Group has no obligation other than to pay the contributions. The contributions paid to the plans are recorded under charges for the period.

Nature of commitments

Severance pay

Severance pay is based on the applicable Group collective bargaining agreement and concern retirement severance pay or length-of-service awards, paid in the event of an employee's voluntary departure or forced retirement. Severance pay falls under the defined benefits system.

Supplemental pension plans

The Group contributes to no supplemental pension plans above the minimum legal pension for its employees or directors.

Evaluation of commitments

Contributions to defined contribution plans are entered under charges as they become due based on services rendered by the employees.

The commitments resulting from defined benefit plans, as well as their cost, are determined according to the projected unit credit method. Evaluations are performed each year with actuarial calculations provided by outside consultants.

These plans are not funded and their commitment is listed as a liability on the balance sheet. The main plan concerns length-of-service awards (retirement severance pay). The actuarial variances result mainly from changed assumptions and from the difference between the results according to the actuarial assumptions and the actual results of the defined benefit plans. These actuarial variances are recorded directly under earnings for the period. For defined benefit plans, the charge recorded on the profit and loss statement, under operating income, includes the cost of services rendered during the fiscal year, the cost of past services, the actuarial variances and the effects of any reduction or liquidation of the plan, where applicable.

Since the Group was created, the Group defined benefit plans have not had any modifications generating any cost of past services.

2.16 Other provisions

A provision is recorded when, at the closing of the period, the Group has an actual obligation (legal or implicit) resulting from any past events and it is likely that an outflow of funds representing future economic benefits will be necessary to extinguish this obligation.

Provisions are made for disputes when a Group obligation to a third party exists at the closing. The provision is evaluated according to the best estimate of expenses that can be projected.

Any divestiture costs are not covered by the provision, to the extent the Group believes that the recoverable value of the asset (steel, turbine component, etc.) is equal to the divestiture liability thereof.

Any liabilities corresponding to potential obligations resulting from past events whose existence will be confirmed only by the occurrence of uncertain future events that are not under the control of the entity or current obligations for which an outflow of funds is not likely. Outside of those resulting from mergers and acquisitions, they are not recorded but are addressed in annexed information.

2.17 Loans

Loans are recorded at the original fair value, minus associated transaction costs. These costs (charges and issue premiums for loans) are taken into account when calculating amortized cost using the effective interest rate method.

At each closing, financial liabilities are then evaluated at their amortized cost using the effective interest rate method.

Loans are broken down into:

- current liabilities for the part to be repaid within twelve months after closing;
- and non-current liabilities for maturities greater than twelve months.

Convertible bonds are analyzed as hybrid instruments, with a debt component and an equity component, taking into account issue costs:

- the debt component is determined from contractual payment flows, discounted to the rate for a comparable instrument without the conversion option (a pure debt instrument), on the basis of market conditions on the issue date;
- the equity component is evaluated by the difference between the issue value and the value of the debt component, net of deferred tax effects.

2.18 Deferred tax

The item “Tax charge” includes tax payable for the fiscal year and the deferred tax included in the results for the period.

Deferred taxes are posted, using the variable carry-forward method, for timing differences existing at closing between the taxable value of assets and liabilities and their book value, as well as on tax losses. No deferred tax liability is posted in the original entry for goodwill.

A deferred tax asset is recorded for tax losses and unused tax credits to the extent it is likely that Group will have future taxable profits (using budgets over 3 years) against which these unused tax credits and losses may be allocated.

Deferred tax assets and liabilities are evaluated at the tax rates expected to apply during the fiscal year in progress in which the asset will be realized or the liability settled, on the basis of tax rates (and tax regulations) that have been adopted or practically adopted on the closing date.

Deferred tax is calculated by tax entity. It is offset when tax is taken by the same tax authority and it concerns one single tax entity (tax consolidation group) and when their payment deadlines appear close together.

Deferred and payable tax is recorded as income or expenses on the profit and loss statement unless it pertains to a transaction or an event that is recorded directly in the shareholders' equity.

Deferred tax is included in assets and non-current liabilities and presented in specific items on the balance sheet.

2.19 Determination of recurring operating income

The profit and loss statement is presented by type of charges.

Recurring operating income corresponds to operating income net of any isolated, clearly identified, non-recurring and significant income and charges namely:

- earnings from associated companies;
- impairments from goodwill and permanent assets noted under depreciation tests;
- substantial charges for restructuring or related to downsizing plans in light of major events or decisions;
- substantial or unusual charges and income resulting from litigation, major deployment or capital operations (costs for integrating a new business line, etc.).

2.20 Earnings per share

The diluted earnings per share take into account dilutive instruments and effects of potential dilution on earnings. This indicator is calculated by considering the maximum number of shares that could be in circulation given the probability of using dilutive instruments issued or to be issued.

2.21 Sector information

The Group defines its business lines as follows:

- Electricity sales for own account corresponds to sale of the electricity produced by wind farms held by the Group;
- Development, construction, sale includes development, construction and sale of wind farms and projects;
- Operation includes management of wind farms on behalf of third parties as well as sales of electricity produced by wind farms that are managed but not owned by the Group;
- Non-wind activity;
- Corporate includes mainly the holding company THEOLIA SA.

The Sector information note presents information by business line on income and earnings as well as certain information about assets, liabilities and investments.

Sector assets are operating assets used by a business line within the framework of its operating activities. They include attributable goodwill, intangible and tangible assets, as well as current assets used in the business activities of the sector. They do not include deferred tax assets, stakes in other companies or receivables and other non-current financial assets.

Sector liabilities correspond to liabilities resulting from activities in a business line that are directly or indirectly attributable to it. They include current and non-current liabilities with the exception of financial debts and deferred tax liabilities.

NOTE 3 JUDGMENTS AND ESTIMATES

The creation of financial statements according to IFRS leads Group Management to make estimates and formulate assumptions that affect the book value of certain asset and liability components, income and charges, as well as information given in certain notes in the appendix.

The key assumptions are:

- likelihood of success and startup of the various wind projects;
- discounting assumptions used in the various valuation models used;
- capacity to obtain financing for the various wind projects.

The accounts and information subject to significant estimates primarily concern intangible assets, tangible assets, goodwill, other non-current assets, swaps, provisions for risks and charges and deferred tax assets.

As these assumptions are uncertain, the actual numbers may vary from these estimates. The Group regularly reviews its estimates and assessments to take into account past experience and to integrate those factors deemed relevant in light of economic conditions.

Certain principles used call for the judgment by Group Management when choosing assumptions adopted to calculate financial estimates, which include, due to their nature, a certain level of uncertainty. These estimates are based on comparable historical data and on various assumptions that, considering the circumstances, are considered more reasonable and more likely.

In the following paragraphs, Management presents those accounting principles used by the Group at the time the consolidated financial statements were prepared, which had a significant impact on the consolidated financial statements and which required Management to exercise judgment and use estimates.

Without revisiting the foregoing, the estimates were made within a context of a rapidly changing environment and markets. With this in mind, new information may be acquired or new events may occur which lead to significant questions about certain assumptions that today are considered reasonable.

3.1 Tangible, intangible assets and goodwill

The Group uses estimates and must use certain assumptions in order to (i) evaluate the expected asset life to determine their amortization period and (ii) note, where applicable, a depreciation on the balance sheet value of any asset.

The estimates used to determine expected asset life are applied by all Group entities (see notes 2.5 and 2.6).

In order to ensure the correct valuation of its assets on the balance sheet, the Group regularly reviews certain indicators that, where applicable, would require a depreciation test.

Group Management believes that estimates and judgment are necessary for the annual depreciation tests because determination of the recoverable values presumes the use of assumptions concerning:

- determination of discounted rate of future cash flow generated by the assets or by the Income generating units; the consequences of a variation in the discount rate are shown in note 14;
- determination of future operating cash flow, and its end value;
- estimate of the increase in sales generated by the tested assets; and
- estimate of the operating margin related to these assets for future the periods in question.

The assumptions used by the Group to calculate the recoverable value of its assets are based on past experience and outside data.

To determine the future growth rate, operating margin rate and operating cash flow generated by a specific asset, the Group uses the budgets from each entity for assets belonging to the Development, construction, and sale IGU. For assets belonging to the Electricity sales for own account IGU, the going-concern value for THEOLIA is representative of the future cash flows from each farm in the 2 to 4 years of operation considering a residual value at the end of this period. These cash flows are determined on the basis of electricity sales contracts.

These estimates concern goodwill and all tangible and intangible assets.

3.2 Deferred tax assets

The recoverable value of deferred tax assets is reviewed on each closing date. This value is reduced to the extent that it is no longer likely that a sufficient taxable profit will be available to allow for use of the benefit related to all or part of these deferred tax assets.

Group Management should therefore identify the deferred tax assets and liabilities and determine the amount of the deferred tax assets recorded at closing of the fiscal year.

NOTE 4 MAIN EVENTS OF 2012

Development, construction and commissioning

During 2012, THEOLIA finalized the construction of three wind farms:

- a 10 MW wind farm build for own account in Italy;
- a 15 MW wind farm build for THEOLIA Utilities Investment Company in France; and
- a 12.5 MW wind farm build for a third party in France.

Those three wind farms were commissioned in late 2012.

In Morocco, THEOLIA carries on developing its great 300 MW project, in partnership with the Moroccan *Office National de l'Électricité et de l'Eau Potable*. Pursuant to design and engineering studies, the call for tenders to choose the subcontractor who will supply, install and technically maintain the wind turbines for the first 100 MW phase was launched in April 2012. The five applications received in November 2012 are currently being analyzed. This first repowering phase will bring the installed capacity of the Koudia al Baida wind farm from 50 to 100 MW. An additional 200 MW will then be constructed on sites next to the wind farm.

In the meantime, the Group started selecting wind turbines for a future 21 MW wind farm in France, the building permit of which has been obtained in late 2011.

Disposals

In July 2012, THEOLIA sold the Gargouilles wind farm to THEOLIA Utilities Investment Company. This 18.4 MW wind farm had been commissioned in France between June and September 2011.

With this sale, THEOLIA carries on its co-investment strategy, according to which the Group strikes a balance between wind farms held for own account and wind farms and projects sold to the investment vehicle, of which it holds a 40% interest. This strategy enables the Group to continue its development, while maximizing the use of its cash.

Moreover, within the framework of its operating wind farm purchase-sale activity in Germany, THEOLIA sold 5.2 operating MW during fiscal year 2012.

Transactions on securities

The General Meeting dated June 1, 2012 authorized the Board of Directors to proceed to a capital reduction by reducing the par value of the shares, as well as to consolidate two shares into one new share.

Hence, on June 25, 2012, the Board of Directors acknowledged the performance of a reduction of the share capital due to losses by means of a reduction of the shares' par value. The par value of each share of THEOLIA's capital was thus reduced by 0.30 euro, from 1 euro to 0.70 euro.

On July 20, 2012, THEOLIA implemented the consolidation of its shares carried out by exchange of two old shares with a par value of 0.70 euro each against one new share with a par value of 1.40 euro. The exchange period for non-consolidated shares will last for two years, i.e. until July 21, 2014.

The conversion/exchange ratio applicable in case of bond conversions has been automatically modified. Up to the seventh business day prior to December 31, 2013, it will be equal to 4.32 shares for 1 OCEANE and to 3.46 shares for 1 OCEANE from January 1, 2014, up to the seventh business day prior to December 31, 2014.

NOTE 5 CHANGES IN THE SCOPE OF CONSOLIDATION

Scope of consolidation

For fiscal 2012, the scope of consolidation includes, in addition to the parent company:

- 109 companies in which it holds exclusive control directly or indirectly (compared to 115 at December 31, 2011);
- 6 companies in which it has joint control (compared to 3 at December 31, 2011);
- 5 companies in which it exercises significant influence (compared to 7 at December 31, 2011).

The full list of these companies is shown in note 31 "List of Group companies".

Creations

Entities	Interest %	Control %	Consolidation method	Country	Activity
BOVINO EOLICO Srl	100.00%	100.00%	Global integration	Italy	Development, construction, sale
CENT EOL DE DOMMARTIN-VARIMONT (CEDOM)	100.00%	100.00%	Global integration	France	Development, construction, sale

Disposals

During the fiscal year, the Group sold a 0.9 MW wind farm. The special purpose vehicle which was before consolidated using the global integration method was deconsolidated at the end of the year.

Other changes: mergers/liquidations

The main merger and/or liquidation operations during 2012 are stated below:

Entities	Interest %	Control %	Consolidation method	Country	Activity
CENT EOL DES COSTIERES (CECOS)	100.00%	100.00%	Global integration	France	Development, construction, sale
CENT EOL DE BREHAIN-TIRCELET (CEBRE)	100.00%	100.00%	Global integration	France	Development, construction, sale
WINDREAM ONE	100.00%	100.00%	Global integration	France	Non-wind activity

The purpose of these operations was to continue simplifying the legal structure of the company. They have no effect on the consolidated figures.

Change in consolidation method

The sale of the Gargouilles wind farm to the investment vehicle THEOLIA Utilities Investment Company at the end of July 2012 led to a change in the consolidation method for this company. This farm was previously wholly-owned but is now under joint control, with a 40% stake. According to the governance rules in force, the company shall be accounted for under the proportionate consolidation method as from the date of sale.

The contribution of this company to the main figures in the income statement and the report on the financial position is as follows (*in thousand euros*):

• Revenue	2,525
• Operating profit	1,811
• Non-current assets	9,484
• Current assets	1,246
• Financial liabilities	8,921

Over the second half of the year, changes in the governance rules of the holding company Maestrale Project and its subsidiary Neoanemos (wind farm project under construction) led the Group to recognize that control is no longer exclusive but joint. These companies are now accounted for under the proportionate consolidation method.

The contribution of this sub-group to the main figures in the income statement and the report on the financial position is as follows (*in thousand euros*):

• Operating profit (loss)	(4,684)
• Non-current assets	184
• Financial liabilities	6,037

Removal from the scope of consolidation

In the final quarter of 2012, the Group disposed of its 50% shareholding in the Spanish company Asset Electrica. The impact of the removal of this subsidiary from the consolidated accounts, having previously been accounted for under the equity method, is presented in the “share in income of associates” item in the income statement.

The Ecolutions company, in which a 35.21% stake is held, is now no longer included in the consolidated accounts, since the end of the 2012 fiscal year. The Group feels that it can no longer claim to exercise a significant influence.

NOTE 6 SECTOR INFORMATION

At December 31, 2012

Income statement (in thousand euros)	Wind activities			Non-wind activity	Corporate	Total
	Sales of electricity for own account	Developement Construction Sale	Operation			
Revenue						
France	16,036	2,686	585			19,307
Germany	22,231	7,735	5,675	1,376		37,017
Italy	4,513	136				4,650
Morocco	6,534					6,534
Other countries		229				229
Total	49,314	10,786	6,260	1,376		67,736
Current operating income	20,575	(6,462)	3,281	2,895	(1,525)	18,763
Impairment	(1,102)	(22,161)				(23,262)
Non-current provisions	69	283	521	0	72	945
Other non-current income and expenses	(17)	(21)	(953)	(143)	561	(573)
Share in income of associates	(13)	3,595				3,582
Operating income	19,513	(24,765)	2,848	2,752	(892)	(545)

At December 31, 2012

Balance sheet (in thousand euros)	Wind activities			Non-Wind activitie	Corporate	Total
	Sales of electricity Wind	Developement, Construction, Sale	Exploitation			
Goodwill	7,851	31,635			2	39,489
Intangible assets	42,660	23,480	11	0	58	66,209
Tangible assets	229,397	16,689	2,151	9,877	12,622	270,735
Other non-current assets	693	3,834	437	214	15,537	20,715
NON-CURRENT ASSETS	280,600	75,638	2,599	10,091	28,219	397,147
Inventories & works in progress	695	14,240			(1)	14,934
Trade and other receivables	10,353	1,861	7,865	117	1,025	21,221
Other current assets	6,166	7,244	3	126	10,700	24,240
Cash & cash equivalents	29,669	10,386	8,748	1,375	18,992	69,171
CURRENT ASSETS	46,883	33,732	16,617	1,619	30,716	129,566
Assets classified as held for sale	-	-	-	(435)	11,840	11,404
TOTAL ASSETS	327,483	109,370	19,216	11,274	70,775	538,118
Non-current financial liabilities	127,336	8,596	-	7,181	107,755	250,868
Current financial liabilities	40,911	1,759	0	680	4,231	47,581
Trade and other payables	5,786	15,170	9,064	145	1,707	31,872
Liabilities directly assicated with assets classified as held for sale				7,802		7,802
Other liabilities	23,814	3,647	4,666	1,356	970	34,453
TOTAL LIABILITIES PRESENTED	197,847	29,173	13,730	17,164	114,662	372,576

At December 31, 2011

Income statement (in thousand euros)	Wind activities			Non-wind activity	Corporate	Total
	Sales of electricity for own account	Developement Construction Sale	Operation			
Revenue						
France	13,361	4,969	415			18,746
Germany	22,934	7,594	5,828	1,564		37,920
Italy	4,255					4,255
Morocco	6,558					6,558
Total	47,109	12,563	6,243	1,564		67,480
Current operating income	21,535	(9,777)	425	844	(2,643)	10,384
Impairment	(3,435)	(24,184)		(682)		(28,300)
Other non-current income and expenses	(32)	(95)	(89)	(89)	178	(127)
Share in income of associates	(9)	0		(160)		(168)
Operating income	18,059	(34,056)	336	(79)	(2,465)	(18,205)

At December 31, 2011

Balance sheet (in thousand euros)	Wind activities			Non-Wind activitie	Corporate	Total
	Sales of electricity Wind	Developement, Construction, Sale	Exploitation			
Goodwill	8,942	31,647			2	40,591
Intangible assets	46,340	34,066	5	(3)	21	80,429
Tangible assets	249,946	32,403	2,158	10,197	1,000	295,704
Other non-courrent assets	2,958	2,955	730	9,620	7,666	23,929
NON-CURRENT ASSETS	308,185	101,071	2,893	19,814	8,690	440,653
Inventories & works in progress	787	13,564			(1)	14,350
Trade and other receivables	13,946	8,629	12,809	201	326	35,912
Other current assets	11,727	(2,257)	6,405	4,027	6,385	26,287
Cash & cash equivalents	29,672	14,015	5,557	1,385	37,201	87,831
CURRENT ASSETS	56,131	33,952	24,772	5,614	43,911	164,380
Assets classified as held for sale	-	-	-	(5,106)	17,396	12,291
TOTAL ASSETS	364,316	135,023	27,664	20,322	69,998	617,324
Non-current financial liabilities	143,733	17,300	-	7,852	100,255	269,139
Current financial liabilities	55,892	2,024	0	685	4,339	62,940
Trade and other payables	12,618	11,337	9,310	721	1,599	35,586
Liabilities directly assicated with assets classified as held for sale				9,013		9,013
Other liabilities	24,778	13,447		5,927	1,509	45,661
TOTAL LIABILITIES PRESENTED	237,021	44,108	9,310	24,197	107,702	422,339

INFORMATION ON THE RESULTS

NOTE 7 OPERATING PROFIT / LOSS

The paragraphs below explain some of the main items in greater detail (employee benefits, amortization and provisions, other operating income and expenses, impairment).

7.1 Employee benefits expenses

(in thousand euros)	2012/12/31	2011/12/31
Employee compensation	(6,122)	(6,969)
Social security and insurance expense	(2,254)	(2,573)
Other staff costs	(281)	(221)
Other employee benefits and share-based payments (IFRS 2)	(167)	(175)
Total staff costs	(8,824)	(9,938)

Employee benefits expenses are down by (€1,114 thousand), chiefly due to staffing cuts, with 15 employees leaving.

Staff numbers at the end of the period were as follows:

Workforce at the end of the year (continued activities)	2012/12/31	2011/12/31
Managers, employees and contributors	144	159
Total	144	159

7.2 Amortization and provisions

Amortization

(in thousand euros)	2012/12/31	2011/12/31
Germany	(8,689)	(6,829)
France	(3,125)	(2,050)
Italy	(997)	(1,391)
Morocco	(2,782)	(2,773)
Rest of the world	(302)	(320)
Holding	(153)	(175)
Total	(16,048)	(13,538)

The write-downs recognized at the end of the period are, for the most part, associated with the Group's operating wind farms. The amount of the write-downs takes account of the residual value, as estimated by the Group, at the end of the period of operation.

Change in current provisions

(in thousand euros)	2012/12/31	2011/12/31
Germany	5,678	145
France	2,161	(1,392)
Italy	2	(57)
Morocco	(18)	-
Holding	(149)	405
Total	7,673	(899)

The "Current provisions" item takes into account reversals that break down as follows:

- Reduction in impairment previously recognized on trade receivables in Germany,
- Reversal of a provision following the recognition of a bad debt in France (investment tax credit). This has no impact on the profit or loss.

7.3 Other operating income and expenses

(in thousand euros)	2012/12/31	2011/12/31
Other income	5,158	5,802
Other expenses	(4,601)	(4,231)
Total	557	1,571

The other income of €5,158 thousand breaks down as follows (*in thousand euros*):

• Compensation obtained in 2011 (insurance, turbine availability, etc.)	174
• Other income relating to the Development, Construction and Sale business in Germany	669
• Other income relating to the business in Germany	273
• Income relating to changes in scope in France	2,182
• Income relating to the resolution of disputes in France (no impact on income statement)	1,050
• Other income relating to the business in France	434
• Other income relating to the business in Italy	198
• Other income relating to the business for the rest of the Group	179

The other expenses of (€4,601 thousand) for the fiscal break down as follows (*in thousand euros*):

• Bad debt write-off in Germany (100% impairment)	(1,817)
• Other expenses relating to the business in Germany	(319)
• Bad debt write-off in France (100% impairment)	(1,411)
• Expenses relating to changes in scope in France	(865)
• Other expenses relating to the business for the rest of the Group	(188)

7.4 Impairment

Details

Impairment losses recognized at the end of the period are presented in the table below:

(in thousand euros)	2012/12/31	2011/12/31
Impairment of intangible assets	(11,131)	(4,931)
Impairment of tangible assets	(11,033)	(1,820)
Impairment of goodwill	(1,098)	(21,550)
Total	(23,262)	(28,300)

Distribution by geographic area and cash-generating unit

(in thousand euros)	2012/12/31	Assets depreciation	Goodwill depreciation	2011/12/31
Development, construction, sale of wind farms	44	44	-	(450)
Sales of electricity for own account activity	-	-	-	(301)
Non-wind activity	-	-	-	2
Impairment – France	44	44	-	(749)
Sales of electricity for own account activity	-	-	-	(2,164)
Non-wind activity	-	-	-	(684)
Impairment – Germany	-	-	-	(2,848)
Development, construction, sale of wind farms	(22,205)	(22,209)	3	(23,734)
Sales of electricity for own account activity	(1,102)	-	(1,102)	(2,684)
Impairment – Italy	(23,307)	(22,209)	(1,098)	(26,417)
Sales of electricity for own account activity	-	-	-	1,713
Impairment – Morocco	-	-	-	1,713
Development, construction, sale of wind farms	-	-	-	-
Non-wind activity	-	-	-	-
Impairment - Rest of the world	-	-	-	-
Total	(23,262)	(22,164)	(1,098)	(28,300)

Every year, the Group carries out impairment tests, primarily to ensure that the value of the non-amortizable assets held are correctly recognized.

The impairment losses to the assets of the “Development, Construction, Sale of Wind Farms Business” CGU correspond to risks affecting current development and construction projects at the end of the period.

In Italy, events in the second half of 2012, namely the revision of the electricity feed-in tariff and developments in the legal disputes involving the Group led to a high risk of non-completion for some projects. This led the Group to recognize impairments, chiefly relating to development costs.

The sensitivity analyses on the main assumptions used and the impairment losses for each CGU are presented in Note 14.

NOTE 8 FINANCIAL INCOME & EXPENSES

8.1 Analysis

(in thousand euros)	2012/12/31	2011/12/31
Interest income generated by cash and cash equivalents	105	185
Changes in fair value of cash equivalents	501	929
Other income	28	5
Income from cash and cash equivalents	634	1,118

(in thousand euros)	2012/12/31	2011/12/31
Interest expense on financing operations	(22,516)	(18,905)
Cost of gross financial debt	(22,516)	(18,905)
Cost of net financial debt	(21,883)	(17,786)

The cost of net financial debt breaks down as follows:

	2012/12/31	2011/12/31
Convertible bond issue (OCEANEs)	(12,504)	(8,021)
Wind farms in operation in Germany	(3,320)	(4,165)
Wind farms in operation in France	(3,828)	(3,319)
Wind farms in operation in Italy	(1,553)	(1,587)
Wind farm in operation in Morocco	129	119
Solar farm in operation	(407)	(517)
Other	(399)	(296)
Total	(21,883)	(17,786)

The interest expenses of (€12,504 thousand) on the convertible bond issue relate to accrued interest of (€4,336 thousand) paid in January 2013. The remaining balance is related to the recognition of additional interest due to the convertible nature of the bond issue (stated as per IFRS guidelines).

8.2 Details of other financial income

Other financial income (in thousand euros)	2012/12/31	2011/12/31
Change in the fair value of financial instruments	40	4
Reversals of provisions	184	323
Foreign exchange gains	35	11
Revenue on financial assets disposals	2,086	-
Other financial income	861	695
Other financial income	3,206	1,033

Over the course of the fiscal year, all shares initially subscribed by a subsidiary in Germany under its financing package were sold. This income was reconciled with the net book value of (€2,128 thousand). The impact on financial earnings is not material.

8.3 Details of other financial expenses

Other financial expense (in thousand euros)	2012/12/31	2011/12/31
Non-efficient part of hedging derivatives/debts	(742)	(0)
Changes in the fair value of short-term securities and other speculative instruments	(38)	(70)
Foreign exchange losses	(480)	(247)
Debt restructuring impact of French operating windfarms	(1,987)	-
Finanacial assets depreciations	(7,777)	-
Net book value on financial assets disposals	(2,128)	-
Other financial expenses	(163)	(931)
Other financial expenses	(13,314)	(1,248)

In the first half of 2012, the Group restructured the financial debt of some wind farms in France. The overall impact of (€1,987 thousand) is chiefly related to restatement of the effective portion of hedging instruments that were initially recognized in the operating income and expenses.

The depreciations of financial assets are impairment losses on non-consolidated securities and receivables owed by some Italian companies that are accounted for by proportionate consolidation.

The foreign exchange losses of (€480 thousand) are mainly on transactions with Brazil.

NOTE 9 INCOME TAX

(in thousand euros)	2012/12/31	2011/12/31
Corporate tax owed	(880)	(1,471)
Deferred tax	(260)	594
Total	(1,140)	(877)

The evaluation of assets and liabilities from deferred tax depends on how the THEOLIA Group expects to recover or settle the book value of the assets and liabilities, either by using the expected tax rates for the fiscal year in which the asset is realized or the liability settled.

A deferred tax asset is recorded only to the extend it is likely that the THEOLIA Group will have the future taxable profits to which this asset could be allocated.

The analysis of the tax expense is shown in note 25.

NOTE 10 EARNINGS PER SHARE

		2012/12/31	2011/12/31
Weighted average number of shares outstanding (in thousands)	(1)	64,232	87,656
Number of shares outstanding as of the closing date		64,886	127,591
Adjustments related to allocated stock-options		74	149
Adjustments related to conversion of OCEANEs		35,547	72,916
Adjustments related to free shares		526	475
Number of shares on a diluted basis	(2)	101,034	201,131

(in thousand euros)		2012/12/31	2011/12/31
Net income, Group share, allocated to shareholders	(3)	(34,206)	(38,520)
of which:			
- net income from continuing activities, Group share	(4)	(33,657)	(36,376)
- net income from discontinued activities or those held for sale, Group share		(549)	(2,144)
Net income, Group share, allocated to shareholders in case of dilution	(5)	(21,702)	(30,499)
of which:			
- net income from continuing activities, Group share	(6)	(21,153)	(28,355)
- net income from discontinued activities or those held for sale, Group share		(549)	(2,144)

(in euros)		2012/12/31	2011/12/31
Base income per share, Group share			
- of the consolidated accounts	(3)/(1)	(0.53)	(0.44)
- of continuing activities	(4)/(1)	(0.52)	(0.41)
Diluted earnings per share, Group share			
- of the consolidated accounts	(5)/(2)	(0.21)	(0.15)
- of continuing activities	(6)/(2)	(0.21)	(0.14)

INFORMATION ON THE BALANCE SHEET

NOTE 11 GOODWILL

11.1 Changes in the item

(in thousand euros)	Gross amount	Impairment	Net amount
Amounts at 2012/01/01	199,108	(158,517)	40,591
Impairment	-	(1,098)	(1,098)
Disposals	(13)	8	(5)
Amounts at 2012/12/31	199,095	(159,607)	39,488

The impairment recognized at the end of 2012 relates to the goodwill on a wind farm in Italy.

(in thousand euros)	Gross amount	Impairment	Net amount
Amounts at 2011/01/01	208,105	(136,966)	71,139
Impairment	-	(21,551)	(21,551)
Disposals	(5)	-	(5)
Other changes	(8,992)	-	(8,992)
Amounts at 2011/12/31	199,108	(158,517)	40,591

The other variations of the gross value of the goodwill correspond to a downward revision in price for certain projects located in Italy. The accounting for these purchases was handled in accordance with the unrevised IFRS 3.

Following impairment tests conducted by the Group for IAS 36 purposes, depreciation of goodwill in the amount of €21,551 thousand had been recorded at the closing of fiscal year 2011.

11.2 Allocation of goodwill by IGU

(in thousand euros)	Gross amount	Impairment	Net amount 2012/12/31	Net amount 2011/12/31
DCS* of wind farms in France	11,306	-	11,306	11,316
DCS of wind farms in Germany	75,957	(55,627)	20,328	20,327
DCS of wind farms in Italy	17,599	(17,599)	(0)	0
DCS of wind farms in Spain	1,645	(1,645)	-	5
DCS of wind farms in Morocco	1	(1)	-	-
DCS of wind farms in other countries	-	-	-	-
Sales of electricity for own account activity	90,770	(82,915)	7,855	8,945
Non-wind activity	109	(109)	-	-
Corporate activity	1,709	(1,709)	-	-
Total	199,095	(159,607)	39,488	40,593

Development, construction, and sale is comprises as many IGUs as countries involved.

Production of wind energy for own account comprises as many IGUs as wind farms in operation.

NOTE 12 INTANGIBLE ASSETS

(in thousand euros)	Projects under development	Development costs	Software and similar rights	Other intangible assets	TOTAL
Gross amounts at 2012/01/01	50,153	13,149	759	72,999	137,060
Acquisitions and non-current assets generated internally	9,000	222	71	-	9,293
Decrease	(116)	-	-	-	(116)
Disposals	(1,281)	-	-	-	(1,281)
Impact of change in consolidation method	(216)	(412)	-	(547)	(1,175)
Currency translation adjustments	(2)	-	(2)	(201)	(205)
Other changes	(9,000)	-	25	166	(8,809)
Gross amounts at 2012/12/31	48,538	12,959	853	72,417	134,767
Total depreciation and amortization at 2012/01/01	(18,564)	(2,082)	(682)	(35,304)	(56,632)
Amortization	-	(628)	(72)	(3,792)	(4,492)
Depreciations/Reversals on impairment	(10,628)	-	-	(502)	(11,130)
Currency translation adjustments	-	-	-	138	138
Other changes	3,557	-	(8)	6	3,555
Reclassification of dicontinued activities	-	-	3	-	3
Total depreciation and amortization at 2012/12/31	(25,635)	(2,710)	(759)	(39,454)	(68,558)
Net amounts at 2012/01/01	31,589	11,067	77	37,695	80,429
Net amounts at 2012/12/31	22,903	10,249	94	32,963	66,209

Intangible assets include mainly:

- Development costs incurred to obtain all authorizations necessary for the construction and operation of wind projects currently in development (item “Projects currently in development”);
- Development costs incurred to obtain all authorizations necessary for the construction and operation of wind farms currently in operation (item “Development costs”); and
- The rights to operate the wind farm located in Morocco through a concession granted by the Moroccan administration (item “Other intangible assets”).

The gross value of the wind power projects under development is reduced by (€1,615 thousand). It includes a reclassification of the assets to inventories for certain projects (mainly in France), for which the construction permit application has been filed and the authorization process is underway.

In parallel, the impairments recognized in previous fiscal years, (€3,557 thousand) were also reclassified (“Other changes” item).

The impairment losses of (€10,628 thousand) are related to projects under development in Italy. The size of the impairment recognized on the Italian projects is chiefly related to events that occurred during the period – a drop in the feed-in tariffs determined by the Italian Government and the risks affecting various authorizations.

NOTE 13 TANGIBLE ASSETS

(in thousand euros)	Land	Fittings & fixtures	Projects under construction	Technical facilities (1)	Other tangible assets	TOTAL
Gross amounts at 2012/01/01	6,377	4,217	33,036	348,815	4,022	396,467
Acquisitions and non-current assets generated internally	89	4	11,584	6,224	77	17,978
Disposals	(138)	(41)	(94)	(967)	(145)	(1,385)
Impact of change in consolidation method	-	-	(3,503)	(14,367)	-	(17,870)
Currency translation adjustments	-	(1)	-	(1)	(16)	(18)
Other changes	-	(29)	186	(937)	(1,072)	(1,852)
Gross amounts at 2012/12/31	6,328	4,150	41,209	338,767	2,866	393,320
Total depreciation and amortization at 2012/01/01	(1,177)	(1,786)	(2,149)	(93,139)	(2,512)	(100,763)
Amortization	-	(320)	-	(11,008)	(229)	(11,557)
Depreciation for impairment	-	-	(11,034)	-	-	(11,034)
Reversals on disposals	-	2	89	217	116	424
Impact of change in consolidation method	-	-	-	12	-	12
Currency translation adjustments	-	-	-	1	11	12
Other changes	-	32	-	378	(86)	324
Reclassification of dicontinued activities	-	-	-	(3)	-	(3)
Total depreciation and amortization at 2012/12/31	(1,177)	(2,072)	(13,094)	(103,542)	(2,700)	(122,585)
Net amounts at 2012/01/01	5,200	2,431	30,887	255,676	1,510	295,704
Net amounts at 2012/12/31	5,151	2,078	28,115	235,225	166	270,735

(1) Mainly relating to wind farms under operation.

The Group is continuing to invest in projects under construction. The continuing construction of a 10 MW wind farm in Italy explains the significant change in the “projects under construction” column for acquisitions.

In France, the commissioning of a wind farm of 6 MW net capacity for the Group has generated a significant increase in “technical facilities”. However, the sale of one wind farm to the investment vehicle TUIC led to a decrease in this item of the value of the non-consolidated fraction, a total of (€14,367 thousand).

The (€11,008 thousand) amortization of technical facilities mainly relates to the following (*in thousand euros*):

• Wind farms in France	(2,458)
• Wind farms in Germany	(7,630)
• Wind farms in Italy	(895)

In Italy, the risks of non-completion of one wind farm construction project have led to the recognition of an impairment of (€11,034 thousand).

NOTE 14 IMPAIRMENTS ON GOODWILL, INTANGIBLE AND TANGIBLE ASSETS

The methodology used for the depreciation tests as well as the assumptions are described in note 2.8 “Impairments”. A summary of provisions/reversals by IGU is shown in note 7.4.

Sensitivity analysis

The sensitivity analysis was done by intersecting two axes:

- one for Group activity: the variation in wind hours (P90 to P50) used for each farm in operation;
- one outside the Group: the variation by ± 1 point of the discount rates used.

The amount shown below represents the depreciation recorded at December 31, 2012 in the depreciation tests.

The other amounts indicate the net depreciations that the Group would have recorded if the discount assumptions rate and/or wind hours had varied.

Sales of electricity for own account IGU – France

Change in wind hours / Change in discount rate	P90	P75	P50
1%	(3,953)	(1,286)	(12)
0%	(1,534)	-	-
-1%	-	-	-

Sales of electricity for own account IGU – Germany

Change in wind hours / Change in discount rate	P90	P75	P50
1%	(6,755)	(2,231)	-
0%	(3,566)	-	-
-1%	(1,438)	-	-

Sales of electricity for own account IGU – Italy

Change in wind hours / Change in discount rate	P90	P75	P50
1%	(8,324)	(3,784)	(1,074)
0%	(5,215)	(1,102)	-
-1%	(2,935)	-	-

The threshold for switching from an impairment to a reversal would be reached:

- if the discount rate were reduced by 58 basis points, or
- if the wind hours were at an intermediate level between P75 and P50.

Sales of electricity for own account IGU – Morocco

Change in wind hours / Change in discount rate	P90	P75	P50
1%	(406)	-	-
0%	-	-	-
-1%	-	-	-

Development, construction, sale IGU - France

For this CGU, the threshold for an impairment is an increase of 514 basis points in the discount rate used for the sensitivity test.

Development, construction, sale IGU – Germany

For this CGU, the threshold for an impairment is an increase of 117 basis points in the discount rate used for the sensitivity test. A variation of more than 200 basis points would lead to recognition of goodwill impairment of (€4,097 thousand).

Development, construction, sale IGU - Italy

The CGU was not subjected to an impairment test based on its future cash flows. At the end of the period, after the impairment test, the net book value of assets in this CGU was €47,561 thousand.

The sensitivity to realizable value assumptions is as follows:

	Depreciation
+10%	(20,245)
0%	(22,205)
-10%	(24,165)

NOTE 15 ASSOCIATED COMPANIES

At December 31, 2012, the income, of entities accounted for by the equity method corresponds to the following companies:

(in thousand euros)	% held	Share in net assets of associated companies	Share in income of associates
ERNEUERBARE ENERGIE ERNTE VIER GmbH & Co. KG	48.00%	-	(13)
ASSET ELECTRICA	50.00%	-	3,595
TOTAL		-	3,582

In 2012, the item changed as follows:

(in thousand euros)	ECOLUTIONS GmbH & Co. KGaA	ERNEUERBARE ENERGIE ERNTE VIER GmbH & Co.	Total
Value of securities at the beginning of the year	9,513	(172)	9,341
Change in consolidation method	(9,538)		(9,538)
Group share in the income for the financial year		(13)	(13)
Other changes	25	185	210
Value of securities at the end of the year	-	-	-

The removal of the company Asset Electrica from the scope of consolidation led to a gain of €3,595 thousand.

NOTE 16 FINANCIAL ASSETS

Schedule of financial assets at December 31, 2012

2012/12/31 (in thousand euros)	Less than 1 year	1 to 5 years	More than 5 years	TOTAL
Shares available for sale	8	6,480	658	7,146
Other financial assets				-
Related receivables with affiliates	-	-	6,510	6,510
Loans	19	133	3,188	3,340
Other non-current receivables	28	-	-	28
Deposits and guarantees	4,514	731	229	5,474
Financial assets	4,569	7,344	10,585	22,498

Schedule of financial assets at December 31, 2011

2011/12/31 (in thousand euros)	Less than 1 year	1 to 5 years	More than 5 years	TOTAL
Shares available for sale	-	1,193	293	1,486
Other financial assets				
Related receivables with affiliates	-	-	6,250	6,250
Loans	262	884	1,423	2,569
Other non-current receivables	18	-	1,852	1,870
Deposits and guarantees	7	373	150	530
Various long-term investments	200	-	-	200
Financial assets	487	2,450	9,968	12,905

Non-consolidated investments came to €7,145 thousand at December 31, 2012, compared to €1,486 thousand at December 31, 2011. This 5,659 thousand euro increase is explained by the decision to deconsolidate the Ecolutions Company (see Note 5 of this annex). Shares of this company are now recorded under non-consolidated investments at their fair value, i.e. €5,659 thousand at December 31, 2012.

Receivables related to stakes in other companies essentially concern advances made in the following companies (in thousand euros):

• THEOLIA Wind Power India	2,000
• Wind farm in Italy (consolidated in 51% proportional integration	4,510

Variation in loans for the fiscal year, or + €771 thousand, is analyzed as follows (in thousand euros):

• Additional loan between THEOLIA SA and TUIC	1,415
• Repayment of loans to clients in Germany	(397)
• Other	(247)

The "Loans" item includes in particular loans granted to clients of THEOLIA Naturenergien as part of the "sale of wind farms" business line. At the closing of the fiscal year, the net value of these loans came to €592 thousand compared to €1,017 thousand at the previous closing.

In 2012, THEOLIA SA approved an additional loan of €1,415 thousand (share not eliminated due to consolidation of the company through proportionate consolidation) to the investment vehicle THEOLIA Utilities Investment Company to finance its activity, with THEOLIA SA holding a 40% stake in this subsidiary.

The other long-term receivables included, in 2011, shares in investment funds subscribed by a subsidiary in Germany for its own financing. These shares were sold during fiscal year 2012.

Equity swap contract

In June 2012, THEOLIA implemented, with Credit Suisse, a dynamic management mechanism for its available cash based on a swap contract relating to its OCEANEs.

In order to constitute its hedge with respect to this swap contract, Credit Suisse may purchase OCEANEs, in its own name and for its own account, within the limit of 1,150,000 OCEANEs, corresponding to a maximal amount of 13,225,000 euros, by purchasing OCEANEs on the market or blocks of OCEANEs off market.

During the term of the swap contract, THEOLIA will pay to Credit Suisse an amount equal to Euribor plus a spread, corresponding to the cost of the constitution of its hedge position by Credit Suisse, and will receive, if applicable, the coupons and dividends received by Credit Suisse under its hedge position.

Part of THEOLIA's cash, i.e. €5,000 thousand, was allocated as a guarantee of this dynamic cash management mechanism (Equity swap). As it is no longer compliant with the IFRS criteria for cash equivalents, this sum is registered in the "Deposits and guarantees" item in current financial assets. At the end of the fiscal year, this asset is adjusted to the fair value with a corresponding impact on the income statement.

Upon maturity of the contract or in case of a request from THEOLIA for an early repayment of part of its cash provided as collateral under the swap contract, THEOLIA will receive the market value of the OCEANEs allocated to the hedge of the swap and will pay to Credit Suisse the value of the constitution of its hedge (THEOLIA shall therefore receive from Credit Suisse the positive performance of the OCEANE or, as the case may be, pay to Credit Suisse the negative performance of the OCEANE). Credit Suisse will be the owner of the OCEANEs so purchased.

On the swap contract maturity date or in case of a request from THEOLIA for an early repayment of a part of its cash, Credit Suisse may unwind its position, depending on the market liquidity conditions, either by selling the OCEANEs that were purchased for the purposes of its hedge with respect to the swap contract, or by converting the OCEANEs into shares so as to sell on the market the shares received as a result of the conversion of the OCEANEs. In the absence of a volume increase of the OCEANEs exchanged on the market and on the basis of the current volumes, the criteria used for the unwinding of the swap contract would probably lead to an unwind in shares.

A year end, an unrealized loss was noted on that instrument. A 495 thousand euro depreciation was registered, which reduced the amount of financial assets.

NOTE 17 WORKING CAPITAL REQUIREMENTS

17.1 Change in WCR

	Balance sheet as of 2011/12/31	Balance sheet as of 2012/12/31	Change in working capital requirements (Balance sheet)	Presentation reclassifications on operations	Consolidated scope changes	Exchange rates	Others reclassifications	Change in working capital requirements (TFT)
Net Inventories, goods & services in process	14,350	14,934	(585)	7,209	0	(55)	(978)	5,592
Trade receivables and other operating receivables (net)	35,912	21,221	14,690	0	(905)	(7)	1,265	15,044
Trade payables & Other operating payables	(23,668)	(17,703)	(5,965)	320	911	1	(1)	(4,734)
Other receivables	17,316	13,579	3,737	732	(1,407)	(4)	0	3,059
Other liabilites	(9,954)	(4,384)	(5,570)	0	147	6	()	(5,416)
Assets - adjustment accounts	2,331	1,767	564	0	(26)	(3)	0	536
Liabilities - adjustment accounts	(370)	(223)	(147)	(9)	(73)	0	()	(229)
TOTAL	35,916	29,192	6,727	8,251	(1,351)	(60)	286	13,851

Working capital requirements, like for like, were reduced by €13,851 thousand over 2012. This change can be explained primarily by the following elements:

- A €5,592 thousand reduction in inventories (generating positive cash flow), as a result of the sale of wind farms of a total capacity of 4.4 MW,
- The positive changes in trade receivables results from the combination of the following factors:
  - lower wind farm performance (both for own account and third parties) in Germany, compared with December 2011, and
  - payments received on old receivables from the Sale of wind farms business.

17.2 Inventories

(in thousand euros)	2012/12/31	2011/12/31
Wind projects and farms	23,900	18,472
Turbine components and other parts	1,483	1,575
Depreciation	(10,449)	(5,697)
Net amount	14,934	14,350

Inventories include mainly:

- Development costs incurred prior to applying for building permits;
- Wind farms held as part of the wind farm purchase-sale activity in Germany; and
- Components and parts.

Inventories are listed below by geographical zone:

(in thousand euros)			2012/12/31	2011/12/31
	Gross value	Depreciations	Net value	Net value
Germany	8,573	(1,291)	7,282	11,505
France	10,159	(5,903)	4,256	1,091
Italy	2,535	(251)	2,284	386
Morocco	695	-	695	787
Rest of the world	2,031	(1,613)	418	581
Corporate	1,391	(1,391)	-	-
TOTAL	25,384	(10,449)	14,934	14,350

In Germany, the fall in net value of inventories is chiefly due to the sale of several wind farms, representing a total capacity of 4.4 MW.

In France and Italy, the increase in net value of inventories primarily stems from the fact that some wind projects under development, whose construction permit has been filed and the authorization process is underway, were reclassified from assets to inventories.

Net inventories for “Rest of the world” are primarily for projects developed in Brazil.

17.3 Trade receivables

Change

(in thousand euros)	Gross amount 2012/12/31	Depreciations 2012/12/31	Net amount 2012/12/31	Net amount 2011/12/31
Trade receivables	27,261	(6,040)	21,221	35,912
Total	27,261	(6,040)	21,221	35,912

Trade receivables (gross), i.e. €27,261 thousand, mainly broke down as follows (in thousand euros):

• France	3,081
• Germany (of which €12,046 thousand for the Operation activity and €2,652 thousand for the purchase-sale activity)	18,804
• Italy	2,750
• Morocco	1,739
• Other countries	886

The recorded depreciation primarily concerns receivables related to the Operations activity in Germany. Depreciation for accounting purposes is calculated receivable by receivable according to seniority and the level of risk estimated by the Group’s management.

Schedule at December 31, 2012

(in thousand euros)	Outstanding not accrued	Outstanding accrued From 0 to 6 months	Outstanding accrued From 6 to 12	Outstanding accrued > 12 months	TOTAL
Trade and other receivables	9,268	7,124	2,980	7,601	26,973
Doubtful receivables	-	-	12	275	287
Trade and other receivables depreciation	(341)	(380)	(24)	(5,294)	(6,039)
Total trade and related receivables	8,927	6,744	2,968	2,582	21,221

Receivables considered outstanding mainly comprise amounts not yet billed at the closing of the fiscal year. They are (in thousand euros):

• Sales of electricity for own account activity	2,369
• Development, construction, sale activity in France	505
• Operation activity in Germany	6,027
• Other	367

17.4 Other current assets

(in thousand euros)	Gross amount 2012/12/31	Depreciations 2012/12/31	Net amount 2012/12/31	Net amount 2011/12/31
Supplier advances and installments	4,706	-	4,706	4,366
Receivables on asset disposals	-	-	-	158
Tax receivables (excluding corp. tax)	7,068		7,068	10,592
Soc. security receivables	34		34	98
Current accounts	-	-	-	4
Various receivables	3,762	(1,990)	1,772	2,260
Prepaid expenses	1,760		1,760	2,331
Conversion losses/gains - assets	6		6	-
Total	17,336	(1,990)	15,346	19,809

Advances and installments are mainly payments made for reserving turbines by THEOLIA SA for a wind project.

Tax receivables of €7,068 thousand are mainly the deductible VAT not yet settled for purchases and/or progress on wind projects or equipment, in particular (in thousand euros):

• progress of wind projects in Italy (mainly farm started up)	4,105
• progress of wind farms under construction in France	931
• other perimeter entities	2,032

The (€4,463 thousand) change in these receivables between 2011 and 2012 is chiefly due to a refund by the tax authorities of input tax (VAT) generated through the construction of wind farms commissioned in 2012.

Prepaid expenses are mostly related to Electricity sales for own account in the amounts of €998 thousand (maintenance, rent, etc.) and €608 thousand for the Development, construction, sale activity.

17.5 Suppliers and other creditors

(in thousand euros)	2012/12/31	2011/12/31
Advances and installments received	422	1,190
Suppliers	17,703	23,668
Non-current assets suppliers	13,236	8,120
Other	511	2,608
Total	31,872	35,586

Group suppliers break down as follows (in thousand euros):

• France	1,345
• Germany (with €15,236 thousand for THEOLIA Naturenergien)	13,487
• THEOLIA SA	1,312
• Italy	934
• Morocco	451
• Other countries	174

Asset suppliers mainly concern services not yet paid related to construction in France and Italy.

(in thousand euros)	2012/12/31	2011/12/31
Social security liabilities	1,518	1,593
Tax liabilities	2,179	4,994
Total	3,697	6,587

Tax liabilities are mostly for collected VAT not yet forwarded.

(in thousand euros)	Invoices not received	From 0 to 3 months	From 3 to 6 months	From 6 to 9 months	From 9 to 12 months	TOTAL
Suppliers and related payables	8,927	4,303	1,097	737	2,639	17,703
Social security and employee-related	29	1,387	14	88	-	1,518
Tax debts excluding corp. tax	474	1,655	21	2	27	2,179
Income tax	334	-	-	231	-	565
Total suppliers and other debts	9,764	7,345	1,132	1,058	2,666	21,965

Invoices not received are mainly from Germany.

Suppliers with deadlines between 0 and 3 months are directly related to the Group's operations activity.

Old supplier payables (9-12 months) are basically in Germany. These debts will be settled when the Group considers these suppliers have met all of their obligations.

NOTE 18 CASH AND CASH EQUIVALENTS

Position

(in thousand euros)	2012/12/31	2011/12/31
Marketable securities (net)	17,498	41,536
Cash	51,673	46,295
Total cash and cash equivalents	69,171	87,831
Bank overdrafts	-	-
Net cash	69,171	87,831

Details of free/restricted cash

(in thousand euros)	2012/12/31	2011/12/31
Free cash	27,969	48,073
Reserved cash for SPVs	21,514	19,707
Pledged cash	19,688	20,051
Bank overdrafts	-	-
Total cash and cash equivalents	69,171	87,831

The Group's cash comprises a free portion, a reserved portion and a pledged portion. At December 31, 2012, the Group held total cash of €69,171 thousand. The Group has a policy to invest cash on a daily basis in money market funds (in Euros) and in guaranteed-capital time deposit accounts.

Free cash €27,969 thousand (or 40.4% of total cash)

This cash is allocated directly to the operation activities of the companies, it breaks down as follows (in thousand euros):

• Holding company	16,251
• France (except holding company)	869
• Germany	5,556
• Italy	242
• Other countries	5,051

Cash reserved for SPVs €21,514 thousand (or 31.1% of total cash)

This cash corresponds to cash that the special purpose vehicles (SPVs) cannot freely use in compliance with the financing conditions but which remains available to finance their current operations.

It breaks down as follows (in thousand euros):

• France (except holding company)	5,625
• Germany	15,291
• Italy	597

Pledged cash €19,688 thousand (or 28.5% of total cash)

These funds cannot be used freely for everyday operations. They are set aside primarily for security interests granted to financial institutions to guarantee obligations or constitute a reserve for project funding.

It breaks down as follows (in thousand euros):

• Holding	236
• France (except holding company)	3,440
• Germany	14,369
• Italy	1,613
• Other countries	31

At December 31, 2012, the share of cash invested was €17,498 thousand. All investments are made on secured SICAV mutual funds. All investments have immediate availability.

NOTE 19 ASSETS AND LIABILITIES HELD FOR SALE

Under its reorganization, the Group decided to divest or discontinue its operations considered to be non-strategic: mainly assets in non-wind activities. This decision was reflected in a decision by THEOLIA's Board of Directors in November 2008 and reconfirmed by the Board of Directors' meetings of April 18, 2011, August 31, 2011, March 28, 2012 and April 15, 2013.

At December 31, 2012, particularly in light of the economic context, the Group had not finalized divestment of all its non-wind activities. The Group is actively pursuing the plan to dispose of these activities.

The assets and liabilities involved, representing the Environment division, are recorded in the companies SERES Environnement (and its subsidiaries) and Ecoval 30.

Since December 31, 2008 these assets have been recorded pursuant to IFRS 5 "Non-current assets held for sale and abandoned activities." At December 31, 2012, this accounting approach was maintained.

Thus, all transactions for the fiscal year pertaining to the Environment division were grouped on the profit and loss statement line entitled "Net income from discontinued operations." Assets and liabilities were grouped together in a line on the asset and liability of the balance sheet "Profit (loss) for the year from discontinued operations."

Asset values were depreciated based on the probable sales prices. A depreciation of (€3,278) thousand appeared accordingly at the closing of fiscal year 2011. At December 31, 2012, this provision was readjusted to take into account changes in net assets: an additional provision of 324 thousand euros was recorded.

19.1 Information on the profit and loss statement

At December 31, 2012

(in thousand euros)	THEOLIA Group pre-IFRS 5 2012/12/31	IFRS 5 restatments	THEOLIA Group restated for IFRS 5 2012/12/31
Revenue	76,824	(9,087)	67,736
Current operating income	18,169	594	18,763
Impairment	(23,262)		(23,262)
Operating income	(778)	233	(545)
Financial income	(32,171)	180	(31,990)
Net income from continuing operations	(33,914)	238	(33,676)
Net income for the year from discontinued operations		(562)	(562)
NET INCOME of the consolidated Group	(33,914)	(324)	(34,238)
Of which Group share	(33,882)	(324)	(34,206)
Of which non-controlling interest	(32)		(32)

At December 31, 2011

(in thousand euros)	THEOLIA Group pre-IFRS 5 2011/12/31	IFRS 5 restatments	THEOLIA Group restated for IFRS 5 2011/12/31
Revenue	76,709	(9,229)	67,480
Current operating income	7,656	2,728	10,384
Impairment	(28,310)	9	(28,300)
Operating income	(20,867)	2,662	(18,205)
Financial income	(18,200)	199	(18,001)
Net income from continuing operations	(39,233)	2,150	(37,083)
Net income for the year from discontinued operations		(2,151)	(2,151)
NET INCOME of the consolidated Group	(39,233)	-	(39,233)
Of which Group share	(38,520)		(38,520)
Of which non-controlling interest	(714)		(714)

19.2 Information on the balance sheet

At December 31, 2012

(in thousand euros)	THEOLIA Group pre-IFRS 5 2012/12/31	IFRS 5 restatments	THEOLIA Group restated for IFRS 5 2012/12/31
NON-CURRENT ASSETS	404,211	(7,080)	397,131
CURRENT ASSETS	133,924	(4,341)	129,582
Assets classified as held for sale		11,404	11,404
TOTAL ASSETS	538,136	(17)	538,118
SHAREHOLDERS' EQUITY	165,544		165,544
NON-CURRENT LIABILITIES	285,372	(4,353)	281,019
CURRENT LIABILITIES	87,222	(3,466)	83,756
Liabilities directly assicated with assets classified as held for sale		7,802	7,802
TOTAL EQUITIES & LIABILITIES	538,136	(17)	538,118

At December 31, 2011

(in thousand euros)	THEOLIA Group pre-IFRS 5 2011/12/31	IFRS 5 restatments	THEOLIA Group restated for IFRS 5 2011/12/31
NON-CURRENT ASSETS	447,261	(6,609)	440,653
CURRENT ASSETS	170,077	(5,696)	164,381
Assets classified as held for sale		12,291	12,291
TOTAL ACTIFS	617,338	(14)	617,324
SHAREHOLDERS' EQUITY	194,984		194,984
NON-CURRENT LIABILITIES	311,615	(5,425)	306,191
CURRENT LIABILITIES	110,934	(3,797)	107,137
Liabilities directly assicated with assets classified as held for sale		9,013	9,013
TOTAL EQUITIES & LIABILITIES	617,338	(14)	617,324

NOTE 20 SHAREHOLDERS' EQUITY

20.1 Number of outstanding shares

	2012/01/31	Free shares	Creation of shares by conversion of OCEANE bonds	Shares cancellation	Others operations	2012/12/31
Number of shares	127,591,147	441,638	957,448	(83,601)	(64,020,798)	64,885,834
Number of securities	127,591,147	441,638	957,448	(83,601)	(64,020,798)	64,885,834
Share capital (in euros)	127,591,147	441,638	1,303,462	(83,601)	(38,412,479)	90,840,167

At December 31, 2012, the share capital comprised 64,885,834 shares with a par value of €1.40.

A double voting right is attributed to all fully paid shares for which registration by a named party can be demonstrated dating back at least two years in the name of the same shareholder, either of French nationality or from a member state of the European Economic Community.

No dividend was paid before or after year-end.

20.2 Minority interest

Minority interest corresponds mainly to the Group's partners in the TUIC investment vehicle.

At year-end, the share on balance sheet for these partners is €66 thousand.

NOTE 21 SHARE-BASED PAYMENTS

21.1 Summary of stock warrant activity

Warrants exercisable at December 31, 2011	2,062,106
Warrants canceled druing the year	(1,785,190)
Warrants at December 31, 2012	276,916

During the fiscal year, 1,785,190 stock warrants expired before being exercised. They have therefore been cancelled and the Group did not grant stock warrants in 2012.

	BSA CS4	BSA CS5	BSA EP 08	BSA LF 08
Subscription price	0.000485	0.000485	0.0001	0.0001
Exercise price	4.85	4.85	12.95	12.95
Duration	2010/11/02 then at 2013/12/31	2010/11/02 then at 2014/12/31	July 2, 2013	July 2, 2013
Parity before July 2, 2012	1.344	1.344	1.132	1.132
Parity after July 2, 2010	0.672	0.672	0.566	0.566
Balance at December 31, 2011	50,000	50,000	29,093	29,093
Allocated during the fiscal year	-	-	0	0
Exercised during the fiscal year	-	-	0	0
Expired during the fiscal year	-	-	0	0
Stock warrant balance	50,000	50,000	29,093	29,093
Share balance	33,600	33,600	16,467	16,467

	BSA LF07	BSA SO07	BSA SG07	BSA EP07
Subscription price	0.0001	0.0001	0.0001	0.0001
Exercise price	15.28	15.28	15.28	15.28
Maturity date for exercise	January 1, 2013	January 1, 2013	January 1, 2013	January 1, 2013
Parity before July 2, 2012	1.132	1.132	1.132	1.132
Parity after July 2, 2010	0.566	0.566	0.566	0.566
Balance at December 31, 2011	29,093	29,093	31,451	29,093
Allocated during the fiscal year	0	0	0	0
Exercised during the fiscal year	0	0	0	0
Expired during the fiscal year	0	0	0	
Stock warrant balance	29,093	29,093	31,451	29,093
Share balance	16,467	16,467	17,801	16,467

Stock warrant beneficiaries are former Directors of the Company.

No stock warrant was exercised in 2012.

21.2 Bonus shares

At the start of the period, 475,000 bonus shares were in circulation. 441,638 were definitively purchased on March 28, 2012. The remaining 33,362 free shares were not allocated. The corresponding shares were not created.

On December 10, 2012, the Board of Directors decided to allocate, free of charge, 1,900,000 performance shares (of which 900,000 for the CEO and 1,000,000 to Group employees). These shares also come with an attendance criterion.

The bonus shares awarded are valued in line with the share price on the award date.

The expense recognized for this fiscal year was (€20 thousand).

21.3 Stock options

After notice from the Nominating and Compensation Committee, the Board of Directors decided on December 1, 2010 to allocate 1,500,000 stock options to Fady Khallouf as CEO under conditions of performance.

These options may be exercised at the lower of the following two amounts: €1.40 or the arithmetic mean of the weighted average market price calculated over the 20 stock exchange sessions preceding the Board of Directors meeting having allocated these options.

The performance conditions are a function of changes in the THEOLIA share price, namely:

- 100,000 options (or approximately 6.67%) may be exercised if the arithmetic mean of the weighted average market price calculated over 20 successive stock exchange sessions is greater than or equal to €1.80;
- 300,000 options (or 20%) that may be exercised if the arithmetic mean of the weighted average market price calculated over 20 successive stock exchange sessions is greater than or equal to €2.50;
- 200,000 options (or approximately 13.33%) that may be exercised if the arithmetic mean of the weighted average market price calculated over 20 successive stock exchange sessions is greater than or equal to €3.00;
- 400,000 options (or approximately 26.67%) that may be exercised if the arithmetic mean of the weighted average market price calculated over 20 successive stock exchange sessions is greater than or equal to €3.50; et
- 500,000 options (or approximately 33.33%) that may be exercised if the arithmetic mean of the weighted average market price calculated over 20 successive stock exchange sessions is greater than or equal to €5.00.

If the Company CEO leaves the company for any reason, the following principles apply:

- If the separation occurs before the end of the tax restricted period (for each option, a tax restricted period of 4 years as of the allocation date indicated in Article 163 bis C of the General Tax Code), the options:
  - become automatically exercisable as of the day of separation, subject to the performance conditions on the exercise date having been achieved to the requisite degree, and
  - remain exercisable for three months starting on the date of publication of the first annual or half-year consolidated accounts following the separation date, on which date the stock options automatically lapse by law; and
- if the separation occurs after the end of the tax restricted period, they remain exercisable:
  - after the separation, subject to the performance conditions on the exercise date having been achieved to the requisite degree,
  - for three months starting on the date of publication of the first annual or half-year consolidated accounts following the separation date, on which date the options automatically lapse by law.

Fifty percent of shares from exercising these options are to be kept by the CEO and registered in his name for the entire duration of his duties. Concerning all of the provisions submitted above, valuation was conducted using a trinomial method (probability-driven mathematical model based on a recombinant tree supported by restrictive assumptions). The working assumptions are shown below:

• date granted	December 1, 2010
• purchase period	5 years
• final purchase date	December 1, 2015
• retention period (restricted shares)	2 years
• share price on the allocation date	€1.16
• expected dividend rate	0%
• exercise price	€1.24
• rate without risk withheld	1.60%
• cost of restriction and approach used	€57 thousand
• fair value of the plan (excluding cost of restriction)	€416.2 thousand

The value of the stock options by “tranche,” before the discount due to restrictions on shares following exercise of the options is shown below (in thousand euros):

• tranche value > €5	108.5
• tranche value > €3.5	86.8
• tranche value > €3	70.5
• tranche value > €2.5	105.7
• tranche value > €1.8	44.7

This represents totals of €416.2 thousand and €359.1 thousand after deduction. This charge is distributed *prorata temporis* by tranche over the duration of the plan. The charge recorded in the accounts ended December 31, 2012 is (€90) thousand.

The Board of Directors’ meeting of July 29, 2011, on the basis of the new delegation approved by the general shareholders meeting of June 17, Jun 2011 in its fifteenth resolution, allocated 810,000 stock options to certain employees of the Group, on conditions of stock market performance and presence.

The performance conditions are a function of the evolution of the THEOLIA share rate, namely:

- 6% that may be exercised if the arithmetic mean of the weighted average market price calculated over 20 successive stock exchange sessions is greater than or equal to €1.80;
- 20% that may be exercised if the arithmetic mean of the weighted average market price calculated over 20 successive stock exchange sessions is greater than or equal to €2.50;
- 12% that may be exercised if the arithmetic mean of the weighted average market price calculated over 20 successive stock exchange sessions is greater than or equal to €3.00;
- 25% that may be exercised if the arithmetic mean of the weighted average market price calculated over 20 successive stock exchange sessions is greater than or equal to €3.50; and
- 37% that may be exercised if the arithmetic mean of the weighted average market price calculated over 20 successive stock exchange sessions is greater than or equal to €5.00.

These options were valuated according to the same methodology as for the options allocated to the CEO. The plan value is €226.6 thousand.

The charge noted for fiscal year 2012 for all of the plans in effect is (€146) thousand euros.

NOTE 22 FINANCIAL LIABILITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

22.1 Variation in financial liabilities

(in thousand euros)	Bank loans	Convertible bond	Other financial liabilities	TOTAL
Amounts at 2012/01/01	214,824	103,390	13,865	332,079
Increase	11,048	12,504	5,245	28,797
Repayments	(33,941)	(6,536)	(1,102)	(41,579)
Currency translation adjustments	-	-	(269)	(269)
Other changes	-	-	(331)	(331)
Amounts at 2012/12/31	172,647	109,358	16,445	298,450

At December 31, 2012, financial debt represented €298,450 thousand, or a decrease of (€33,629) thousand compared to December 31, 2011.

This variation is related to the following events (*in thousand euros*):

Changes in borrowing from lending institutions	(42,177)

€11,048 thousand increase in borrowing from lending institutions, corresponding to:

- disbursements on financing plans for projects in France	6,054
- disbursements on financing plans for projects in Germany	4,125
- recognition of accrued non-mature interest	349
- other (interest capitalization)	520

Refund of borrowing of (€33,941 thousand), as follows (*in thousand euros*):

• normal project funding repayments	(18,327)
early repayments to optimize financing plans for some wind farms in France	(4,950)
• early repayments on financing plans for projects in Germany (following the sale and restructuring of projects)	(8,530)
• partial repayment of the line of tax credit (VAT) for a project in Italy	(1,377)
• adjustment of borrowing at depreciated cost	172
• other (reversal of accrued non-mature interest)	(929)

Changes in scope of (€19,284 thousand), as follows:

• change in accounting method following the sale of Centrale Eolienne des Gargouilles to the investment vehicle TUIC	(13,513)
• change in accounting method for the company MPH SA in Italy	(5,417)
• sale of one project in Germany	(354)

Variation of the convertible bond issue (*in thousand euros*) 5,968

The bond shows a net increase of €5,968 thousand, resulting from (in thousand euros):

• interest payment incurred at December 31, 2011 in January 2012	(4,336)
• conversion of 210,936 OCEANEs in 2012	(2,475)
• accrued interest for the convertible bond at December 31, 2012	4,228
• acknowledging additional interest due to the convertible nature of the bond	8,551

At December 31, 2012, the Group did not have corporate lines of credit opened and not drawn down.

Change in other financial liabilities (*in thousand euros*) 2,580

The change in other financial liabilities is due to (*in thousand euros*):

• the change in valuation of interest rate hedging instruments	1,567
• implementation of an interest rate swap for Centrale Eolienne de Magremont	340
• change in accounting method following the sale of Centrale Eolienne des Gargouilles to the investment vehicle TUIC	(741)
• change in current accounts	1,414

Convertible bond

Modifications of the terms of the OCEANEs took effect on July 20, 2010. The modification of the share allocation ratio took effect July 21, 2010.

At the closing date, the major characteristics of the bond issue are:

• type of financial instrument	OCEANEs
• number of outstanding bonds	8,228,470
• original par value	€240,000 thousand
• new face value since July 21, 2010	€219,577 thousand
• maximum amount to repay if early repayment is requested on January 1, 2015	€125,813 thousand
• maturity of the loan	January 1, 2041
• annual interest until December 31, 2014	2.70%
• annual interest as of January 1, 2015	0.10%
• conversion ratio until:	
• 7th business day before December 31, 2013	4.32 shares per OCEANE
• 7th business day before December 31, 2014	3.46 shares per OCEANE
• redemption price of OCEANEs at January 1, 2015	15.29 € per OCEANE
• redemption price of OCEANEs at January 1, 2041	20.77 € per OCEANE

The effective interest rate ("EIR") is 13.3%. On this basis, the shareholders' equity component of the debt is zero. The entire convertible debt is therefore allocated to financial debts.

The definitive assumptions used in the "*split accounting*" calculations are the following:

• Rate spread	1,134 PDB
• Bond rate	€10.43

The schedule of interest on the basis of the debt appearing in the closing balance sheet is itemized below (assumption without considering any future conversions):

Year	Interest at rate of 2.70%	Interest at EIR	Additional interest of
2012	4,228	12,779	8,551
2013	4,228	13,911	9,683
2014	4,228	15,228	11,000
	12,684	41,919	29,235

22.2 Covenants

There are two types of Group financing:

- Corporate Group debt: OCEANE;
- Project debt: this financing, related to construction of wind farms (France, Germany, Italy, Morocco), is accompanied by financial covenants relating particularly to compliance with cash flow ratios of project support companies (cash generated by the activity/debt service) and the financial structure (financial debt/shareholders' equity).

During the first semester of 2012, the Group restructured project financing on several operating wind farms in France. Restructuring involves early repayment primarily financed with cash reserved for each project and redefining the amortization plan.

At December 31, 2012, the Group had failed to comply with various financial commitments required for project financing on a wind farm in Italy. A Ministerial Order dated July 6, 2012 changed the green certificate payment schedule for energy production from 2011 to 2015. This payment delay is the cause of the technical non-compliance with the covenant for this farm. Negotiations over a waiver are underway with the lenders.

The sum of €23.4 million, representing the debt on this farm and the associated swap, were declassified from the current portion of the relevant liabilities.

22.3 Analysis of loans by maturity date

The following table presents financial debt according to the forecasts of par value repayment in the short, medium and long term.

(in thousand euros)	< 3 months	> 3 months < 6 months	> 6 months < 9 months	> 9 months < 1 year	< 1 year	> 1 year < 5 years	> 5 years	Total 2012/12/31	Total 2011/12/31
Convertible bond	4,228	-	-	-	4,228	105,130	-	109,358	103,390
. Holding	*4,228*	-	-	-	*4,228*	*105,130*	-	*109,358*	*103,390*
Corporate credit lines	-	-	-	-	-	-	-	-	-
Project financing	28,930	3,140	5,503	3,207	40,780	65,764	66,105	172,648	214,824
. France	*891*	*1,854*	*888*	*1,908*	*5,541*	*25,157*	*33,363*	*64,062*	*81,911*
. Germany	*6,111*	*1,286*	*4,615*	*1,299*	*13,311*	*40,607*	*26,704*	*80,621*	*97,191*
. Italy	*21,928*	-	-	-	*21,928*	-	*6,037*	*27,965*	*35,722*
. Morocco	-	-	-	-	-	-	-	-	-
Derivatives financial instruments	2,528	-	-	-	2,528	-	8,664	11,192	10,026
. France	*25*	-	-	-	*25*	-	*8,664*	*8,689*	*8,324*
. Italy	*2,503*	-	-	-	*2,503*	-	-	*2,503*	*1,702*
Bank overdrafts	-	-	-	-	-	-	-	-	-
Other financial debts	47	-	-	-	47	5,206	-	5,253	3,838
. Holding	*47*	-	-	-	*47*	*2,625*	-	*2,672*	*1,406*
. Italy	-	-	-	-	-	*2,581*	-	*2,581*	*2,433*
TOTAL FINANCIAL DEBT	35,733	3,140	5,503	3,207	47,583	176,099	74,769	298,451	332,079

The total Group debt at December 31, 2012 was €298,451 thousand, down by (€33,628) thousand compared to December 31, 2011. Debt breaks down as follows (in thousand euros):

• France	184,781	(62.0% of total debt)
• Germany	80,621	(27.0% of total debt)
• Italy	33,048	(11.0% of total debt)

Short-term debt was €47,583 thousand at December 31, 2012 and breaks down as follows:

- €23,357 thousand of project financing classified as short-term debt (including €2,503 thousand Mark to Market hedging instruments) for an Italian wind farm that had not complied with certain financial covenants at December 31, 2012 following a change in Italian legislation on the green schedule payment schedule. However, the lender has not served notice of early maturity of the debt, and negotiations over a waiver are underway with the lenders. This reclassification is carried out under IAS 1R.69,
- €19,925 thousand corresponds to the current portion of long-term project financing,
- €4,228 thousand is interest on the convertible bond issue payable in January 2013,
- €25 thousand is accrued non-mature interest on interest rate hedging instruments,
- €47 thousand is other financial debt (current accounts).

22.4 Analysis of loan disbursements by maturity date (capital + interest)

The table below shows financial debt according to projected disbursements (capital and interest) on a short-term and medium/long-term basis. The convertible bond issue is shown here as a function of the projected disbursements according to the new OCEANE terms, assuming no conversion.

Future interest was projected using the interest rate curve at December 31, 2012. The debt shown below does not take into account short-term accounting reclassifications due to breaches of financial covenants on the Italian project debt.

(in thousand euros)	< 1 year	>1 year < 5 years	> 5 years	Total payment 2012/12/31	Total payment 2011/12/31
Convertible bond	4,228	134,269	-	138,497	146,395
. Holding	*4,228*	*134,269*	-	*138,497*	*146,395*
Corporate credit lines	-	-	-	-	-
Project financing	26,150	90,955	93,313	210,417	277,534
. France	*6,809*	*30,170*	*38,384*	*75,362*	*101,567*
. Germany	*16,576*	*48,710*	*29,849*	*95,134*	*117,884*
. Italy	*2,765*	*12,076*	*25,080*	*39,921*	*58,083*
. Morocco				-	-
Derivatives financial instruments	2,572	6,908	1,959	11,439	10,587
. France	*2,052*	*5,401*	*1,417*	*8,870*	*8,790*
. Italy	*520*	*1,507*	*542*	*2,569*	*1,797*
Bank overdrafts	-	-	-	-	-
Other financial debts	47	5,206	-	5,253	3,838
. Holding	*47*	*2,625*	-	*2,672*	*1,406*
. Italy	-	*2,581*	-	*2,581*	*2,433*
TOTAL FINANCIAL DEBT	32,997	237,338	95,272	365,606	438,354

At December 31, 2012, the total debt to be paid amounts to €365,606 thousand, and the current part is €32,997 thousand, including €4,228 thousand of interest on the convertible bond to be paid in January 2013.

22.5 Analysis by type of rate

Analysis par rate excluding hedging instruments:

(in thousand euros)	2012/12/31	2011/12/31
Financial debt - fixed rate	203,398	214,152
Financial debt - variable rate	95,053	117,927
TOTAL	298,451	332,079

At December 31, 2012, the fixed rate part of the debt is €203,398 thousand, or 68.2% of total debt and breaks down as follows (in thousand euros):

- Convertible bond issue 109,358
- Financing for projects in France 2,129
- Financing for projects in Germany 80,621
- Financing for projects in Italy 8,618
- Current accounts 2,672

Variable rate debt amounts to €95,053 thousand, or 31.8% of total debt and relate to (in thousand euros):

- Project financing in France 70,622
- Project financing in Italy 24,431

Analysis per rate including hedging instruments:

(in thousand euros)	2012/12/31	2011/12/31
Financial debt - fixed rate	273,048	295,331
Financial debt - variable rate	25,403	36,748
TOTAL	298,451	332,079

After accounting for derivative hedging instruments, the distribution of debts at December 31, 2012 is:

- Fixed rate debt of €273,048 thousand, or 91.5% of total debt;
- Variable rate debt of €25,403 thousand, or 8.5% of total debt.

22.6 Swaps

The Group's swaps presented in the financial statements concern only interest rate risk hedging instruments; the underlying debt is made up of variable rate loans. These derivative instruments are recorded at their fair value at December 31, 2012. The hedge ratio used is the cash flow hedge allowing the effective part to be recorded directly under shareholders' equity and the ineffective part on the profit and loss statement.

Valuation of swaps liabilities at December 31, 2012 was €11,192 thousand, an increase of €1,166 thousand compared to December 31, 2011. This increase breaks down as follows (in thousand euros):

- Introduction of a new hedging instrument in France + 340
- Changes in fair value of instruments present at December 31, 2011 + 1,567
- Change in the accounting method further to the sale of the Centrale Éolienne des Gargouilles company to the TUIC investment vehicle (741)

NOTE 23 INFORMATION ON THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows the book value on the balance sheet of the assets and liabilities by accounting category defined according to IAS 39, as well as their fair value:

2012/12/31	Accounting categories					Fair value		
(in thousand euros)	Assets (liabilities) valued at fair value through profit and loss	Assets held for sale	Loans and borrowings	Liabilities at amortized cost	Total of the net book value on the balance sheet	Listed price	Internal model with measurable parameters	Liabilities at amortized cost
Shares available for sale		7,137			7,137			
Other non-current financial assets			9,831		9,831			
Deposits and guarantees			960		960			
Non-current financial assets	-	7,137	10,791	-	17,928	-	-	-
Derivative instruments - positive								
Trade receivables			21,222		21,222			
Cash equivalents	17,498				17,498	17,498		
Cash			51,673		51,673			
Current share of financial assets			4,569		4,569			
Current financial assets	17,498	-	77,464	-	94,962	17,498	-	-
TOTAL ASSETS	17,498	7,137	88,255	-	112,890	17,498	-	-
Convertible bond				105,130	105,130			
Other bank borrowings and financial debt				145,739	145,739			
Non-current financial debts	-	-	-	250,868	250,868	-	-	-
Derivative instruments - negative	11,192				11,192		11,192	
Convertible bond				4,228	4,228			
Other bank borrowings and financial debt				43,313	43,313			
Supplier liabilities				17,703	17,703			
Other current financial liabilities				14,169	14,169			
Financial current accounts - liabilities				40	40			
Current financial liabilities	11,192	-	-	79,453	90,645	-	11,192	-
TOTAL LIABILITIES	11,192	-	-	330,321	341,513	-	11,192	-

2011/12/31	Accounting categories					Fair value		
(in thousand euros)	Assets (liabilities) valued at fair value through profit and loss	Assets held for sale	Loans and borrowings	Liabilities at amortized cost	Total of the net book value on the balance sheet	Listed price	Internal model with measurable parameters	Liabilities at amortized cost
Shares available for sale		1,486			1,486			
Other non-current financial assets			10,409		10,409			
Deposits and guarantees			523		523			
Non-current financial assets	-	1,486	10,932	-	12,418	-	-	-
Derivative instruments - positive								
Trade receivables			35,912		35,912			
Financial current accounts - assets					-			
Cash equivalents	41,536				41,536	41,536		
Cash			46,295		46,295			
Current share of financial assets			487		487			
Current financial assets	41,536		82,694	-	124,230	41,536		-
TOTAL ASSETS	41,536	1,486	93,626	-	136,648	41,536		
Convertible bond				142,059	142,059			
Other bank borrowings and financial debt				127,080	127,080			
Borrowings related to restatements of financial leases				-	-		-	
Non-current financial debts	-	-	-	269,139	269,139	-	-	-
Derivative instruments - negative	10,026				10,026		10,026	
Convertible bond				4,336	4,336			
Other bank borrowings and financial debt				22,922	22,922			
Supplier liabilities				23,668	23,668			
Other current financial liabilities				11,918	11,918			
Financial current accounts - liabilities				198	198			
Bank overdrafts					-			
Current financial liabilities	10,026	-	-	63,043	73,069	-	10,026	-
TOTAL LIABILITIES	10,026	-	-	332,182	342,208	-	10,026	-

NOTE 24 RISK MANAGEMENT RELATED TO FINANCIAL INSTRUMENTS

24.1 Credit risk

Credit risk corresponds to the risk of default on a financial asset.

Within the framework of its wind-generated electricity production business, the Group sells its electricity produced to distributors (such as EDF in France), generally through long-term contracts (around 15 years or more). Although the Group believes that the risk of loss or of insolvency of one of these distributor clients is limited to the extent that most of the distributors have historically been solidly established, if such an event occurred, it could have a significant negative impact on the Groups business, financial position or earnings, or even its ability to achieve its objectives.

Within the framework of its business selling wind farms in operation, the Group has a broad client base, consisting of private or public buyers, who are individuals, industrial or financial in nature. The Group ensures that it is not creating or maintaining a dependency on any one of them. This allows it to best identify and manage the exposure inherent to this activity. The sale of a farm could also be subject to a condition precedent of the buyer obtaining financing or keeping financing in place.

The Group’s major clients are buyers of electricity produced by the Group in France, Germany, Italy and Morocco, as well as buyers of wind farms.

24.2 Liquidity risk

The Group liquidity risk corresponds to commitments to repay the convertible bond and to financing for its future needs (projects resulting from development activity and general needs of the Group).

The liquidity risk is thus the risk that the Group cannot meet its obligations at maturity or under normal conditions. The Group Financial Management is responsible for liquidity, financing and management of maturity dates. The Group manages the liquidity risk on a consolidated basis considering operational needs.

Financial debt details are shown in note 22. Certain loan agreements include early repayment clauses in the event of breach of financial covenants (see note 22.2).

There are two types of Group financing:

- Corporate Group debt: this corresponds to the convertible bond issue which specifically provides for maintenance of control and the listing of THEOLIA SA stock (on Euronext's Eurolist market) ;
- project debt: financing related to wind farm construction (France, Germany, Italy, Morocco) has financial covenants related especially to compliance with cash flow ratios (cash generated by the business line/debt service) and financial structure (financial debt/shareholders' equity).

The information on compliance with bank covenants at December 31, 2012 is shown in note 22.2.

24.3 Foreign exchange risk

The Group is currently very slightly exposed to foreign exchange risk to the extent the majority of its operations are carried out in the eurozone (namely France, Germany and Italy). Nonetheless, the Group is developing and making investments in certain countries where it is thus exposed to foreign exchange risk (Morocco, Brazil).

At December 31, 2012, this risk remains very low. It is partly handled by management of expenditures and receipts in the currency of the entity in question.

To date, the Group sensitivity to the exchange risk is insignificant and does not require hedging instruments for this risk.

At December 31, 2012:

- 5.29% of the assets were denominated in a currency other than the euro;
- all financial debt was in euros;
- 9.65% of sales were denominated in a currency other than the euro.

24.4 Interest rate and margin risk

Financing for wind projects implemented by the Group involves a significant use of indebtedness (between 70% and 90%) at fixed or variable interest rate. A significant increase in interest rates and/or bank margins could have an impact on the feasibility of future Group projects and/or the development of its wind portfolio.

To limit interest rate risk for existing loan agreements, the Group implemented an interest rate risk hedging policy with contracts designed to swap interest terms (interest rate swaps). From an economic point of view, the introduction of these interest rate swaps allows conversion of variable rate loans to fixed rate loans and hedging against fluctuation in the amount of interest. In general, the banking institutions are demanding a hedge of 70% to 100% of financing amount throughout its duration.

In the event of a positive 1% variation in interest rates, the financial charge for loans not covered would increase by 1,164 thousand euros and would break down as follows (in thousand euros):

• Loans - France	+ 382
• Loans - Italy	+ 782

It should be noted that a positive 1% change in interest rates would reduce the hedging cost by €3,703 thousand.

To limit the risk of bank margins, the Group has an active policy of managing its existing debt and, to introduce new financing, it organizes competitions between different banking institutions.

NOTE 25 DEFERRED TAXES

25.1 Proof of tax

Description (in thousand euros)	2012/12/31	2011/12/31
Net income of the consolidated Group	(34,238)	(39,233)
Tax expense recorded	1,140	877
Share in income of associates	(3,582)	161
Tax related to discontinued activities	(176)	(151)
Net income of the consolidated Group before tax	(36,855)	(38,346)
Theorical tax rate	33.33%	33.33%
Theorical tax expense	12,284	12,781
Tax expense recorded (incl. discontinued operations)	(965)	(726)
Tax difference	(13,249)	(13,507)
Reconciling items		
Permanent differences	(2,236)	(429)
Other tax without base	(365)	(43)
Tax rate difference France / Other countries	(1,784)	(2,123)
Impairment	(302)	(5,958)
Defered tax assets depreciation and tax losesnot recognized	(8,898)	(4,385)
Other	336	(569)
Total	(13,249)	(13,507)

The Group tax expense for the fiscal year was €1,140 thousand at December 31, 2012 compared with €877 thousand at December 31, 2011, and the pre-tax loss for the consolidated entity was €36,855 thousand, compared with €38,346 thousand at December 31, 2011.

The theoretical rate of taxation for the Group is 33.33% because, given the losses, the Company is not subject to the additional contribution of 3.3%. In addition, the 5% levy on companies generating pre-tax sales of more than €250 million is not applicable to the THEOLIA Group.

The effective tax rate for the Group was 2.6% in 2012, compared with 1.9% in 2011. The difference between these figures and the theoretical rate of 33.33% applicable to the Group can be explained by the following elements:

- Permanent differences, chiefly comprising provisions on non-consolidated, non-deductible securities,
- Other tax without a tax base, including withholding taxes and tax credits,
- The differences between the 33.33% tax rate applicable to the Group and the rate applicable to each foreign entity (primarily in Italy and Germany),
- Losses related to goodwill impairment,
- Deferred tax assets not recognized on tax loss carry-forwards.

25.2 Variation in deferred taxes by type

(In thousand euros)	2012/31/12	2011/12/31
Deferred tax assets	2,787	2,172
Deferred tax liabilities	(14,126)	(13,993)
Total net deferred tax	(11,339)	(11,821)

	2011/12/31	Profit & loss	DT recognized in reserves	Acquisitions / Disposal	Translation reserves	2012/12/31
Deferred tax assets / liabilities						
DT on temporary differences on non-current assets	(33,889)	(1,313)	61	100	-	(35,040)
DT on temporary differences on non-current liabilities	130	31	(61)	-	-	100
DT on temporary differences on derivatives instruments	(17,192)	2,993	1,008	(247)	-	(13,439)
DT on tax losses and temporary differences	89,358	372	270	(434)	(157)	89,409
DT on other temporary differences	1,419	(324)	-	176	-	1,272
Deferred tax assets depreciation	(51,648)	(2,020)	(660)	529	157	(53,641)
TOTAL deferred tax	(11,821)	(261)	618	125	0	(11,339)

NOTE 26 PROVISIONS FOR EMPLOYEE BENEFITS

26.1 Main actuarial assumptions

	2012/12/31	2011/12/31
Discount rate	3.25%	4.60%
Changes in Executive salaries	1.00%	1.00%
Changes in Non-executive salaries	1.00%	1.00%
Mortality table	INSEE 2012	INSEE 2010
Age of departure	65	65

It should be noted that actuarial variances are not significant.

26.2 Components of expenses for the fiscal year

(in thousand euros)	2012/12/31	2011/12/31
Retirement expenses	129	45

26.3 Variation of the provision

(in thousand euros)	2012/12/31	2011/12/31
Provision at opening	150	129
Annual expense	129	45
Reverseal of the year	(93)	(25)
Provision at closing	186	150

NOTE 27 OTHER PROVISIONS

(in thousand euros)	Provisions for litigation	Provisions for subsidiaires risks	Other provisions	TOTAL
Amounts at 2012/01/01	6,388	7,470	6,736	20,594
Increases	301	324	-	625
Reversals	(2,377)	-	(2,223)	(4,600)
Changes in consolidation scope	-	(3,595)	(31)	(3,626)
Currency translation adjustments	(4)	-	-	(4)
Other changes	(128)	174	9	55
Amounts at 2012/12/31	4,180	4,373	4,491	13,044
of which current part	39	-	-	39
of which non-current part	4,141	4,373	4,492	13,006

Litigation in which the Group is involved comes in great part from operations concluded in past years. These disputes, provisioned at €6,388 thousand in the financial statements closed at December 31, 2011, have evolved over fiscal year 2012. Significant provision reversals happened during the year, as detailed hereunder (in thousand euros):

• litigation related to the non-wind activity (mainly in France)	1,795
• litigation over labor law	112

The risk provisions for subsidiaries were significantly reduced during the fiscal year, due to:

- deconsolidation of the Asset Electrica Spanish company, for €3,595 thousand;
- the €324 thousand adjustment of risks on current assets related to discontinued operations. This €3,602 thousand provision was established in 2009 (and adjusted at each year-end) to maintain the net assets of the companies classified according to IFRS 5 at the same level as the probable resale value.

The other provisions of €4,491 thousand break down as follows:

- in Germany, a provision was made in 2010 for future losses on some third-party wind farm management contracts. This provision, with a balance of €3,454 thousand at the end of 2012 will be partially reversed every year until the end of the contracts in question, in order to compensate for the negative margin. A reversal of €612 thousand was carried out for 2012,
- in France, the €1,411 thousand provision for non-recovery of investment tax credit was reversed. The corresponding receivable was written off as a bad debt.

OTHER INFORMATION

NOTE 28 RELATED PARTIES

28.1 Transactions with associated companies and joint ventures

Transactions with associated companies concern operations with companies over which the Group exercises substantial influence and that use the equity method.

Transactions with associated companies are based on the market price.

The investment vehicle, THEOLIA Utilities Investment Company, created in August 2011, is consolidated by proportionate consolidation. THEOLIA, which holds 40% of the capital, is the shareholder operator in this partnership: It sells wind projects that it has previously developed to THEOLIA Utilities Investment Company, then constructs and operates these farms for the vehicle.

In July 2012, THEOLIA sold the Gargouilles wind farm to TUIC. This wind farm is in the Eure-et-Loire area to the west of Paris, on land that falls within the boundaries of the villages of Gommerville and Oysonville. The farm has 8 turbines of nominal output of 2.3 MW each, a total wind farm capacity of 18.4 MW. This wind farm was built recently and commissioned between June and September 2011. Since then, the electricity generated for the Group's account has been sold to the French grid under a 15-year contract.

Because of the existence of confidentiality clause with its partners, the amount of the transactions may not be disclosed.

28.2 Transactions between the Group and directors

In 2012 and 2011, there were no transactions between the Group and its directors.

28.3 Directors' compensation

Compensation for directors having an executive position is shown below.

(in thousand euros)	2012/12/31	2011/12/31
Salaries and bonuses	(450)	(450)
Share-based payments	(90)	(90)
Directors' fees	(181)	(188)
TOTAL	(721)	(728)

NOTE 29 COMMITMENTS

Within the scope of its wind farm development/construction activities, the Group generally establishes a subsidiary in each country where it has a presence. When the Group develops a wind project in a country, the corresponding subsidiary is a project support company (PSC) holding specific project assets and liabilities. This subsidiary is the debtor for project financing purposes. These special purpose entities can be direct subsidiaries of the Company in some jurisdictions, or indirect through holding companies.

The Group cannot consolidate assets and liabilities – or revenues and expenses – from these subsidiaries in its consolidated accounts if it finds that it lacks control over them as understood in IFRS.

However, as a Group, holding company, the Company can be required by its lenders, suppliers and clients to contribute credits, liquid assets 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 IFRS consolidated accounts of the Group, these credits, liquid assets or other types of support for the market risk do not appear on the Group's consolidated balance sheet. Likewise, when a subsidiary is consolidated, certain forms of support do not appear on the Group's consolidated balance sheet.

These off-balance sheet commitments include:

- letters of credit to ensure working capital for subsidiaries;
- guarantees to wind suppliers;
- guarantees related to financing of subsidiaries developing wind projects;
- comfort or support letters issued to subsidiaries; and
- other commitments (direct agreements, pledges on equipment/materials, etc.).

Also, in some cases, in light of the market risk, non-consolidated entities may also contribute to the Group credits, liquid assets, or other types of support that also are off-balance sheet commitments.

The tables below offer a breakdown of off-balance sheet commitments related to the scope of the Consolidated Group, financing, and the business lines of the Company and its subsidiaries at December 31, 2012.

The Group applies AMF Recommendation No. 2010-14 on the presentation of off-balance sheet commitments. The Group distinguishes three categories:

- off-balance sheet commitments related to the operating activities of the Company (turbine purchase order and contractual commitments),
- off-balance sheet commitments related to significant contracts, and
- off-balance sheet commitments related to the scope of consolidation.

The Group has changed the ways its off-balance sheet commitments are presented to make them easier to read. Off-balance sheet commitments are now presented over a five-year period.

These commitments are broken down by maturity and duration in order to present them by period. Financing commitments received include, for example, non-disbursed lines of credit and project financing that has been signed but not yet disbursed.

Finally, the "conditional guarantees and commitments" item presents guarantees and commitments that the Group has made, which depend on the occurrence of uncertain future events.

29.1. Off-balance sheet commitments related to the scope of the Consolidated Group

	Less than 1 year (in thousand euros)	From 1 to 5 years (in thousand euros)	More than 5 years (in thousand euros)	Total
France [(1)]	3,372	10,090	30,689	44,151
Germany	3,441	9,712	22,900	36,053
Italy	11,490	21,514	32,478	65,482
THEOLIA SA	3,806	7,720	-	11,526
TOTAL	22,109	49,036	86,067	157,212

[(1)] *Excluding THEOLIA SA and the Non-wind activity*

29.2 Off-balance sheet commitments related to the financing*** of subsidiaries

Off-balance sheet commitments related to commitments in the scope of the French wind power business

	Less than 1 year (in thousand euros)	From 1 to 5 years (in thousand euros)	More than 5 years (in thousand euros)	Total
Bonds, guarantees and pledges given	2,825	8,398	18,680	29,903
Turbine orders	-	-	452	452
Contractual commitments	-	-	20	20
Simple leases	291	1,164	4,852	6,307
Financial assets	-	-	6,665	6,665
Other commitments given	-	-	20	20
Bonds, guarantees and pledges received	256	528	-	784
TOTAL	3,372	10,090	30,689	44,151

Off-balance sheet commitments related to commitments in the scope of the German business (2)

	Less than 1 year (in thousand euros)	From 1 to 5 years (in thousand euros)	More than 5 years (in thousand euros)	Total
Bonds, guarantees and pledges given	-	-	11,297	11,297
Contractual commitments	2,591	6,793	1,260	10,645
Simple leases	850	2,919	9,071	12,840
Bonds, guarantees and pledges received	-	-	1,272	1,272
TOTAL	3,441	9,712	22,890	36,053

(2) *Including the Solarkraftwerk Merzig wind farm*

Off-balance sheet commitments related to commitments in the scope of the Italian business

	Less than 1 year (in thousand euros)	From 1 to 5 years (in thousand euros)	More than 5 years (in thousand euros)	Total
Bonds, guarantees and pledges given	-	3,240	28,511	31,751
Stock purchase options awarded	2,325	3,800	-	6,125
Turbine orders	3,221	-	-	3,221
Contractual commitments	2,610	708	-	3,318
Simple leases	190	1,200	3,967	5,358
Financial assets	-	12,465		12,465
Security purchase options received	3,004	101	-	3,105
Non-current assets with guarantees	140	-	-	140
TOTAL	11,490	21,514	32,478	65,482

NOTE 30 EVENTS FOLLOWING DECEMBER 31, 2012

In late January 2013, THEOLIA took control of Breeze Two Energy GmbH and Co. KG ("Breeze Two Energy"), a German company which holds and operates wind farms for its own account for a total of 337 MW, of which 311 MW are located in Germany and 26 MW in France. Almost all of those farms were commissioned between 2006 and 2008. They all benefit from long-term electricity purchase agreements (20-year contracts in Germany and 15-year contracts in France). Taking control of new wind farms in operation in Germany and France enables THEOLIA to significantly enhance its operational position in its two historical countries. The economic strength of Germany, which decided to phase out nuclear energy and is clearly in favor of renewable energy, permits to develop a long-term strategy.

In 2011, Breeze Two Energy registered a revenue of 47 million euros, entirely generated through sales of electricity.

Breeze Two Energy will be fully consolidated in THEOLIA's financial statements as from January 31, 2013.

Consolidating Breeze Two Energy enables THEOLIA to operate its business model over a doubled scope:

- the Group's installed capacity operated for own account increases from 307 MW to 644 MW;
- based on an annual integration of Breeze Two Energy, THEOLIA's annual consolidated revenue will exceed 100 million euros;
- THEOLIA intends to create significant operational synergies with Breeze Two Energy, in particular by performing the future management of Breeze Two Energy's wind farms, which is today subcontracted to third parties. This new organization is currently under study as its implementation would require mastering specific constraints for Breeze Two Energy.

5. FINANCIAL STATEMENTS

Breeze Two Energy is a limited partnership controlled by its General Partner, Breeze Two GmbH. Breeze Two Energy's wind farms were financed through a bond issue, performed in 2006 and divided in three categories: A, B and C, the Class A bond debt being the senior debt.

BGE Investment S.à.r.l. ("BGEI"), a subsidiary wholly owned by THEOLIA, purchased 70% of the Class C bonds of CRC Breeze Finance S.A., a company incorporated under Luxembourg law and a securitization vehicle for Breeze Two Energy's debt, as well as the right to indirectly appoint Breeze Two GmbH's Managing Director. Those bonds and rights used to be held by the International Power group, who had sold them to Loach S.à.r.l.

The main counterpart of THEOLIA and its subsidiaries (BGEI and BGE Management S.à.r.l.), in the framework of the transaction performed on January 31, 2013, was the Loach S.à.r.l. company ("Loach"), a company incorporated under Luxembourg law and a subsidiary entirely held by CRC European Loan Origination Platform Limited ("ELOP"), a vehicle incorporated under Irish law. Christofferson, Robb & Company, LLC, a company incorporated under Delaware law and registered with the Securities and Exchange Commission, does not hold, directly or indirectly, any stake in the share capital of ELOP. ELOP benefits from the services of Christofferson, Robb & Company, LLC under an investment management agreement. David Fitoussi's functions are detailed in Section 2.4.2 hereof.

This transaction amounts to 35.5 million euros, mostly financed by a vendor loan amounting to 34 million euros, due in 2026, and by cash for 1.5 million euros. This loan was taken out by BGEI and is without recourse towards the parent-company, THEOLIA. A part of that debt could nevertheless be guaranteed by THEOLIA in the future, according to the levels of cash-flows generated by Breeze Two Energy which will be available to THEOLIA.

Moreover, THEOLIA benefits, in the framework of this purchase, from several associated rights, which may be exercised with Loach to the benefit of THEOLIA according to the time schedule and the operational and financial situation of Breeze Two Energy.

Breeze Two Energy's estimated enterprise value, which is reflected in this transaction, amounts to approximately 309 million euros.

Fady Khallouf, THEOLIA's CEO, was also appointed Managing Director of Breeze Two GmbH. These new functions grant him the power to manage Breeze Two Energy.

The annual financial statements of the company Breeze Two Energy were not completed and approved at the date at which THEOLIA had closed its own consolidated financial statements. THEOLIA cannot therefore produce the financial information required under IFRS 3R on business combinations.

NOTE 31 LIST OF GROUP COMPANIES

Entities	% interest	% control	Method of consolidation	Countries	Business segments
THEOLIA SA	100.00%	100.00%	Parent company	Parent company	Holding
SOLARKRAFTWERK MERZIG Gmbh & Co. KG	100.00%	100.00%	Global integration	Germany	Non-wind activity
ECOLUTIONS GmbH & Co. KGaA	35.30%	35.30%	Equity method	Germany	Non-wind activity
THEOLIA DEUTSCHLAND GMBH	100.00%	100.00%	Global integration	Germany	Corporate
THEOLIA DEUTSCHLAND VERWALTUNGS GmbH	100.00%	100.00%	Global integration	Germany	Corporate
THEOLIA WINDPARK VERWALTUNG GMBH	100.00%	100.00%	Global integration	Germany	Corporate
WP BETRIEBS GmbH	100.00%	100.00%	Global integration	Germany	Corporate
THEOLIA WINDPARK 1 MANAGEMENT GmbH i.L.	100.00%	100.00%	Global integration	Germany	Corporate
THEOLIA WINDPARK MANAGEMENT GmbH	100.00%	100.00%	Global integration	Germany	Corporate
WINDPARK KLOCKOW & SWP VERWALTUNGS GmbH	100.00%	100.00%	Global integration	Germany	Corporate
THEOLIA HOLDING Gmbh	100.00%	100.00%	Global integration	Germany	Development construction sale
THEOLIA NATURENERGIEN Gmbh	100.00%	100.00%	Global integration	Germany	Development construction sale
WP GROSS WARNOW GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Development construction sale
ERNEUERBARE ENERGIE ERNTE VIER GmbH & Co. KG	48.00%	48.00%	Equity method	Germany	Development construction sale
WIndiaNERGIE COESFELD-LETTE GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Development construction sale
WP TUCHEN RECKENTHIN INVESTITIONS GMBH & CO KG	100.00%	100.00%	Global integration	Germany	Operation
WINDPARK RABENAU Gmbh	100.00%	100.00%	Global integration	Germany	Operation
WP NOTTULN GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Operation
WP RUHLSDORF GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Operation
WP MUEHLANGER GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Operation
DRITTE BUSMANN WIND GmbH & Co. BETRIEBS KG (LADBERGEN I)	100.00%	100.00%	Global integration	Germany	Sales of electricity
ZWANZIGSTE (20) UPEG GmbH & Co. KG (LADBERGEN II)	100.00%	100.00%	Global integration	Germany	Sales of electricity
NEUNZEHNTE (19) UPEG GmbH & Co. KG (LADBERGEN III)	100.00%	100.00%	Global integration	Germany	Sales of electricity
WP SAERBECK GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Sales of electricity
WP WOLGAST INVESTITIONS GmbH & Co. OHG	100.00%	100.00%	Global integration	Germany	Sales of electricity
ERNEUERBARE ENERGIE ERNTE ZWEI GmbH & Co. KG	89.60%	80.00%	Global integration	Germany	Sales of electricity
WP FALKENWALDE Gmbh & Co. KG	100.00%	100.00%	Global integration	Germany	Sales of electricity
WP ZABELSDORF GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Sales of electricity
WP KRIBBE-PREMSLIN GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Sales of electricity
WP GROSSVARGULA GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Sales of electricity
WP KLOCKOW & SWP GmbH & Co.KG	100.00%	100.00%	Global integration	Germany	Sales of electricity
NATURSTROMNETZ FRAUENPRIESSNITZ Gmbh & Co. KG	43.81%	43.81%	Equity method	Germany	Sales of electricity
WINDHAGEN PROJEKT WALTROP Gmbh & Co.KG	100.00%	100.00%	Global integration	Germany	Sales of electricity
WINDHAGEN PROJEKT KLEIN STEIMKE GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Sales of electricity
WINDKRAFTANLAGE NEUSTADT 5 GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Sales of electricity
CWP GmbH	52.00%	52.00%	Global integration	Germany	Sales of electricity
WINDKRAFT KRUSEMARK GmbH & Co.KG	100.00%	100.00%	Global integration	Germany	Sales of electricity
WINDPARK WOTAN VIERZEHNTE BETRIEBS GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Sales of electricity
WINDKRAFT DIETLAS GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Sales of electricity
WF HOXBERG GmbH & Co.KG	100.00%	100.00%	Global integration	Germany	Sales of electricity
THEOLIA CEE Gmbh	100.00%	100.00%	Global integration	Austria	Development construction sale
THEOLIA BRAZIL ENERGIAS ALTERNATIVAS	100.00%	100.00%	Global integration	Brazil	Development construction sale
THEOLIA IBERICA	100.00%	100.00%	Global integration	Spain	Corporate
ASSET ELECTRICA	50.00%	50.00%	Equity method	Spain	Development construction sale
PARQUES EOLICOS DE LA SIERRA PESSA	100.00%	100.00%	Global integration	Spain	Development construction sale
ECOVAL TECHNOLOGY SAS	100.00%	100.00%	Global integration	France	Non-wind activity
SERES ENVIRONNEMENT SAS	100.00%	100.00%	Global integration	France	Non-wind activity
THERBIO SA	100.00%	100.00%	Global integration	France	Non-wind activity
ECOVAL 30 SA	97.95%	97.95%	Global integration	France	Non-wind activity
WINDREAM ONE SARL	100.00%	100.00%	Global integration	France	Non-wind activity
SERES ENVIRONNEMENT MAGHREB SA	99.87%	99.87%	Global integration	France	Non-wind activity
SERES ENVIRONNEMENT TECHNOLOGY (beijing) Co Ltd	51.00%	51.00%	Equity method	France	Non-wind activity
ROYAL WIND	100.00%	100.00%	Global integration	France	Corporate
THEOWATT SAS	100.00%	100.00%	Global integration	France	Corporate
TEMPO HOLDING SAS	100.00%	100.00%	Global integration	France	Corporate
CENT EOL DE L'AQUEDUC (CEAQU)	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL DE LA SORBIERE (CESOR)	100.00%	100.00%	Global integration	France	Development construction sale
THEOLIA FRANCE SAS	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL DES COSTIERES (CECOS)	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL DE CROIX BOUDETS (CECBO)	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL LES MONTS (CELMO) ex CETRI	100.00%	100.00%	Global integration	France	Development construction sale
LES 4E SARL	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL DE CANDADES (CECAN)	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL DES SOUTETS (CESOU)	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL CHEMIN DE FER (CECHE)	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL FORET BOULTACH (CEFOB)	100.00%	100.00%	Global integration	France	Development construction sale

Entities	% interest	% control	Method of consolidation	Countries	Business segments
CENT EOL DE COUME (CECOU)	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL DE MOTTENBERG	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL DE DAINVILLE	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL DE DEMANGE	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL LES PINS DE BIDON - CELPI (ex SNC LES PINS)	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL SAINT BLIN - CEBLI (ex SNC SAINT BLIN)	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL ARDECHE - CEARD (ex SNC L'ARDECHE)	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL BOIS DES PLAINES (CEBDP)	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL LA HAUTE BORNE (CEHAB)	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL DE BREHAIN TIRCELET (CEBRE)	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL DU GOULET (CEGOU)	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL DE COURANT NACHAMPS (CENAC)	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL DE CHAMPCATE (CECHC)	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL LES HAUTS VAUDOIS (CELHV)	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL DE CHEMIN PERRE (CECHP)	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL DE DOMMARTIN-VARIMONT (CEDOM)	100.00%	100.00%	Global integration	France	Development construction sale
CENT EOL DE FONDS DE FRESNES (CEFF)	100.00%	100.00%	Global integration	France	Sales of electricity
CENT EOL DE SEGLIEN AR TRI MILIN (CESAM)	100.00%	100.00%	Global integration	France	Sales of electricity
CENT EOL DES PLOS (CEPLO)	100.00%	100.00%	Global integration	France	Sales of electricity
CENT EOL DU MOULIN DE FROIDURE (CEMDF)	100.00%	100.00%	Global integration	France	Sales of electricity
CENT EOL DES SABLONS (CESA)	100.00%	100.00%	Global integration	France	Sales of electricity
CENT EOL DE SALLEN (CESAL)	100.00%	100.00%	Global integration	France	Sales of electricity
CENT EOL DES GARGOUILLES (CEGAR)	40.00%	40.00%	Proportional integration	France	Sales of electricity
CENT EOL DU MAGREMONT (CEMAG)	40.00%	40.00%	Proportional integration	France	Sales of electricity
CORSEOL SA	99.88%	99.88%	Global integration	France	Sales of electricity
SAS LES EOLIENNES DU PLATEAU (LEPLA)	100.00%	100.00%	Global integration	France	Sales of electricity
CENT EOL VESAIGNES - CEVES (ex SNC VESAIGNES)	100.00%	100.00%	Global integration	France	Sales of electricity
AIOLIKI ENERGEIA CHALKIDIKI AEBE	80.00%	80.00%	Global integration	Greece	Development construction sale
AIOLIKI ENERGEIA SITHONIA AEBE	80.00%	80.00%	Global integration	Greece	Development construction sale
THEOLIA GREECE	95.00%	95.00%	Global integration	Greece	Development construction sale
MGE Idea Srl	100.00%	100.00%	Global integration	Italy	Development construction sale
MAESTRALE GREEN ENERGY Srl	100.00%	100.00%	Global integration	Italy	Development construction sale
MAESTRALE PROJECT HOLDING SA	50.32%	50.32%	Proportional integration	Italy	Development construction sale
NEOANEMOS Srl (Martignano 21 MW)	47.88%	47.88%	Proportional integration	Italy	Development construction sale
MGE GIUNCHETTO WIND PARK SA	100.00%	100.00%	Global integration	Italy	Development construction sale
BELMONTE GREEN ENERGY Srl	90.00%	90.00%	Global integration	Italy	Development construction sale
GARBINO EOLICA SRL	100.00%	100.00%	Global integration	Italy	Development construction sale
MENDICINO GREEN ENERGY Srl	90.00%	90.00%	Global integration	Italy	Development construction sale
COLONNE D ERCOLE Srl	100.00%	100.00%	Global integration	Italy	Development construction sale
VIBINUM Srl	100.00%	100.00%	Global integration	Italy	Development construction sale
TROIA	100.00%	100.00%	Global integration	Italy	Development construction sale
GIUGGIANELLO Srl	100.00%	100.00%	Global integration	Italy	Development construction sale
WIND SERVICES Srl	100.00%	100.00%	Global integration	Italy	Development construction sale
SIRIBETTA Srl	90.00%	90.00%	Global integration	Italy	Development construction sale
BOVINO EOLICO SRL	100.00%	100.00%	Global integration	Italy	Development construction sale
AEROCHETTO Srl (Giunchetto 29.75 MW)	51.00%	51.00%	Proportional integration	Italy	Sales of electricity
THEOLIA UTILITIES INVESTMENT COMPANY	40.00%	40.00%	Proportional integration	Luxembourg	Corporate
THEOLIA MANAGEMENT COMPANY	100.00%	100.00%	Global integration	Luxembourg	Corporate
BGE Investment Sàrl	100.00%	100.00%	Global integration	Luxembourg	Corporate
BGE Management Sàrl	100.00%	100.00%	Global integration	Luxembourg	Corporate
THEOLIA EMERGING MARKETS	100.00%	100.00%	Global integration	Morocco	Corporate
THEOLIA Morocco SA	100.00%	100.00%	Global integration	Morocco	Development construction sale
TANGER MED WIND SA	100.00%	100.00%	Global integration	Morocco	Development construction sale
THEOLIA Morocco SERVICES SA	100.00%	100.00%	Global integration	Morocco	Development construction sale
LA COMPAGNIE EOLIENNE DU DETROIT (CED)	100.00%	100.00%	Global integration	Morocco	Sales of electricity

5.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders,

In accordance with our appointment as statutory auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2012 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, 2012 and of the results of its operations for the year then ended in accordance with IFRSs as adopted in the European Union.

II. Justification of our assessments

The accounting estimates used in the preparation of the financial statements were made in an uncertain environment, linked to the crisis of government funds of some countries of the Eurozone. This crisis is accompanied by an economic and liquidity crisis which makes difficult the apprehension of economic prospects. Such is the context in which we made our own assessments that we bring to your attention in accordance with the requirements of article L.823-9 of the French Commercial Code (« Code de commerce »):

- As indicated in Note 2.5 "Intangible assets" of the Notes to the consolidated financial statements, the Group recognizes as intangible assets the development costs of the various wind power station projects meeting the requirements of IFRSs as adopted in the European Union. We have examined the activity and profitability forecasts on which the appropriateness of this recognition method is based, the method used for determining their amortization and recoverable amount, and have verified that Note 2.5 discloses appropriate information.
- At each year-end, the Group systematically tests its goodwill and assets with an indefinite life for impairment and also determines whether there is an indication of long-lived asset impairment loss, under the methods described in Note 2.8 "Impairment" of the Notes to the consolidated financial statements. We have examined the methods implemented in this impairment test, and the cash flow forecasts and assumptions used, and have verified that Note 2.8 discloses appropriate information.
- At each year-end, the group systematically reviews the receivables recoverable amount and determines whether there is a risk of non-recoverability, as described in Note 2.11 "Trade and other receivables". On the basis of the information made available to us, our work consisted in assessing the data and assumptions on which the recoverability is based and we have verified that Note 2.11 to the consolidated financial statements discloses appropriate information.

These assessments were made as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of our unqualified opinion in the first part of this report.

III. Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group management report. We have no matters to report regarding its fair presentation and consistency with the consolidated financial statements.

Paris and Marseilles, April 19, 2013

The Statutory Auditors

Cabinet Didier Kling & Associés	Deloitte & Associés
Didier KLING Christophe BONTE	Christophe PERRAU

5.3 PARENT COMPANY FINANCIAL STATEMENTS AND NOTES

5.3.1 Balance sheet

ASSETS

French GAAP (in thousand euros)	Gross	Depreciation, amortization	Net at 2012/12/31	Net at 2011/12/31
FIXED ASSETS				
Intangible assets				
Concessions, patents, licenses, trademarks, processes, software, rights and equivalents	694	(187)	507	503
Other intangible assets	3,832	(3,832)	-	17
Tangible assets				
Buildings	517	(258)	259	313
Other property, plant and equipment	576	(521)	56	119
Financial assets				
Equity interests	342,996	(200,639)	142,358	121,330
Receivables from equity interests	247,020	(74,610)	172,410	176,139
Loans	7,546	(1,022)	6,524	15,500
Other financial assets	17,648	(12,794)	4,854	235
				-
TOTAL (I)	620,829	(293,862)	326,967	314,156
CURRENT ASSETS				
Receivables				
Trade and other receivables	22,480	(7,420)	15,060	21,929
Other receivables	6,015	(300)	5,715	6,437
Marketable securities				
Cash instruments	12,955	-	12,955	35,762
Cash and cash equivalents				
In bank	3,230		3,230	336
At hand	1		1	
TOTAL (II)	44,681	(7,720)	36,960	64,463
ADJUSTMENT ACCOUNTS				
Prepaid expenses (III)	136		136	426
Currency translation adjustment - asset (IV)	3		3	-
GRAND TOTAL (I + II + III + IV)	665,649	(301,582)	364,067	379,046

LIABILITIES AND SHAREHOLDERS' EQUITY

French GAAP (in thousand euros)	Net at 2012/12/31	Net at 2011/12/31
SHAREHOLDERS' EQUITY		
Share capital	90,840	127,591
Additional paid-in capital	344,681	342,406
Retained earnings	(226,555)	(219,303)
Profit/(loss) for the period	(11,719)	(45,665)
SUBTOTAL: net position	197,247	205,029
Regulated provisions	2,489	2,011
TOTAL (I)	199,736	207,040
PROVISIONS		
Provisions for contingencies (lawsuits)	123	163
Provisions for risks	384	2,044
TOTAL (II)	508	2,208
LIABILITIES		
Financial debts		
Convertible bond	160,816	164,938
Miscellaneous borrowings and financial debt	374	381
Operating liabilities		
Trade payables	1,312	2,447
Taxe and social liabilities	753	1,010
Miscellaneous other liabilities	568	1,006
ADJUSTMENT ACCOUNTS		
Deferred income	-	-
TOTAL (III)	163,822	169,783
Currency translation adjustment - liability (IV)	2	15
GRAND TOTAL (I + II + III + IV)	364,067	379,046

5.3.2 Income statement

INCOME STATEMENT

French GAAP (in thousand euros)	2012	2011
OPERATING INCOME		
Production sold	6,368	5,431
Net revenue	6,368	5,431
Reversal of provisions (and amortization) and expense transfers	1,879	315
Other income	39	329
Total (I)	8,286	6,075
OPERATING EXPENSES		
Purchases and changes in inventories	(26)	(44)
External expenses	(3,025)	(3,258)
Taxes and other similar contributions (excl. corporate tax)	(197)	(199)
Salaries and wages	(1,854)	(2,186)
Payroll taxes and other personnel expenses	(947)	(1,052)
Amortization and provisions:		
For fixed assets : amortization	(153)	(175)
For inventory and current assets : provisions	(7,392)	-
For risks : provisions	(132)	(163)
Other expenses	(268)	(275)
Total (II)	(13,995)	(7,353)
OPERATING INCOME (I - II)	(5,709)	(1,278)
Financial income (III)	58,561	32,722
Financial expenses (IV)	(63,966)	(76,469)
FINANCIAL INCOME (III - IV)	(5,404)	(43,747)
CURRENT INCOME BEFORE TAX (I - II + III - IV)	(11,114)	(45,025)
Extraordinary income (V)	1,059	367
Extraordinary expenses (VI)	(911)	(760)
EXTRAORDINARY INCOME (V - VI)	147	(392)
CORPORATE TAX (VII)	(753)	(247)
TOTAL INCOME (I + III + V)	67,906	39,164
TOTAL EXPENSES (II + IV + VI + VII)	(79,625)	(84,828)
PROFIT / (LOSS)	(11,719)	(45,665)

5.3.3 Cash flow statement

French GAAP (in thousand euros)	2012/12/31	2011/12/31
Net income	(11,719)	(45,665)
Elimination of amortization, depreciation and provisions	16,654	39,501
Elimination of change in taxes	753	247
Elimination of capital gains / losses from disposals	12	37
Other income & expenses (including dividends received)	(12,097)	5,101
Founds from operations (A)	(6,398)	(778)
Effect of change in WCR related to operations	5,275	(1,302)
Cash from operational activities (a) = (A+B)	(1,123)	(2,080)
Acquisition of fixed assets	(69)	(74)
Disposals of fixed assets	-	-
Dividends received	6,865	1,235
Change in loans	(21,157)	(12,397)
Cash from investiment activities (b)	(14,361)	(11,237)
Capital increase	(77)	-
Increase in loans	-	(10)
Repayments of loans	-	(1,016)
Interests paid	(4,352)	(4,593)
Cash from financing activities (c)	(4,429)	(5,619)
Effect of change in exchange rates		
Change in cash and cash equivalents (d) = (a) + (b) + (c)	(19,913)	(18,935)
Net cash and cash equivalents at opening	36,098	55,034
Net cash and cash equivalents at closing	16,185	36,098
Change in cash and cash equivalents	(19,913)	(18,935)

5.3.4 Changes in shareholders' equity

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

French GAAP (in thousand euros)	Capital	Premiums	Profit/loss	Retained earnings	Provisions	Total shareholders' equity
AT 2010/12/31	110,293	321,701	(89,829)	(129,475)	1,508	214,199
Capital increase:	17,298	20,704				38,003
free shares	*44*	*(44)*				-
Conversion of OCEANEs	*17,254*	*20,749*				*38,003*
Share subscription and related expenses						
Merger						
Excess tax depreciation over normal depreciation					503	503
Appropriation of earnings			89,829	(89,829)		-
Profit / loss for the period			(45,665)			(45,665)
AT 2011/12/31	127,591	342,405	(45,665)	(219,304)	2,011	207,040
Share mouvements	(36,751)	2,276				(34,475)
free shares	*442*	*(442)*				-
Conversion of OCEANEs	*1,303*	*2,711*				*4,014*
Shares cancelation	*(84)*	*7*				*(77)*
0	*(38,412)*			*38,412*		*38,412*
Excess tax depreciation over normal depreciation					478	478
Appropriation of earnings			45,665	(45,665)		-
Profit / loss for the period			(11,719)			(11,719)
AT 2012/12/31	90,840	344,681	(11,719)	(226,556)	2,489	199,736

5.3.5 Notes to the parent company financial statements

Notes to the balance sheet before distribution as of December 31, 2012, the total of which is €364,067 thousand, and to the income statement for the year, presented in list form and showing a loss of €(11,719) thousand.

The fiscal year closed had a 12-months' duration, starting January 1, 2012 and ending December 31, 2012. The notes below are an integral part of the annual financial statements.

These financial statements were approved on April 15, 2013 by the Company's Board of Directors.

NOTE 1 ACCOUNTING RULES AND METHODS

The annual financial statements were prepared in accordance with French accounting principles (CRC Rule 99-03, as well as all the following CRC rules). General accounting conventions were applied with regard to the principle of prudence, in accordance with the following basic principles:

- consistency of accounting methods from one fiscal year to the next;
- independence of fiscal years;
- historical cost; and
- continuous operations.

The accounting principles used were the following:

1.1 Intangible assets

Intangible assets are valued at acquisition cost (purchase price and accessory charges). Software is depreciated over 12 months.

Trademarks are not subject to depreciation.

The Company engages in no research and development activity.

1.2 Tangible assets

Tangible assets are valued at acquisition cost (purchase price and accessory charges) or production cost. Depreciation is calculated using the straight-line method as a function of expected use life:

- building furnishings and fixtures 10 years
- general facilities 5 years
- office and computer hardware 3 and 4 years

1.3 Financial assets

Gross value consists of the purchase price plus acquisition expenses. These expenses are subject to exceptional depreciation over five years.

The current value of equities is determined as follows:

- listed securities: net asset value based on stock price at December 31;
- non-listed securities: the value is determined according to various approaches, including specifically discounted cash flow (DCF).

If current value is less than net book value, depreciation is applied for the amount of the difference.

Equities, treasury shares and investment securities are valued according to the “first in, first out” (FIFO) method.

1.4 Receivables

Receivables are recognized at par value. Depreciation is applied if recoverable value is less than net book value.

1.5 Investment securities

Investment securities, recognized at cost of purchase, are valued at year-end at probable trading value (stock price). If year-end book value is greater than market value, depreciation is recognized.

1.6 Stock warrants

Stock warrants are recognized upon subscription, at subscription price.

1.7 Regulated provisions

Acquisition expenses of equities included in the sale price of these equities are depreciated for tax purposes over five years, starting from the date of acquisition.

Exceptional depreciation is posted each year in the amount of 1/5th of total expenses. This method is applied to all off-book withdrawals.

The regulated provision will only be reversed upon disposal of the shares.

1.8 Recognition of revenue

Total revenue earned by the Company corresponds largely to the provision of services related to promotions by the Group for which it is the parent company.

NOTE 2 KEY HIGHLIGHTS OF THE YEAR

Transactions on securities

The General Meeting dated June 1, 2012 authorized the Board of Directors to decide to proceed to a capital reduction by reducing the par value of the shares, as well as to a consolidation of two shares into one new share.

Hence, on June 25, 2012, the Board of Directors acknowledged the performance of a reduction of the share capital due to losses by means of a reduction of the shares’ par value. The par value of each share of THEOLIA’s share capital is thus reduced by 0.30 euro, from 1 euro to 0.70 euro.

On July 20, 2012, THEOLIA implemented the consolidation of its shares carried out by exchange of two old shares of a par value of 0.70 euro each against one new share of a par value of 1.40 euro. The exchange period for non-consolidated shares will last for two years, i.e. until July 21, 2014.

The conversion/exchange ratio applicable in case of bond conversion has been automatically modified. Up to the seventh business day prior to December 31, 2013, it will be equal to 4.32 shares for 1 OCEANE and to 3.46 shares for 1 OCEANE from January 1, 2014, up to the seventh business day prior to December 31, 2014.

During fiscal year 2012, THEOLIA received several requests for bond conversions. 210,936 OCEANEs were thus converted in 2012, resulting in the creation of 957,448 new shares.

Universal transfer of assets

On October 2, 2012, the Windream One subsidiary was dissolved via universal transfer of assets under the common law tax regime. Its assets, as well as receivables held against that same subsidiary, were transferred to THEOLIA.

The technical loss recognized from this operation was €705 thousand.

NOTE 3 ANALYSIS OF MAIN BALANCE SHEET ITEMS

3.1 Intangible assets

French GAAP (in thousand euros)	Values at start of the period 2012/01/01	Increases	Decreases	Values at end of the period 2012/12/31
GROSS INTANGIBLE ASSETS				
Software	667	26	(0)	694
Assets - Business assets	-	-	-	-
Other intangible assets	3,832	-	-	3,832
Advances related to intangible assets	17	0	(17)	-
Total gross values	4,516	26	(17)	4,526
DEPRECIATION AND AMORTIZATION - IMPAIRMENT OF INTANGIBLE ASSETS				
Software	164	23	-	187
Assets - Business assets	-	-	-	-
Other intangible assets	3,832	-	-	3,832
Total amortization	3,995	23	0	4,019
NET INTANGIBLE ASSETS				
Software	503	4	(0)	507
Assets - Business assets	-	-	-	-
Other intangible assets	-	-	-	-
Advances related to intangible assets	17	0	(17)	-
Total net values	520	4	(17)	507

3.2 Tangible assets

French GAAP (in thousand euros)	Values at start of the period 2012/01/01	Increases	Decreases	Values at end of the period 2012/12/31
GROSS TANGIBLE ASSETS				
Buildings	513	4	-	517
Other property, plant and equipment	603	129	(156)	576
Total gross values	1,117	133	(156)	1,094
DEPRECIATION AND AMORTIZATION / IMPAIRMENT TANGIBLE ASSETS				
Buildings	201	58	-	258
Other property, plant and equipment	484	185	(148)	521
Total amortization	685	242	(148)	779
NET TANGIBLE ASSETS				
Lands & improvements	-	-	-	-
Buildings	313	-	(53)	259
Other property, plant and equipment	119	-	(63)	56
Total net values	432	-	(117)	315

3.3 Financial assets

French GAAP (in thousand euros)	Values at start of the period 2012/01/01	Increases	Reversals	Values at end of the period 2012/12/31
GROSS FINANCIAL ASSETS				
Equity interests	334,699	8,298	-	342,996
Loans and advances to subsidiaries and affiliates	229,330	60,643	(42,954)	247,020
Loans	16,277	5,748	(14,480)	7,546
Treasury shares	156	829	(713)	273
Other financial assets	4,083	13,300	(8)	17,375
Total gross values	584,545	88,818	(58,154)	615,209

French GAAP (in thousand euros)	Values at start of the period 2012/01/01	Increases	Reversals	Values at end of the period 2012/12/31
DEPRECIATION AND AMORTIZATION / IMPAIRMENT OF FINANCIAL ASSETS				
Equity interests	213,368	13,940	(26,669)	200,639
Loans and advances to subsidiaries and affiliates	53,191	35,871	(14,452)	74,610
Loans	777	245	-	1,022
Treasury shares	4	8	(4)	8
Other financial assets	4,000	8,786	-	12,786
Total amortization	271,341	58,849	(41,126)	289,064

French GAAP (in thousands of euros)	Values at start of the period 2012/01/01	Increases	Reversals	Net impairment	Values at end of the period 2012/12/31
NET FINANCIAL ASSETS					
Equity interests	121,330	8,298	-	12,730	142,358
Loans and advances to subsidiaries and affiliates	176,139	60,643	(42,954)	(21,419)	172,410
Loans	15,500	5,748	(14,480)	(245)	6,524
Treasury shares	152	829	(713)	(3)	265
Other financial assets	83	13,300	(8)	(8,786)	4,589
Total net values	313,204	88,818	(58,154)	(17,723)	326,145

Acquisition of equity securities

The €8,298 thousand increase in the "Treasury shares" item is chiefly explained by the increases in share capital in the companies Seres Environnement, THEOLIA Emerging Markets and THEOLIA Utilities Investment Company, through capitalization of debts.

Disposal of equity securities

During fiscal year 2012, the Company absorbed its subsidiary Windream One through a simplified merger with transfer of net assets. The shares were cancelled.

Impairment of equity securities

Every year, the Company carries out impairment tests, primarily to ensure that the value of the non-amortizable assets held are correctly recognized.

The value is determined by asset or asset group, using various approaches, including the discounted cash flow (DCF), taking P75 as the probability of actual hours of wind.

If the present discounted value is lower than the net book value, an impairment loss is recognized for the difference between the two.

Impairments recognized at the end of period are broken down as follows (*in thousand euros*):

• Results of impairment tests:	6,692
• Accounting consequences of increases in share capital by capitalization of debts:	7,248

Changes in receivables from equity interests

The changes in receivables mainly correspond to the various cash flows between THEOLIA and its subsidiaries under the Group Cash Pooling Agreement.

The main transactions in 2012 break down chiefly as follows (*in thousand euros*):

• Advances to subsidiaries	25,881
• Increase in receivables from 2012 interest	9,791
• Net increase in receivables following intra-Group restructuring	13,386
• Assignment of receivables for recapitalization	(15,537)
• Refunds	(15,730)

Shareholders' loans

During the 2012 fiscal year, THEOLIA Utilities Investment Company received financing from the Company for the acquisition of the Gargouilles wind farm. The increase in this item is chiefly related to this operation.

The €14,480 thousand decreases are mainly to be explained by the assignment of loans to the companies that own the equity, as part of the debt pooling operation.

Equity swap contract

In June 2012, THEOLIA implemented, with Credit Suisse, a dynamic management mechanism for a part of its cash based on a swap contract relating to its OCEANEs. In order to constitute its hedge with respect to this swap contract, Credit Suisse may purchase OCEANEs, in its own name and for its own account, within the limit of 1,150,000 OCEANEs, corresponding to a maximal amount of 13,225,000 euros, by purchasing OCEANEs on the market or blocks of OCEANEs off market.

During the term of the swap contract, THEOLIA will pay to Credit Suisse an amount equal to Euribor plus a spread, corresponding to the cost of the constitution of its hedge position by Credit Suisse, and will receive, if applicable, the coupons and dividends received by Credit Suisse under its hedge position.

Part of THEOLIA's available cash, i.e. €5,000 thousand, was allocated as a guarantee of this dynamic cash management mechanism (Equity swap). This sum is registered in the item “Deposits and guarantees” in current financial assets. At the end of the fiscal year, this asset is adjusted to the fair value with a corresponding impact on the income statement.

Upon maturity of the contract or in case of a request from THEOLIA for an early repayment of part of its cash provided as collateral under the swap contract, THEOLIA will receive the market value of the OCEANEs allocated to the hedge of the swap and will pay to Credit Suisse the value of the constitution of its hedge (THEOLIA shall therefore receive from Credit Suisse the positive performance of the OCEANE or, as the case may be, pay to Credit Suisse the negative performance of the OCEANE). Credit Suisse will be the owner of the OCEANEs so purchased.

On the swap contract maturity date or in case of a request from THEOLIA for an early repayment of a part of its cash, Credit Suisse may unwind its position, depending on the market liquidity conditions, either by selling the OCEANEs that were purchased for the purposes of its hedge with respect to the swap contract, or by converting the OCEANEs into shares so as to sell the shares received as a result of the conversion of the OCEANEs. In the absence of a volume increase of the OCEANEs exchanged on the market and on the basis of the current volumes, the criteria used for the unwinding of the swap contract would probably lead to an unwind in shares.

Details of receivables related to financial assets by maturity

FINANCIAL ASSETS BY MATURITY

2012/12/31 (in thousand euros)	Less than 1 year	1 to 5 years	More than 5 years	Total
Receivables related to equity affiliates	-	-	172,410	172,410
Loans	21	58	6,446	6,524
Other financial assets	4,769	-	85	4,854
Total receivables from financial assets	**4,790**	**58**	**178,940**	**183,787**

2011/12/31 (in thousand euros)	Less than 1 year	1 to 5 years	More than 5 years	Total
Receivables related to equity affiliates	-	-	176,139	176,139
Loans	18	288	15,194	15,500
Other financial assets	170	-	83	253
Total receivables from financial assets	**170**	**288**	**198,121**	**198,578**

Treasury shares

Shares held by the Company as part of a liquidity agreement entered into with an investment service provider are considered capitalized securities and recognized at acquisition cost, then valued at each closing as a function of stock price. Depreciation is recognized if trading value is less than book value.

On January 27, 2009, THEOLIA entrusted Oddo Corporate Finance with the implementation of a liquidity contract compliant with the AFEI (“*Association française des entreprises d’investissement*“) ethics charter, also approved by the AMF. On July 3, 2012, THEOLIA put an end to this liquidity contract.

On December 5, 2012, THEOLIA entrusted Kepler Capital Markets with the implementation of a liquidity contract compliant with the AFEI (“*Association française des entreprises d’investissement*“) ethics charter, also approved by the AMF. This contract, with a twelve month initial timeframe, is automatically renewable for a period of one year.

At year-end, the Company held 210,509 treasury shares at operating date December 31, 2012, including 198,958 of its own shares at unwinding date December 31, 2012 (book date).

The amount shown on the balance sheet totaled €272 thousand, i.e. an average price per share of €1.37 for a stock price at December 28, 2012 of €1.33. At the closing, depreciation of €7.9 thousand was posted by the Company.

3.4 Trade notes and accounts receivable

TRADE RECEIVABLES

French GAAP (in thousand euros)	Gross value 2012/12/31	Depreciation 2012/12/31	Net value 2012/12/31	Net value 2011/12/31	Including value of associates at 2012/12/31	Including value of associates at 2011/12/31
Non-group trade receivables	91	41	51	6	-	-
Total non-group receivables	91	41	51	6	-	-
Group trade receivables	22,389	7,380	15,009	21,922	15,009	20,715
Total Group receivables	22,389	7,380	15,009	21,922	15,009	20,715
TOTAL Trade and other receivables	22,480	7,420	15,060	21,929	15,009	20,715

The impairment loss of €7,380 thousand recognized at the end of period was based on impairment to the value of turbines that have not yet been installed.

3.5 Other receivables

French GAAP (in thousand euros)	Gros value 2012/12/31	Depreciation 2012/12/31	Net value 2012/12/31	Net value 2011/12/31	Including value of associates at 2012/12/31	Including value of associates at 2011/12/31
Supplier advances and installments and receivables from	4,056	-	4,056	4,865	543	810
Receivables on asset disposals	-	-	-	-		-
Tax receivables (excluding corporate tax)	530	-	530	1,009		-
Corporate tax receivables	372	-	372	377		-
Social security receivables	5	-	5	16		-
Current accounts	1	-	1	1	1	1
Other receivables	1,051	(300)	751	169		-
Prepaid expenses	136	-	136	426		-
Currency translation adjustment, asset	3	-	3	-		-
TOTAL	6,155	(300)	5,855	6,863	544	812

The increase in the “Other receivables” item is chiefly related to the recognition of a judgment handed down by the Commercial Court of Marseille in a case between the Company and its former Chief Executive. Part of the sum owed has been received. The outstanding balance of €452 appears as a receivable at December 31, 2012.

No impairment was recognized for the fiscal year.

3.6 Receivables by maturity

French GAAP (in thousand euros)

2012/12/31	Less than 1 year	1 to 5 years	Total
RECEIVABLES FROM CURRENT ASSETS (NET)			
Trade and other receivables	1,131	13,928	15,060
Supplier advances and installments and receivables from suppliers	56	4,000	4,056
Tax receivables (excluding corporate tax)	530	-	530
Corporate tax receivables	372	-	372
Soc. Security receivables	5	-	5
Current accounts		1	1
Other receivables	588	166	754
Prepaid expenses	136	-	136
TOTAL	2,819	18,095	20,914

The maturity schedule of receivables from current assets above includes net values at the closing.

Receivables recognized under assets on the Company balance sheet after one year may be broken down as follows:

- Receivable related to the agreement for the sale of turbines to the Italian subsidiary Neoanemos with ownership transfer clause. THEOLIA will remain the owner of the assets until payment of the entire sale price;
- The advance paid to a turbine manufacturer totaling €4,000 thousand, intended for a wind project currently under development by the THEOLIA Group.

3.7 Cash and cash equivalents

French GAAP (in thousand euros)	2012/12/31	2011/12/31
Marketable securities (net)	12,955	35,762
Cash and cash equivalents	3,231	337
TOTAL	16,185	36,098

At year-end, the value of investment securities totaled €12,955 thousand. This item corresponds to money-market mutual fund [SICAV] investments.

3.8 Adjustment accounts

The prepaid expenses of €136 thousand recognized at period end include €44 thousand of costs related to a project which was implemented in the first quarter of 2013.

3.9 Share capital

	Number of shares at 2012/01/01	Creation of shares by means of OCEANE conversion	Free shares created after the end of the allotment period	Share cancelation	Other operations	Number of shares 2012/12/31
Number of shares	127,591,147	441,638	957,448	(83,601)	(64,020,798)	64,885,834
Number of securities	127,591,147	441,638	957,448	(83,601)	(64,020,798)	64,885,834
Share capital	127,591,147	441,638	1,303,462	(83,601)	(38,412,479)	90,840,167

Including 198,958 treasury shares at 12/31/2012

In 2012, THEOLIA received several requests for bond conversions. 210,936 OCEANEs were therefore converted, resulting in the creation of 957,448 new shares representing a total value of €1,303 thousand.

Free shares allocated in late 2009 were created in 2012, increasing the share capital by €441 thousand.

On June 25, 2012, the Board of Directors acknowledged the performance of a reduction of the share capital due to losses by means of a reduction of the shares' par value. The par value of each share of THEOLIA's capital was thus reduced by 0.30 euro, from 1 euro to 0.70 euro. The share capital reduction amounts to €38,412 thousand.

On July 20, 2012, THEOLIA implemented the consolidation of two old shares of a par value of €0.70 into one new share of a par value of €1.40.

The conversion/exchange ratio applicable in case of bond conversion has been automatically modified. Up to the seventh business day prior to December 31, 2013, it will be equal to 4.32 shares for 1 OCEANE and to 3.46 shares for 1 OCEANE from January 1, 2014, up to the seventh business day prior to December 31, 2014.

At the fiscal year's closing, the Company's share capital thus totaled €90,840 thousand.

3.10 Stock warrants

Summary of changes in stock warrants	Total BSA
Balance at December 31, 2011	2,062,106
Awarded during the year	
Cancelled during the year	1,785,190
Exercised during the year	
Balance at December 31, 2012	276,916

The beneficiaries of stock warrants that were issued were former directors of the Company.

No warrants were exercised in 2012.

3.11 Provisions

French GAAP (in thousand euros)	Provisions for risks	Provisions for litigation	Total
Values at opening at 2012/01/01	2,044	163	2,208
Increases	135	-	135
Reversals	1,795	40	1,835
Values at closing at 2012/12/31	384	123	508

In fiscal year 2012, the Company recognized a €116 thousand provision following the conclusions of a URSSAF (social security) audit.

At December 31, 2012, the main provision of €1,795 related to THEOLIA's support for its subsidiaries, was entirely reversed. An amount of €350 thousand from this provision was used, with the corresponding litigation having been settled.

The provisions for litigations, that were recognized in 2011 because of the ongoing litigation, were still on the Company's balance sheet at the end of the fiscal year.

3.12 Borrowings and financial debt

French GAAP (in thousand euros)	Convertible bond	Interests on convertible bond
Values at opening at 2012/01/01	160,602	4,336
Increase		4,228
Repayment		4,336
Conversion of OCEANEs	4,014	
Values at closing at 2012/12/31	156,588	4,228

At the end of 2012, borrowings and financial debt consisted solely of OCEANEs issued in October 2007.

Conversions occurring in 2012 totaled €4,014 thousand and the balance of the bonds at the closing were €156,588 thousand.

Interest accrued in 2012, recognized for a total of €4,228 thousand, was paid in early January 2013.

At the closing, the primary characteristics of the bond after changing the terms of the OCEANE issuance agreement in 2010 were the following:

- type of financial instrument OCEANEs
- number of bonds 8,228,470
- initial par value €240,000 thousand
- loan maturity January 1, 2041
- annual interest up to December 31, 2014 2.70%
- annual interest after January 1, 2015 0.10%
- conversion ratio up to the 7th business day prior to December 31, 2013 4.32 shares per OCEANE
- conversion ratio up to the 7th business day prior to December 31, 2014 3.46 shares per OCEANE
- purchase price for OCEANEs at January 1, 2015 €15.29 per OCEANE
- purchase price for OCEANEs at January 1, 2041 €20.77 per OCEANE

Bondholders are entitled to ask for early refunding at January 1, 2015.

Details by maturity

2012/12/31

French GAAP (in thousand euros)	Less than 1 year	1 to 5 years	Total
Convertible bond - par value		156,588	156,588
Interests recievable on convertible bonds	4,228		4,228
Total	4,228	156,588	160,816

3.13 Other payables

French GAAP (in thousand euros)	2012/12/31	2011/12/31
Suppliers	1,312	2,447
Other	568	1,006
TOTAL	1,880	3,453

French GAAP (in thousand euros)	2012/12/31	2011/12/31
Social security liabilities	672	674
Tax liabilities	81	337
TOTAL	753	1,010

The "Other" item corresponds to clients in credit and to attendance fees for Board Members for the fourth quarter of 2012, paid in early 2013.

Details by maturity

French GAAP (in thousand euros)

2012/12/31	Less than 1 year	Total
Trade and related payables	1,312	1,312
Social security and tax liabilities		
Personnel	*404*	*404*
Social security bodies	*268*	*268*
Govt. sales tax	*6*	*6*
Other tax and social security liabilities	*75*	*75*
Other liabilities	568	568
TOTAL	2,632	2,632

3.14 Tax consolidation

THEOLIA has opted for tax consolidation since July 1, 2004. Thus, it alone is liable for the corporate tax for all the member companies of the tax group.

The tax consolidation agreement provides that the group's head company recognizes as income amounts paid by subsidiaries as their tax, as if they were liable separately.

At the closing of the year, the scope of the tax consolidation consisted of the following companies:

- THEOLIA France
- Therbio
- Ecoval 30
- Ecoval Technology
- Seres Environnement
- Royal Wind
- Centrale Éolienne de Fonds de Fresnes
- Centrale Éolienne de Séglien Ar Tri Milin
- Centrale Éolienne des Sablons

The Group's tax shortfall to be carried forward totaled €103,826 thousand.

NOTE 4 ANALYSIS OF MAIN INCOME STATEMENT ITEMS

4.1 Revenue

In 2012, the net income was €6,368 thousand, compared with €5,431 thousand for the previous fiscal year. This revenue corresponds solely to Group costs billed to subsidiaries.

For 2012, the Company's revenue also includes €385 thousand billed for guarantee services provided to the relevant subsidiaries

4.2 Reversal of provisions and expense transfers

The expense transfers of €44 thousand are chiefly related to other personnel expenses.

The €1,835 thousand in reversals of provisions is mainly related to a lawsuit involving a subsidiary that the Company was supporting (see Note 3.11).

4.3 Other income

The "Other income" that appears on the Company's balance sheet corresponds to costs billed to Group subsidiaries for services paid on their behalf for €39 thousand.

4.4 Purchases and external expenses

In 2012, the Companies recurring operating expenses were lower than in 2011, in line with the cost cutting policy.

4.5 Salaries and wages

€645 thousand was paid to the Company's corporate officers in 2012, broken down as follows:

	2012/12/31	2011/12/31
Gross salaries (inc. bonuses)	450	450
Severance / negotiated termination		
Benefits in kind	14	3
Directors' fees	181	186
-	645	639

Staff costs recognized in 2012 break down as follows:

	2012/12/31	2011/12/31
Salaries	1,854	2,186
Social security contributions	798	1,052
Staff costs	149	
Staff costs	2,801	3,238
Workforce	*26*	*22*

4.6 Social security contributions

Social security contributions were €797 thousand in 2012 (excluding other staff costs).

4.7 Staffing information

The Company employed at total of 26 people at the end of the period, compared with 22 people at December 31, 2011.

- pension liabilities: due to the non-material nature of this type of liability, the Company has not recognized any provision for retirement pension payments. These liabilities are valued at €69 thousand,
- individual training entitlement: the workforce as a whole has a cumulative entitlement to training of 1062 hours, which is valued at €9.7 thousand.

4.8 Financial income and expenses

For fiscal year 2012, a financial loss of (€5,404 thousand) was recognized, compared with a (€43,747 thousand) loss the previous year.

Financial items for 2012 are broken down as follows:

FINANCIAL INCOME

French GAAP (in thousands of euros)	2012	2011
Financial income		
Dividends	6,865	1,235
Interests paying advances to subsidiaries*	10,181	10,281
Recovery of financial assets	41,126	20,465
Other financial revenues	389	741
Financial expenses		
Interests bound to the debenture loan	4,228	4,336
Amortization of financial assets	58,852	59,693
Merger loss	706	12,257
Yielding up of financial assets		87
Other financial expenses	180	96
Financial income	(5,404)	(43,747)

* this post also includes the remuneration for the granted loans

4.9 Exceptional income and expenses

A profit of €147 thousand was made on exceptional items in 2012, compared with a €392 thousand loss in 2011.

There was €1,059 thousand exceptional income in 2012, chiefly from the sentence handed down on November 15, 2012 by the Court of Appeal of Aix-en-Provence against the former Chief Executive, an amount of €972 thousand.

The exceptional expenses of €911 thousand break down chiefly as follows:

- accelerated depreciation of goodwill on equity securities, for €478 thousand,
- exceptional expenses for a project that was not implemented, for €419 thousand.

4.10 Corporate tax

Expenses / Income

This item of (€753 thousand) is broken down as follows (*in thousand euros*):

- tax expenses (withholding tax on operations in Morocco) (766)
- tax credit for training activities and profit sharing scheme 13

NOTE 5 TRANSACTIONS BETWEEN THE COMPANY, ITS DIRECTORS AND ITS MANAGEMENT

Transactions between the Company and its directors

In 2012, no agreement was signed between the Company and its directors.

NOTE 6 RELATED UNDERTAKINGS

	Equity interests (gross)	Receivables from equity interests (gross)	Shareholder loans	Accrued interests on financial receivables	Trade and other receivables (gross)	Trade payables	Management fees (income)	Other financial revenues	Other income	Management fees (expenses)	Other financial expenses
ECOVAL TECHNOLOGY	40	4,533			30		263	137	3		
SERES ENVIRONNEMENT	10,272	90			47		167	139	8		13
THERBIO	14,634	5,600			22		19	198			
ECOVAL 30		7,150			152		33	230			
THEOLIA France	14,240	103,118				243	1,606	3,328	(3)	(4)	
CENTRALE EOLIENNE DES SABLONS								57			
CENTRALE EOLIENNE DE SALLEN								76			
CENTRALE EOLIENNE DU MOULIN DE FROIDURE								113			
CENTRALE EOLIENNE DES PLOS								41			
BGE MANAGEMENT SARL	13		20								
BGE INVESTMENT SARL	13		2,050								
VIBINIUM SRL					18		25				
BOVINO EOLICO SRL					1		1				
AEROCHETTO SRL					150		139		12		
MGE GIUNCHETTO WIND PARK SA								663			
THEOLIA IBERICA	3	21,700	795					1,047			
PARQUES EOLICOS DE LA SIERRA		15						0			
THEOLIA HOLDING GMBH	195,397	37,576				196					
THEOLIA NATURENERGIEN HOLDING GMBH							1,727	1,936			
THEOLIA NATURENERGIEN GMBH							169				
THEOLIA WIND POWER (INDIA)	1,118	2,000					12				
THEOLIA BRAZIL	4,000	3,989						180			
THEOWATT								17			
THEOLIA GREECE	57	506									
THEOLIA CEE GMBH	1,000	281									
THEOLIA EMERGING MARKETS	2,481	1,057				-	18	54		129	
THEOLIA DEUTSCHLAND GMBH (EUR)					12		30				
LA COMPANIE EOLIENNE DU DETROIT	45,385	487			1,234		677	6,913			
MAESTRALE GREEN ENERGY	28,231	44,632			21		1,133	1,831			
MAESTRALE GIUNCHETTO		13,914									
NEOANEMOS					20,257						
ECOLUTIONS	25,082				1						
THEOLIA MANAGEMENT COMPANY	13				442						
THEOLIA UTILITIES INVESTMENT COMPANY	1,018		4,358	17	1		351	87	(19)		
TOTAL	342,996	246,649	7,223	17	22,389	543	6,368	17,046	1	124	13

NOTE 7 OFF-BALANCE SHEET COMMITMENTS

As part of its activities involving the development/ construction of wind farms, the Group generally establishes a subsidiary in each country in which it is active. When the Group develops a wind project in a country, the corresponding subsidiary establishes a special purpose vehicle to hold assets and liabilities specific to the project. This subsidiary is the debtor for project financing purposes. These support structures may be direct subsidiaries of the Company in certain jurisdictions, or indirect through intermediary holding companies.

The Group may not consolidate the assets and liabilities, or the revenue and expenses, of these subsidiaries in its consolidated financial statements if it finds an absence of control in the sense of the IFRS standards.

However, as Group holding company, the Company may be required, by its lenders, suppliers and clients, to contribute loans, cash or other types of support to its direct and indirect subsidiaries in the form of guarantees and other commitments. If a subsidiary is not consolidated in the Group's consolidated IFRS financial statements, these loans, cash or other types of support covering market risk do not appear on the Group's consolidated balance sheet. Similarly, if a subsidiary is consolidated, certain forms of support do not appear on the Group's consolidated balance sheet.

These off-balance sheet commitments include:

- letters of credit to ensure its subsidiaries' working capital;
- guarantees in favor of wind-farm suppliers;
- guarantees linked to the financing of subsidiaries developing wind projects;
- comfort or support letters granted to subsidiaries; and
- other commitments (direct agreements, pledges for equipment/ materials, etc.).

Furthermore, in certain cases, non-consolidated entities may also contribute loans, cash or other types of support to the group to cover the market risk also related to off-balance sheet commitments.

Commitments made by the Company

The following table offers a consolidated and detailed overview of major off-balance sheet commitments made by the Company at December 31, 2012.

Details of the Company's consolidated liabilities

Contract type	Subsidiary committed	Beneficiary	Purpose	Expiry date	Amount (in thousand euros)
Comfort letter	THEOLIA	THEOLIA Deutschland GmbH	Comfort letter on behalf of its subsidiary to cover its obligations to third parties	June 30, 2013	5,500
Counter guarantee	THEOLIA	Milano Assicurazioni SpA	Counter guarantee granted on July 27, 2012 to the insurer Milano Assicurazioni SpA on behalf of Vibinum Srl, in relation with a surety issued on behalf of the Municipality of Bovino.	July 24, 2017	50
Counter guarantee	THEOLIA	Milano Assicurazioni SpA	Counter guarantee granted on July 27, 2012 to the insurer Milano Assicurazioni SpA on behalf of Vibinum Srl, in relation with a surety issued on behalf of the Region of Apulia.	July 24, 2014	500
Counter guarantee	THEOLIA	Milano Assicurazioni SpA	Counter guarantee granted on November 21, 2012 to the insurer Milano Assicurazioni SpA on behalf of Bovino Eolico Srl, in relation with a surety issued on behalf of the Municipality of Bovino.	July 24, 2017 (expiry date of the counter-guaranteed surety)	190

Counter guarantee	THEOLIA	Milano Assicurazioni SpA	Counter guarantee granted on November 21, 2012 to the insurer Milano Assicurazioni SpA on behalf of Bovino Eolico Srl, in relation with a surety issued on behalf of the Region of Apulia.	July 24, 2014 (expiry date of the counter-guaranteed surety)	1,900
Joint surety	Vibinum	Enercon GmbH	Joint surety issued by THEOLIA on August 1, 2011 to cover the obligations of Vibinum related to Lot 1 of 5 turbines under the turbine purchasing contract of June 21, 2011.	Payment after acceptance or work (planned for second quarter 2013)	3,300
Head office tenancy	THEOLIA	MINA 2 (assignee of the rights of La Halte de Saint Pons SAS)	Contractual commitment made on January 28, 2008 to rent the head office premises for a fixed term of 9 years starting from March 1, 2008.	February 28, 2017	1,781
Joint surety	Ecoval 30	Crédit Agricole	Joint surety for the loan taken out on June 27, 2005 by Ecoval 30 for a 15-year term	March 27, 2020	3,694
THEOLIA surety	Ecoval Technology	BFCC	Surety granted in 2005 for a maximum total sum of €140,000. The amount of €111,086 of this surety is currently in escrow, in the context of a lawsuit with the Cabriès sewage treatment and drinking water plant.	-	111

Comfort letters granted to subsidiaries

Given the economic context faced by certain subsidiaries, THEOLIA also gave its commitment, as leading shareholder, to support their activity throughout fiscal year 2012.

NOTE 8 LIST OF SUBSIDIARIES AND AFFILIATES

Legal form	Legal name	Direct holding, %	Address	City and country	Registration number	Share capital (€K)	Reserves and retained earnings (€K)	Profit/(loss) for the period (€K)	Net revenue (€K)	Equity interests (gross)	Impairment of equity interests	Equity interests (net)	Amount of loans and advances granted
GmbH & Co KGaA	ecolutions GmbH & Co. KG	35.30%	Grüneburgweg 18	60322 FRANKFURT ALLEMAGNE	HRB 79650	28,400	(1,386)	-	-	25,082	15,282	9,800	
SAS	SERES Environnement SAS	100.00%	360 Rue Louis de Broglie	13290 AIX EN PROVENCE FRANCE	490 619 319 00018	1,760	779	(583)	4,812	10,272	10,272	0	90
SAS	THEOLIA France SAS	100.00%	4 Rue Jules Ferry	34000 MONTPELLIER FRANCE	480 039 825 00041	14,240	(33,022)	(2,713)	5,909	14,240	14,240	-	103,118
GmbH	THEOLIA Holding GmbH	100.00%	Ulmer Strasse 5	70771 LEINFELDEN-ECHTERDINGEN ALLEMAGNE	HRB 722378	30	(2,987)	2,356	3,381	195,397	112,530	82,867	37,576
SAS	Ecoval Technology SAS	100.00%	360 Rue Louis de Broglie	13793 AIX EN PROVENCE FRANCE	479 917 593 00028	40	(5,810)	1,286	(19)	40	40	0	4,533
SA	Therbio SA	99.99%	360 Rue Louis de Broglie	13793 AIX EN PROVENCE FRANCE	399 979 608 00060	4,800	(12,427)	500	47	14,634	14,634	(0)	5,600
	THEOLIA Greece	95.00%	Kolokotroni, N° 15 - Ano Liissia	ATHENES GRECE	63611/01/B/07/415	60	(607)	-	-	57	57	-	506
Srl	MAESTRALE Green Energy	100.00%	Corso Magenta N° 32	20123 MILAN ITALIE	4,954,090,967	15	5,763	(14,633)	279	28,231	28,231	(0)	44,632
GmbH	THEOLIA CEE	100.00%	C/o MM-Trust Landstrasser Hauptstrasse 143/22	1030 VIENNE AUTRICHE	FN 297793	1,000	(1,255)	(31)	-	1,000	1,000	-	281
SARL	THEOLIA Management Company Sàrl	100.00%	6, Rue Guillaume Schneider	L-2522 Luxembourg, GRAND DUCHE DU LUXEMBOURG	RC B 163192	13	(4)	(23)	382	13		13	
SARL	THEOLIA Utilities Investment Company SA	40.00%	6, Rue Guillaume Schneider	L-2522 Luxembourg, GRAND DUCHE DU LUXEMBOURG	RC B 163329	2,544	(151)	(88)	-	1,018		1,018	
SARL	THEOLIA Iberica	100.00%	Via de les Corts Catalanes 630, 4°	08006 Barcelone, ESPAGNE	CIF B64074867	3	(21,059)	(1,153)	-	3	3	0	21,700
SARL	BGE Investment Sàrl	100.00%	6, Rue Guillaume Schneider	L-2522 Luxembourg, GRAND DUCHE DU LUXEMBOURG	RC B 175071	13	-	(1,487)	-	13		13	
SARL	BGE Management Sàrl	100.00%	6, Rue Guillaume Schneider	L-2522 Luxembourg, GRAND DUCHE DU LUXEMBOURG	RC B 175097	13	-	-	-	13		13	

0	Legal name	Direct holding, %	Address	City and country	Registration number	Share capital	Reserves and retained earnings	Profit/(loss) for the period	Net revenue	Equity interests (gross)	Impairment of equity interests	Equity interests (net)	Amount of loans and advances granted
Limited	THEOLIA WIND POWER PVT INDIA (en INR)	8.23%	1008-1009 Mercantile House 15 Kasturba Gandhi Marg	110001 NEW DELHI INDE	U40101DL2006PTC145792	750,000	(33,510)	-	-	1,118	-	1,118	2,000
SA	THEOLIA Emerging Markets SA (en MAD)	99.86%	105, Boulevard d'Anfa	20000 CASABLANCA MAROC	RC Casablanca 170779	300	(3,807)	(1,487)	2,655	2,481	2,481	0	1,057
SA	La Compagnie Eolienne Du Detroit SA (en MAD)	99.99%	Angle Boulevard Pasteur - rue Ahmed Chawki et rue du Mexique	90000 TANGER MAROC	RC Tanger 13749	181,111	55,211	7,948	72,438	45,385	20,456	24,929	487
SA	THEOLIA Brasil Energias Alternativas (en REAL)	99.99%	Rua Furriel Luiz Antônio Vargas, n°250, cj 1.002	PORTO ALEGRE RS BRESIL	NIRE 43205244306	2,687	(9,044)	(3,093)	1	4,000	1,390	2,610	3,989

The values of equity interests (gross, depreciations and net) as well as the values of loans and advances granted, are denominated in thousand euros.

5.4 STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

To the Shareholders,

In accordance with our appointment as statutory auditors at your Annual General Meeting, we hereby report to you for the year ended December 31, 2012 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, 2012, and the results of its operations for the year then ended in accordance with French accounting regulation.

II. Justification of our assessments

The accounting estimates used in the preparation of the financial statements were made in an uncertain environment, linked to the crisis of government funds of some countries of the Eurozone. This crisis is accompanied by an economic and liquidity crisis which makes difficult the apprehension of economic prospects. Such is the context in which we made our own assessments that we bring to your attention in accordance with the requirements of article L.823-9 of the French Commercial Code (« Code de commerce »):

Equity shares and investment securities, with a net amount of Euros 314 768 thousand at December 31, 2013, are booked at acquisition cost and depreciated as described in Note 1.3 "Financial assets" to the financial statements.

On the basis of the information made available to us, our work consisted in assessing data used for the determination of recoverable amount, including profitability and objectives realization forecasts, and adequacy of assumptions with mid-term forecasts as established under management's control.

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 favor, 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).

Paris and Marseilles, April 18 2013

The Statutory Auditors

Cabinet Didier Kling & Associés		Deloitte & Associés
Didier KLING	Christophe BONTE	Christophe PERRAU

6 Information about the Company and the share capital

6.1 INFORMATION ABOUT THE COMPANY

6.1.1 Corporate name

THEOLIA

6.1.2 Registered office

75, rue Denis Papin – BP 80199 – 13795 Aix-en-Provence Cedex 3 (France).

6.1.3 Legal form and applicable law

French *société anonyme* (limited liability company) with a Board of Directors, subject to French law, regulated by the effective laws and regulations and notably by Articles L.225-17 to L.225-56 of the French Commercial Code.

6.1.4 Trade and Companies Register

423 127 281 RCS Aix-en-Provence.

APE Code: 6420Z (business activities of holding companies).

SIRET: 423 127 281 00057.

6.1.5 Term

Date of registration: June 7, 1999.

Term: June 6, 2098, except in case of early dissolution or extension.

6.1.6 Fiscal year

Starting January 1 and ending December 31.

6.1.7 Corporate purpose (Article 2 of the Articles of Incorporation)

The direct or indirect purpose of the Company, in France and abroad, both for itself and for the account of third parties is:

1 - all transactions relating to energy in broad terms;

2 - the production of energy in all its forms;

3 - trade or any transactions of any nature relating to energy in the broadest sense of the term,

4 - all operations for the study, design, development, site supervision, implementation and execution, direct or indirect operation, maintenance, training of people to support the Company's activities, for co-generation plants, wind farms or any renewable energy plants, or any sites of any kind, as well as any expert assessment for third parties,

5 - all operations relating to the direct or indirect acquisition of shareholding, in any form whatsoever, in all French or foreign companies as well as the administration, management, optimization of these minority interests and the interventions relating thereto;

6 - any use of funds for creating, managing and optimizing a portfolio,

7 - and, more generally, all operations of any nature whatsoever (economic, legal, financial, civil or commercial), that may be related to this corporate purpose.

6.1.8 Board of Directors (Articles 12 to 15 of the Articles of Incorporation & Internal rules and regulations)

- *Composition of the Board of Directors*

As provided by law, the Company is managed by a Board of Directors composed of three to eighteen members, unless specified otherwise by law and specifically in the event of a merger; directors are appointed as required by law. Directors cannot be over 70 years old. A director (or directors) who has (have) reached this age limit is (are) deemed to automatically resign.

The term of office of directors appointed or re-elected shall be set at 3 years. The term of office of each director shall always be renewable. Directors can be dismissed at any time by the General Meeting of Shareholders.

- *Chairman of the Board of Directors*

The Board shall appoint among its members a Chairman, a natural person, who can be elected for the entire term of his office as director and who shall be eligible for reelection.

The age limit of the Chairman is 70 years of age. When the Chairman reaches the age limit, he/she is deemed to automatically resign.

The acceptance and exercise of the duties of Chairman shall entail the commitment by the interested party to declare that he/she meets the limitations provided by law with respect to the combined appointments of Chairman and director of limited liability companies.

The Board can, if it deems it necessary, designate among its members one or several Vice-chairmen.

Finally, the Board shall appoint a secretary, who can be chosen from outside the Company's shareholders.

The Chairman shall preside over the sessions of the Board, organize and manage its work, which he/she shall report to the general meeting. He/she shall oversee the proper operation of the bodies of the Company and shall in particular ensure that directors are capable of fulfilling their assignment. The Chairman shall preside over the sessions of the general meetings and shall prepare the reports required by law. He shall likewise take responsibility for the general management of the Company in the capacity of CEO, if the Board of Directors chose to combine these two offices at the time of his appointment.

- *Deliberations of the Board of Directors*

The Board of Directors shall meet as often as the interests of the Company so require and at least six times a year as convened by its Chairman summoned by any means, even orally. The meeting shall take place either at the registered office, or in any other location indicated in the summons made by the Chairman.

In the event that the Chairman is unavailable, the summons can be made by a director temporarily delegated to the office of Chairman, or by a Vice-chairman.

In the event that the Board of Directors has not met for more than two months, at least a third of its members may require the Chairman to summon the Board for a specific agenda. If necessary, the CEO may require the Chairman to summon the Board of Directors for a specific agenda.

The Board of Directors can only deliberate validly if at least half its members are present.

Except when provided otherwise by law, directors participating in the meeting of the Board by videoconference or by means of telecommunication enabling their identification, in accordance with the current regulations, shall be deemed attending for calculating the quorum and the majority.

A director may provide a proxy in writing for another director to represent him. Each director can have only one power-of-attorney during the same session.

An attendance book shall be maintained, which shall be signed by the directors attending the session, and which shall mention, if applicable, the attendance of directors through videoconferencing or telecommunication enabling their identification and guaranteeing their actual attendance. The statements of the minutes of each meeting shall be sufficient, with respect to third parties, to substantiate the number of serving directors, of their attendance, including through videoconferencing or telecommunication enabling their identification and guaranteeing their actual attendance, or their representation.

The meetings shall be presided by the Chairman of the Board of Directors or, in his absence, by the director who may have been temporarily delegated these duties, by a Vice-chairman or by any other director designated by his fellow members.

Decisions shall be adopted by the majority of votes of the members present or possibly deemed as such or represented. In case of a tie vote, the Chairman shall have the deciding vote.

The Board can decide to create committees or commissions responsible for studying matters that it itself or its Chairman submit to their examination for opinion; such committees or commissions shall exercise their prerogatives under its responsibility.

The minutes recording the deliberations of the Board shall be signed by the Chairman of the session and by a director, or if the Chairman of the session is prevented from doing so, by at least two directors.

The directors, as any person called upon to attend the Board meetings, shall have an obligation of discretion with respect to the information of a confidential nature and indicated as such by the Chairman of the session.

- *Assignment and powers of the Board*

The Board of Directors determines the Company's activity guidelines and oversees their implementation.

With the exception of the powers expressly assigned to general meetings of shareholders and within the scope of the corporate purpose, it shall take up any matter concerning the proper operation of the Company and shall, through its deliberations, guide the matters concerning it.

The Board of Directors shall conduct the inspections and audits that it deems appropriate.

The Chairman or CEO of the Company is responsible for forwarding to each director all the documents and information necessary to accomplish his/her assignment.

In exercising its powers, the Board shall, if necessary, grant any delegations to its Chairman, or to any other authorized agents that it designates, subject to the restrictions set out by law concerning endorsements, sureties and guarantees; the Board may grant a power of substitution.

At the date of publication hereof, Michel Meeus holds the position of Chairman of the Company's Board of Directors.

- *Internal rules and regulations of the Board of Directors*

The Board of Directors of the Company adopted, on April 18, 2011, new Internal Regulations, in line with the relevant recommendations aiming to ensure compliance with the fundamental principles of corporate governance. These Internal Regulations specify on one hand the method of organization and operation, the abilities and powers of the Board of Directors and of the committees within it, and on the other hand, the methods for controlling and assessing their operation.

These Internal Regulations were amended on June 1, 2012, when the Nomination and Remuneration Committee was abolished.

The complete text of the Internal rules and regulations of the Board of Directors and the appendixes relating thereto may be found on the Company's Website (www.theolia.com, Finance/Corporate governance/Board members).

Control and assessment of the Board of Directors' functioning

In accordance with the principles of good governance, any director must perform his functions in good faith, in the way that he/she believes is best in order to promote the Company and with the care expected from an ordinarily prudent person in the exercise of such a task.

Any director or any candidate for appointment to a position as member of the Board of Directors must fully and immediately inform the Board of any real or potential conflict of interest in which he could, directly or indirectly, be involved, specifically for the purpose of determining whether the involved director must abstain from the debates and/or from voting in the deliberations.

The directors shall verify that no one in the Company can exercise unsupervised discretionary power; they shall ensure the proper functioning of the special committees created by the Board; they shall ensure that the internal control bodies function effectively and that the Statutory Auditors perform their role satisfactorily.

The Board of Directors undertakes an assessment of its own operation at regular intervals. It conducts an annual review of its work once a year and a formal evaluation is conducted every three years by an independent director with the assistance of an outside consultant.

Directors conducted an annual review of the operation of the Board itself. The main conclusions of that review can be read in the 2012 Report of the Chairman of the Board of Directors on corporate governance, internal control procedures and risk management (see Section 2.1 hereof).

6.1.9 General Management (Articles 16 and 17 of the Articles of Incorporation)

- *Methods of exercise of the general management*

As set out by law, the general management shall be held, under its responsibility, either by the Chairman of the Board of Directors, or by another natural person appointed by the Board of Directors and holding the title of CEO.

The decision of the Board of Directors as to the choice among these two methods of exercising the general management shall be adopted by the qualified majority of two-thirds of the votes of the members present or possibly deemed as such or represented.

The option selected – and any subsequent option – shall be valid until decided otherwise by the Board of Directors, ruling under the same majority terms.

In any event, the Board must decide on the methods for exercising the general management when appointing or renewing the CEO, if this appointment is dissociated with that of the Chairman.

- *Appointment and dismissal of the CEO*

When the Board of Directors chooses to disassociate the appointments of Chairman and CEO, it shall then appoint the CEO among the directors or not, fix the term of his/her office, determine his/her remuneration and, if applicable, the restrictions on his/her powers. He/she must be less than 65 years old.

Whatever the period during which he/she holds them, the duties of the CEO shall automatically cease at the end of the fiscal year during which he/she reaches his/her 65th birthday. However, the Board can decide, in the interest of the Company, to exceptionally extend the duties of the CEO beyond this age limit for successive one-year periods. In this case, the duties of the general management must definitively cease no later than at the end of the fiscal year during which he/she reaches the age of 70.

The acceptance and the exercise of the duties of CEO require the interested party to declare that he/she conforms to the restrictions set out by law with respect to the combination of appointments of CEO and director of limited liability corporations.

The CEO may be dismissed at any time by the Board of Directors. When the CEO is not responsible for the duties of Chairman of the Board of Directors, his/her dismissal can give rise to damages if it is decided without reasonable grounds.

- *Powers of the CEO*

The CEO is vested with the most extensive powers for acting in all circumstances on behalf of the Company. He/she exercises such powers within the scope of the corporate purpose, in accordance with the regulations stated by the Articles of Incorporation of the Company and with the exception of those that the law expressly assigns to general meetings of shareholders and to the Board of Directors and the limitations provided for in the Internal rules and regulations of the Board of Directors.

He/she represents the Company in its relations with third parties. The Company shall be bound even by acts of the CEO that do not fall within the corporate purpose, unless it proves that the third party knew that the act exceeded such purpose or that it could not be ignorant of it given the circumstances, and publication of the Articles of Incorporation alone shall not constitute sufficient proof. When the general management is held by a CEO, the latter may ask the Chairman of the Board of Directors to convene the Board of Directors for a specific agenda.

The CEO may be substituted by any person holding a special proxy.

At the date of publication hereof, Fady Khallouf is the Company's CEO.

6.1.10 General meetings of shareholders (Article 22 of the Articles of Incorporation)

- *Convening general meetings*

The general meetings of shareholders shall be convened by the Board of Directors or, failing this, by the Statutory Auditors, by an authorized agent appointed in legal proceedings in compliance with Article L. 225-103, II of the French Commercial Code, at the request of one or more shareholders under the conditions provided for in Articles L. 225-105 and R. 225-71 of the French Commercial Code, or at the request of a shareholders' association in accordance with Article L. 225-120 of the French Commercial Code.

The meeting is convened at least fifteen days in advance for the first notice and at least ten days in advance for supplemental notices, by means of a notice inserted in a gazette authorized to publish legal notices in the department in which the registered office is located and in the BALO legal gazette (*Bulletin des announces légales obligatoires*).

Shareholders who have owned registered shares for at least one month on the date of this notice are convened by mail.

The invitation is preceded by a notice containing all provisions required by law and published in the Compulsory Legal Notice Journal at least 35 days prior to the meeting.

- *Participation in general meetings of shareholders and calling of general meetings*

Every shareholder has the right to participate in the meetings and to attend in person, by returning the voting slip by mail or by designating a proxy. These formalities must be completed at least three days prior to the meeting.

The meetings are chaired by the Chairman of the Board of Directors or, in his absence, by the Vice-chairman. Failing that, the meeting itself shall elect its Chairman.

The function of teller is performed by two members of the meeting who hold the largest number of votes and who agree to serve.

The bureau appoints a secretary, who must not be a shareholder.

The bureau is required to keep an attendance record that includes the indications required by current regulations.

Minutes are compiled and copies or extracts from the deliberations are issued and certified in compliance with the law.

The ordinary and extraordinary general meetings ruling under the majority terms set out in the applicable provisions exercise the powers granted to them by law.

6.1.11 Other provisions of the Articles of Incorporation

- *Identification of shareholders*

In order to identify the holders of bearer shares, the Company may, at any time, in accordance with the prevailing legislative and regulatory provisions, request from the central securities depository responsible for maintaining the issuance account of its shares, information on the shares and the holders of shares issued by it, conferring the voting right immediately or over time. Based on the list conveyed by the central securities depository responsible for maintaining the issuance account for its shares, the Company may specifically, as set out in the legal and regulatory provisions, require information concerning the ownership of the shares from the persons identified therein and whom it believes to hold shares on behalf of third parties.

If such persons are serving in an intermediary capacity, they shall disclose the identity of the owners of such shares. The information shall be provided directly to the authorized financial intermediary, the latter being responsible for notifying, as applicable, the Company or the central securities depository.

When it concerns registered shares providing immediate or future access to the share capital, the registered intermediary has to reveal the identity of the owners of such shares, as well as the quantity of shares held by each of them, upon request from the Company or its authorized representative, which can be made at any time.

Whenever the Company deems that some holders, whose ownership identity has been disclosed to it, are holding the shares on behalf of third party owners, it shall be entitled to demand that such holders reveal the identity of the owners of those shares.

The Company may also require any legal person holding more than 2.5% of its capital or its voting rights to provide the identity of the persons directly or indirectly holding more than one third of the capital and voting rights of the legal person who owns shares of the Company.

In case of breach of the above-mentioned obligations, the shares or the securities giving immediate or future access to the capital and for whom such persons have been registered in a ledger, shall be deprived of voting rights for any general meeting of shareholders that would be held until the identity issue is remedied; the payment of the corresponding dividend will be deferred until such date.

Moreover, should the registered person knowingly ignore these obligations, the court in whose jurisdiction the Company's registered office is located may order, upon request of the Company or of one or more of its shareholders holding at least 5% of its capital, the total or partial loss of the voting rights attached to the shares having been subject to a request for information by the Company for a total term that cannot exceed five years, and possibly, for the same period, of the right to receive payment of the corresponding dividend.

- *Crossing legal thresholds (Article 7 of the Articles of Incorporation)*

In addition to the obligation set out under Article L. 233-7 of the French Commercial Code to notify the Company and the AMF of the crossing of the thresholds of 5%, 10%, 15%, 20%, 25%, one-third, 50%, two-thirds, 90% and 95% of the share capital and of the voting rights, Article 7.4 of the Company’s Articles of Incorporation provides that any natural or legal person, who, acting alone or jointly, comes to hold, directly or indirectly, a percentage of the share capital, the voting rights or the shares giving term access to the Company’s share capital , equal to or greater than 0.5% or a multiple of this percentage, has to notify the Company by registered letter with acknowledgement of receipt, indicating the number of voting rights and shares which such person possesses, giving immediate or future access to the share capital, as well as the voting rights attached thereto, within a time limit of five trading days from the crossing of each such legal threshold.

If such disclosure is not made, the shares exceeding the fraction that ought to have been declared shall be deprived of voting rights in the general meetings of shareholders, as provided by law, if at such a meeting, the failure to disclose has been recorded in the minutes and if one or more shareholders, holding together 5% or more of the capital or the voting rights of the Company so request at the time of such meeting.

Any natural or legal person shall likewise notify the Company, in the manner and within the time limits provided above, when its/his/her direct, indirect or combined share becomes less than each of the above-mentioned thresholds.

- *Changes in the share capital (Article 8 of the Articles of Incorporation)*

Capital increase

The share capital can be increased either through the issuance of common or preferred shares, or by increasing the amount of the par value of the existing equity securities. It can likewise be increased through the exercise of rights attached to the transferable securities providing access to the share capital, as set out by law.

New equity securities are issued either at the par value or at this amount increased by an issue premium. They are paid up either by a cash contribution, including by compensation with debt due and payable by the Company, or by a contribution in kind, or by incorporation of reserves, profits or issue premiums, or as the result of a merger or division. They can also be paid up following the exercise of a right attached to securities giving access to the share capital, including, if applicable, the payment of the corresponding sums.

The shares subscribed in cash issued for a capital increase must compulsorily be paid up for one quarter of their par value at the time of the subscription and, if necessary, for the entire issue premium. The payment of the balance must be carried out in one or more installments as decided by the Board of Directors within a period of five years from the date when the capital increase becomes final.

Calls for funds are notified to the subscribers or shareholders at least fifteen days prior to the date set for each payment by a notice inserted into the legal gazette of the location of the registered office and by individual registered letter. Payments are made either to the registered office or to any other location indicated for such purpose.

Any delay in the payment of the amounts due on the unpaid amount of the shares shall, automatically and without the need for any formality, entail the payment of interest at the legal rate, from the payment due date, without prejudice to the personal action at law that the company may bring against the defaulting shareholder and the specific performance measures provided by law.

Shareholders have, in proportion to the total value of their shares, a preferential subscription right on cash shares issued for implementing the capital increase. Shareholders can individually waive their preferential right. Moreover, they own a subscription right on excess shares, if the extraordinary general meeting so decides or expressly authorizes. The extraordinary general meeting that decided or authorized the capital increase may also cancel this preferential subscription right.

Redemption of the share capital

The capital may be redeemed by a decision of the extraordinary general meeting, through sums distributable as provided by law. Redeemed shares are called dividend shares; they shall, in the amount of the redemption made, lose the right to any distribution or any repayment on the par value of the securities, but shall retain their other rights.

Reduction of the share capital

The reduction of the share capital is decided or authorized by the extraordinary general meeting. In no case can it undermine the equality of the shareholders.

- *Modification of shareholder rights*

The rights of the shareholders, as they appear in the Company's Articles of Incorporation, can only be modified by the extraordinary general meeting of the Company's shareholders.

- *Provisions permitting the delay, deferral or prevention of a change in control of the Company*

The Company's Articles of Incorporation do not contain any provisions permitting the delay, deferral or prevention of a change in control.

- *Allocation and distribution of profits (Articles 25 and 26 of the Articles of Incorporation)*

The distributable profits are determined in accordance with the law. After the deduction of sums allocated to the reserves in application of the law, profit is distributed to the owners of shares and owners of Investment certificates, if any, in proportion to the number of securities they hold.

The general meeting may however deduct from the balance of the distributable profit any amounts it considers appropriate in order to allocate them to any optional reserve funds, whether ordinary or extraordinary or may carry them forward.

Dividends are deducted as a priority on the profits for the fiscal year. The general meeting may also decide to distribute the amounts deducted for the reserves available to it, specifically indicating the reserve items from which these deductions have been made.

A general meeting ruling on the financial statements for the fiscal year has the option to grant each shareholder, for all or part of the dividend or of the advance on the dividend distributed, an option between the payment of this dividend or this advance, either in cash or in shares, under the conditions and according to the procedures laid down by law.

The payment of dividends will depend mainly on the income earned by the Company, its financial position, its investment policy and the reduction of its debt. The Company does not intend to distribute dividends in 2013 for the fiscal year ended December 31, 2012. Dividends that are unclaimed at the end of a five-year period from their date of payment revert to the State.

The complete text of the Articles of Incorporation can be read on the Company's Website (www.theolia.com, Finance/Documents/Articles of Incorporation).

6.2 SHARE CAPITAL

6.2.1 Share capital

At December 31, 2012, the Company's share capital amounted to 90,840,167.60 euros, divided into 64,885,834 shares of a par value of €1.40, fully paid-up and of the same class.

Shares are either in the form of registered shares or bearer shares, at the shareholder's discretion.

Shares are freely tradable, except as otherwise provided by law.

On June 25, 2012, the Board of Directors acknowledged the performance of a reduction of the share capital due to losses by means of a reduction of the shares' par value, which went from €1 to €0.70.

On July 20, 2012, the Company implemented the consolidation of two shares of a par value of €0.70 into one new share of a par value of €1.40. Conditions for the share consolidation were specified in a press release, as well as a publication in the French legal gazette ("*Bulletin des annonces légales obligatoires*") on July 4, 2012.

At December 31, 2012, 15,072 registered consolidated shares and 1 registered non-consolidated share were pledged.

6.2.2 Change in the share capital over the last five years

Date of approval by the Board of Directors	Nature of the transaction	Aggregated number of shares	Share capital (in euros)
2008/12/31	Capital recognized at the closing of fiscal year 2008	39,746,992	39,746,992.00
2009/03/18	Definitive allocation of 82,000 free shares	39,828,992	39,828,992.00
2009/05/14	Definitive allocation of 66,215 free shares	39,895,207	39,895,207.00
2009/12/31	Capital recognized at the closing of fiscal year 2009	39,895,207	39,895,207.00
2010/02/22	Definitive allocation of 413,500 free shares	40,308,707	40,308,707.00
2010/07/20	Issue of 60,463,059 shares by public issue	100,771,766	100,771,766.00
2010/11/15	Conversion of 1,101,970 convertible bonds (OCEANEs) into 9,521,016 shares	110,292,782	110,292,782.00
2010/12/31	Capital recognized at the closing of fiscal year 2010	110,292,782	110,292,782.00
2011/04/18	Conversion of 279,875 OCEANEs into 2,418,120 shares	112,710,902	112,710,902.00
2011/04/18	Definitive allocation of 44,407 free shares	112,755,309	112,755,309.00
2011/08/31	Conversion of 1,697,111 OCEANEs into 14,663,038 shares	127,418,347	127,418,347.00
2011/12/31	Capital recognized at the closing of fiscal year 2011	127,418,347	127,418,347.00
2012/03/28	Conversion of 21,020 OCEANEs into 181,612 shares	127,599,959	127,599,959.00
2012/03/28	Definitive allocation of 441,638 free shares	128,041,597	128,041,597.00
2012/05/31	Conversion of 9,676 OCEANEs into 83,600 shares	128,125,197	128,125,197.00
2012/05/31 (1)	Cancellation of 83,600 shares	128,041,597	128,041,597.00
2012/06/25	Reduction of the share par value from €1 to €0.70	128,041,597	89,629,117.90
2012/07/02 (2)	Consolidation of 2 old shares per 1 new share (3)	64,020,798	89,629,117.20
2012/10/29	Conversion of 200,240 OCEANEs into 865,036 shares	64,885,834	90,840,167.60
2012/12/31	Capital recognized at the closing of fiscal year 2012	64,885,834	90,840,167.60

(1) Upon decision of the Board of Directors during its meeting dated May 31, 2012 and the CEO on June 18, 2012. Cancellation implemented on June 21, 2012.

(2) Upon decision of the Board of Directors during its meeting dated July 2, 2012 and the CEO on July 3, 2012. Consolidation plan implemented on July 20, 2012.

(3) It being specified that one shareholder waived the consolidation of one share of a par value of €0.70.

6.2.3 Shares held by the Company or for its own account

6.2.3.1 Authorization granted by the General Meeting of June 1, 2012

The Ordinary General Meeting of Shareholders dated June 1, 2012 authorized the Board of Directors to purchase, directly or indirectly, shares of the Company, up to a maximum number of shares representing 10% of the share capital (it being specified that subject to a liquidity contract, the considered number of shares for calculation of this 10% limit corresponds to the number of shares purchased, minus the number of shares sold during the time of this authorization) or 5% for shares purchased in the aim of being kept and subsequently handed over in the form of a payment or exchange in the framework of external growth operations. This authorization was granted for a period of eighteen months and put an end to the previous authorization granted by the Ordinary General Meeting dated June 17, 2011.

This authorization notably enables the Company to liven up the THEOLIA share market, within the framework of a liquidity contract, subject to the market practice acceptable to the French Financial Markets Authority ("*AMF*").

6.2.3.2 Implementation of the share purchase program during fiscal year 2012

On January 27, 2009, THEOLIA entrusted Oddo Corporate Finance with the implementation of a liquidity contract compliant with the AFEI ("*Association française des entreprises d'investissement*") ethics charter, also approved by the AMF. On July 3, 2012, THEOLIA put an end to this liquidity contract.

Transactions performed in the scope of this contract during fiscal year 2012 are as follows:

	Quantity (equivalent in consolidated shares)	Amount (euros)	Average stock price (euros)
Total Purchase	240,668	458,535.25	1.9052
Total Sale	283,949	544,933.48	1.9191

On December 5, 2012, THEOLIA entrusted Kepler Capital Markets with the implementation of a liquidity contract compliant with the AFEI ("*Association française des entreprises d'investissement*") ethics charter, also approved by the AMF. This contract, with a twelve month initial timeframe, is automatically renewable for a period of one year.

Transactions performed in the scope of this contract during fiscal year 2012 are as follows:

	Quantity (number of consolidated shares)	Amount (euros)	Average stock price (euros)
Total Purchase	289,379	396,667.51	1.3707
Total Sale	85,857	117,701.71	1.3709

In total, at December 31, 2012, the Company held:

- 210,509 treasury shares, representing 0.32% of the share capital, which, at the closing price of December 31, 2012, i.e. 1.33 euro, correspond to 279,976.97 euros; and
- 1 non-consolidated share, which, at the closing price of December 28, 2012, i.e. 0.62 euro, corresponds to 0.62 euro.

The Company did not use the authorization granted by the General Meeting dated June 1, 2012 in any other way than for the aforementioned liquidity contracts.

6.2.4 Authorized, unissued share capital

The delegations and authorizations granted to the Board of Directors during the General Meeting dated June 1, 2012 are as follows:

Resolution	Delegation type	Purpose	Term and validity period	Threshold (authorized nominal amount)	Common threshold	Overall threshold	Use at December 31, 2012
11th	Authorization	Carry out transactions on the Company shares	18 months December 1, 2013	10% of the share capital or 5% for shares purchased with a view to their retention and subsequent tendering by way of payment or exchange within the context of external growth operations, within the limit of 200 million euros	-	-	Within the framework of the liquidity contract (section 6.2.3.2)
14th	Delegation of authority	Issue of securities with preferential subscription right	26 months August 1, 2014	70 million euros in the event of a capital increase	-	210 million euros	-
				200 million euros in the event of the issue of debt securities	-	200 million euros	-
15th	Delegation of authority	Issue of securities without preferential subscription right as part of a public purchase offer	26 months August 1, 2014	70 million euros in the event of a capital increase	70 million euros	210 million euros	-
				200 million euros in the event of the issue of debt securities	200 million euros	200 million euros	
16th	Delegation of authority	Issue of securities without preferential subscription right for private placement	26 months August 1, 2014	20 % of the share capital par an in the event of a capital increase	70 million euros	210 million euros	-
				200 million euros in the event of the issue of debt securities	200 million euros	200 million euros	
17th	Authorization	Free determination of the issue price in case of an issue of securities without preferential subscription right as part of a public purchase offer or for private placement	26 months August 1, 2014	10 % of the share capital par an in the event of a capital increase	70 million euros	210 million euros	-
				200 million euros in the event of the issue of debt securities	200 million euros	200 million euros	
18th	Delegation of authority	Increase in the number of securities to be issued in the event of a capital increase with or without preferential subscription right in compliance with the 14th, 15th, 16th and 17th resolutions in the event of oversubscription	26 months August 1, 2014	15% of the initial issue for each issue decided pursuant to the 14th, 15th, 16th and 17th resolutions, within the limit of the threshold provided in the resolution pursuant to which the issue is decided	-	210 million euros	-
						200 million euros	
19th	Delegation of authority	Issue, without preferential subscription right, pursuant to the issue by the Company's subsidiaries, of securities granting a right to hold a stake in the Company's share capital	26 months August 1, 2014	17.5 million euros	70 million euros	210 million euros	-
20th	Delegation of authority	Capital increase through capitalization of reserves, profits, premium or other sums eligible for capitalization	26 months August 1, 2014	Total amount of the sums that may be incorporated into the share capital in accordance with regulations in force	-	-	-
21st	Delegation of authority	Issue of securities as part of a public exchange offer issued by the Company	26 months August 1, 2014	70 million euros in the event of a capital increase	70 million euros	210 million euros	-
				200 million euros in the event of the issue of debt securities	200 million euros	200 million euros	
22nd	Authorization	Issue of securities in payment for contributions in kind	26 months August 1, 2014	10% of the share capital in the event of a capital increase	70 million euros	210 million euros	
				200 million euros in the event of the issue of debt securities	200 million euros	200 million euros	

Resolution	Delegation type	Purpose	Term and validity period	Threshold (authorized nominal amount)	Common threshold	Overall threshold	Use at December 31, 2012
23rd	Authorization	Grant of share subscription and/or purchase options to the benefit of staff members and corporate officers	38 months August 1, 2015	5% of the share capital at the date of the Board of Directors' decision The number of options granted to the executive corporate officers of the Company may not represent more than 10% of the total allocations	5 % of the share capital at the date of the Board of Directors' decision	210 million euros	-
24th	Authorization	Grant of free shares to the benefit of staff members and corporate officers	38 months August 1, 2015	5% of the share capital at the date of the Board of Directors' decision	5 % of the share capital at the date of the Board of Directors' decision	210 million euros	Grant of 1,900,000 free shares to staff members and corporate officers (section 6.2.5.2)
26th	Authorization	Reduction of the share capital through share cancellation	18 months December 1, 2013	10% of the share capital at the date of the Board of Directors' decision for each period of 24 months	-	-	-
27th	Delegation of authority	Issue securities without preferential subscription right to the benefit of a specific category of people ensuring the underwriting of securities of the Company	Maximum period provided in Article L. 225-138 of the French Commercial Code	10% of the share capital	-	-	-

To read the full report on resolutions voted at the General Meeting dated June 1, 2012, refer to section 6.1 of THEOLIA's 2011 Registration Document, filed with the AMF on April 27, 2012 and available on the Company's Website.

6.2.5 Options or agreements concerning the Company's share capital

At December 31, 2012, the optional mechanisms likely to affect the Company's share capital are:

- 8,228,470 OCEANEs, which may enable the maximum issuance of 35,546,990 new shares;
- 1,900,000 free shares, which may enable the maximum issuance of 1,900,000 new shares;
- 2,310,000 stock options, which may enable the maximum issuance of 1,155,000 new shares; and
- 276,916 stock warrants, which may enable the maximum issuance of 167,336 new shares.

The maximum number of shares that may be created at December 31, 2012 is 38,769,326 new shares.

6.2.5.1 OCEANEs

On October 23, 2007, THEOLIA floated an issue of convertible bonds (OCEANEs) maturing on January 1, 2014, which was the object of a prospectus approved by the AMF on October 23, 2007 under number 07-0368. The terms of this convertible bond were modified in accordance with the prospectus number 10-198 dated June 23, 2010.

The main new terms of the OCEANEs are as follows:

- the power conferred on the bondholders to request the early buyback of all or part of their OCEANEs was postponed from January 1, 2012 to January 1, 2015; the early buyback price fell from €21.94 to €15.29 per OCEANE;
- any outstanding OCEANEs shall be redeemed in full at the price of €20.77 per OCEANE on January 1, 2041. The normal redemption of the OCEANEs was initially slated for January 1, 2014 at the price of €22.54 per OCEANE;
- at any time and until the seventh business day preceding December 31, 2013, each OCEANE can be converted into 4.32 new shares or exchanged for 4.32 outstanding shares of the Company (rate amended pursuant to the Company's share consolidation plan implemented on July 20, 2012 – see section 6.2.1 hereof). From January 1, 2014 and until the seventh business day preceding December 31, 2014, each OCEANE can be converted into 3.46 new shares or exchanged for 3.46 outstanding shares of the Company (rate amended pursuant to the Company's share consolidation plan implemented on July 20, 2012 – see section 6.2.1 hereof). OCEANEs shall no longer be converted as from January 1, 2015;
- As long as the OCEANEs are not converted, repurchased, exchanged or redeemed, they are entitled to the payment of accrued interest paid annually in arrears and applied to the new unit par value of the OCEANEs, i.e. €19.03, under the following conditions:
    - From July 20, 2010 to December 31, 2014 at an annual rate of 2.7%; and
    - From January 1, 2015 at an annual rate of 0.1%.

For further information on the changes in the terms of the OCEANEs, please refer to the securities note number 10-198 dated June 23, 2010, available on the Company's Website.

During fiscal year 2012, 210,936 OCEANEs were converted, which gave rise to the creation of 957,448 new shares. At December 31, 2012, 8,228,470 OCEANEs are outstanding. In the event of conversion of these OCEANEs by the seventh business day preceding December 31, 2013, that would lead to the creation of 35,546,990 new shares and would cancel the convertible debt to be reimbursed. In the event none of these OCEANEs would be converted by December 31, 2014, the maximum amount to be reimbursed by THEOLIA would be 125.8 million euros, should the bondholders request it on January 1, 2015.

Since December 31, 2012, 1,052 OCEANEs were converted, which gave rise to the creation of 4,544 new shares.

6.2.5.2 Performance shares

At December 31, 2011, 475,000 free shares were outstanding, which were subject to attendance and performance criteria and were in the process of being granted. The Board of Directors, during its meeting dated March 28, 2012, definitively granted 441,638 free shares. The remainder, i.e. 33,362 shares, was not granted. The corresponding shares were not created.

Based on the authorization granted by the General Meeting of Shareholders dated June 1, 2012 in its twenty-fourth resolution, the Board of Directors, during its meeting dated December 10, 2012, freely granted 1,000,000 performance shares to staff members of the Group and 900,000 performance shares to the CEO. Definitive acquisition of these shares is subject to attendance and performance conditions. Performance conditions are associated with reaching operational, financial and stock performance targets, relating to fiscal years closed on December 31, 2012 and December 31, 2013.

The timeframe of this performance share plan is four years as from December 10, 2012, which corresponds, depending on the countries, either to a two-year acquisition period, followed by a two-year holding period, or to a four-year acquisition period without holding period.

Performance shares granted to staff members or corporate officers

Date of plan issue	December 10, 2012
Total number of non-acquired shares	
Total number of granted shares	1,900,000
of which to corporate officers	900,000
of which to the first 10 beneficiary staff members	326,950
Number of beneficiaries (corporate officers and staff members of the Group)	68
Valuation of shares for all beneficiary staff members	484,763 euros
Share acquisition date	December 10, 2014 or December 10, 2016 (1)
Maturity date of the holding period	December 10, 2016
Number of cancelled shares	-
Number of non-tradable shares granted	-
Number of tradable shares granted	-
Attendance conditions	Yes
Performance conditions	operational, financial and stock performance conditions, relating to fiscal years ended December 31, 2012 and December 31, 2013

(1) *Corresponding, depending on the countries, either to a two-year acquisition period, followed by a two-year holding period, or to a four-year acquisition period without holding period*

6.2.5.3 Stock options

On December 1, 2010, the Board of Directors allocated, according to the principle of profit-sharing associated to the creation of value for shareholders, 1,500,000 stock options to the CEO, subject to stock performance conditions.

The Board of Directors of July 29, 2011 allotted 810,000 stock options, subject to stock performance conditions, to few employees of the Group.

The Board of Directors did not grant any stock options during fiscal year 2012.

Pursuant to the Company's share consolidation plan implemented on July 20, 2012, the exchange ratio related to the stock options granted during fiscal years 2010 and 2011 went from 1 to 0.5 and the thresholds for exercising the options set according to the stock price were doubled. The 2,310,000 outstanding stock options at December 31, 2012 may therefore only give rise to the creation of a maximum of 1,155,000 new shares.

6.2.5.4 Stock warrants

During fiscal year 2012, no stock warrant was allocated or exercised. On the other hand, 1,785,190 stock warrants matured during fiscal year 2012 without being exercised and were therefore cancelled.

At December 31, 2012, 276,916 stock warrants were outstanding, enabling the maximum issue of 167,336 new shares in case they are exercised.

It is stated that 118,730 stock warrants matured on January 1, 2013 without being exercised and were therefore cancelled.

Out of the outstanding 158,186 stock warrants at the date of publication hereof, 108,186 (or 68%) will mature by the end of 2013, the remainder maturing by the end of 2014.

Details relating to the stock warrants may be found in the notes to the consolidated financial statements (see Section 5.1.6 hereof).

Apart from the aforementioned mechanisms, to the best of the Company's knowledge, no other optional mechanisms exist that are likely to have an effect on the Company's share capital.

6.3 OWNERSHIP STRUCTURE

6.3.1 Main shareholders

The Concert

Since early 2010, a group of shareholders (the “Concert”), made up of Michel Meeus, Pierre Salik, Brigitte Salik and the CRC Active Value Fund Ltd company, entered into agreements that constitute an action in concert.

It is reminded that on March 19, 2010, upon proposal from the Concert, Fady Khallouf and Michel Meeus were appointed Directors of the Company. On May 20, 2010, Fady Khallouf was appointed CEO of the Company and on July 26, 2010, Michel Meeus was appointed Chairman of the Company’s Board of Directors.

Distribution of the share capital and voting rights

At December 31, 2012, the Company’s share capital was distributed as follows:

	Number of shares	% of share capital	Number of voting rights	% of total voting rights
Concert	8,580,261	13.22	20,817,296	15.47
Michel Meeus	3,622,081	5.58	8,581,412	6.38
Pierre Salik	3,197,778	4.93	7,773,344	5.77
Brigitte Salik	1,758,527	2.71	4,458,790	3.31
CRC Active Value Fund Ltd	1,875	ns	3,750	ns
Others	56,305,573	86.78	113,790,151	84.53
TOTAL	64,885,834	100.00	134,607,447	100.00

At December 31, 2012, the Company was holding 210,509 consolidated shares and 1 non-consolidated share, representing 0.32 % of the share capital.

The number of shares held by each member of the Board of Directors is specified in section 2.3.4 hereof.

At December 31, 2012, to the best of the Company’s knowledge, the percentage of the share capital held by staff members of the Group is not significant.

At December 31, 2011 (before the share consolidation plan, which was implemented on July 20, 2012, at a ratio of two old shares becoming one new share), the Company’s share capital was distributed as follows:

	Number of shares	% of share capital	Number of voting rights	% of total voting rights
Concert	17,160,524	13.45	17,160,524	13.32
Michel Meeus	7,244,162	5.68	7,244,162	5.62
Pierre Salik	6,395,557	5.01	6,395,557	4.96
Brigitte Salik	3,517,055	2.76	3,517,055	2.73
CRC Active Value Fund Ltd	3,750	ns	3,750	ns
APG Algemene Pensioen Groep NV	10,399,597	8.15	10,399,597	8.07
Others	100,031,026	78.40	101,277,880	78.61
TOTAL	127,591,147	100.00	128,838,001	100.00

On January 19, 2012 (before two old shares were consolidated into one new share on July 20, 2012), APG Algemene Pensioen Groep NV reported the AMF that it held 4,980,309 THEOLIA shares representing as many voting rights, or 3.90% of the Company’s share capital and 3.87% of its voting rights. Since then, those shares were sold on the market.

Notifications by the Company's corporate officers to the AMF during fiscal year 2012

Fady Khallouf, CEO, notified the AMF of the acquisition of 60,000 shares on June 29, 2012 (before two old shares were consolidated into one new share on July 20, 2012). This acquisition brought to 300,000 shares the total number of shares held by Fady Khallouf before two old shares were consolidated into one new share on July 20, 2012.

Since the share consolidation plan was implemented on July 20, 2012, Fady Khallouf has been holding 150,000 THEOLIA shares.

Threshold crossing notifications reported to the AMF since January 1, 2013

According to the notification reported to the AMF on February 28, 2013, Yves Jacquin Depeyre stated having crossed upwards, indirectly via the Ylliade Groupe and Société Civile Centrale de Participations Immobilières ("SCCPI") companies, over which he has full control:

- on February 25, 2013, the threshold of 5% of the share capital, holding 3,282,635 shares representing 6,565,270 voting rights, or 5.06% of the share capital and 4.88% of the voting rights; and
- on February 26, 2013, the threshold of 5% of the voting rights, holding 3,419,635 shares representing 6,839,270 voting rights, or 5.27% of the share capital and 5.08% of the voting rights.

On the basis of the notification reported to the AMF on March 1, 2013, the Ylliade Groupe company stated having crossed upwards, individually, the thresholds of 5% of the share capital and voting rights, holding 3,367,672 shares representing 6,735,344 voting rights, or 5.19% of the share capital and 5.01% of the voting rights.

At March 1, 2013, Yves Jacquin Depeyre's share in THEOLIA's share capital, directly and indirectly via the companies over which he has full control, was distributed as follows:

	Number of shares	% of share capital	Number of voting rights	% of total voting rights
Ylliade Groupe	3,367,672	5.19	6,735,344	5.01
SCCPI	593,963	0.91	1,187,926	0.88
Yves Jacquin Depeyre	36,000	0.05	72,000	0.05
TOTAL	3,997,635	6.16	7,995,270	5.94

6.3.2 Shareholder agreements on the securities composing the Company's share capital

Exception made of the aforementioned action in concert, the Company is not aware of other shareholder agreements on the securities composing its share capital.

6.3.3 Agreements that may bring about a change in the Company's control

Exception made of the following information, the Company is not aware of agreements which implementation may, at a later date, bring about a change in its control.

6.3.4 Elements which may affect the Company's control

6.3.4.1 Double voting rights

Pursuant to Article 23 of the Company's Articles of Incorporation, a double voting right, with respect to the one allocated to the other shares, in proportion to the quota of share capital they represent, is allocated to all fully paid-up shares for which there is proof of registration for at least two years in the name of the same shareholder, who shall be either a French citizen or a citizen of a member state of the European Union.

In the event of a capital increase through the capitalization of reserves, profits or issue premiums, this double voting right shall apply, as from their issue date, to any new bonus shares granted to a shareholder, in proportion to the previous shares for which he/she already benefits from this right.

Any share whose ownership is transferred loses the double voting right, subject to the exceptions provided by law.

Subject to the aforementioned double voting right, the number of votes attached to the shares is calculated in proportion to the quota of share capital they represent.

Hence, since the Company's share consolidation plan was implemented on July 20, 2012 and until the end of a two-year period following this date, any non-consolidated share with single voting right enables its owner to one vote, any non-consolidated share with double voting right enables its owner to two votes, any consolidated share with single voting right enables its owner to two votes and any consolidated share with double voting right enables its owner to four votes.

6.3.4.2 Statutory restrictions on the exercise of voting rights

Pursuant to Article 7.4 of the Company's Articles of Incorporation, any natural or legal person, acting individually or in concert, who comes to hold, directly or indirectly, a percentage of the share capital, voting rights or securities giving future access to the Company's share capital, equal or superior to 0.5% or a multiple of this percentage, is required to notify the Company, by registered letter with acknowledgement of receipt, of the number of voting rights and securities giving access, now or in the future, to the share capital, that he/she is holding, as well as the attached voting rights, within five trading days as from the day those thresholds were crossed. In each aforementioned notification, the declarant shall certify that the notification actually includes all the securities that he/she holds. The acquisition date(s) shall also be specified.

In the event the aforementioned notification is not made, shares in excess of the threshold which should have been notified might be deprived of voting rights at the general meetings of shareholders, under the conditions provided by law if, during a general meeting, the failure to notify has been recorded in the minutes and if one or several shareholders, holding jointly at least 5% of the Company's share capital or voting rights, expressly request for it during the general meeting.

6.3.4.3 Statutory restrictions on share transfers

The Company's Articles of Incorporation do not contain any restriction on the transfer of shares.

6.3.4.4 Powers of the Board of Directors to issue or buy back shares

The General Meeting of Shareholders dated June 1, 2012 empowered the Board of Directors with the delegations and authorizations enabling it to issue securities, reduce the share capital or buy back shares, subject to certain conditions. All pending delegations and authorizations, as well as the use made out of them at the registration date hereof, are specified in section 6.2.4 hereof.

6.3.5 Agreements entered into by the Company that would be amended or terminated in the event of a change in control of the Company

Some of the Company's financing arrangements provide for early repayment in the event of a change in the control of the Company. This is the case of the OCEANEs issued in October 2007 and modified in 2010, the new principal provisions of which are presented in Section 6.2.5.1 hereof.

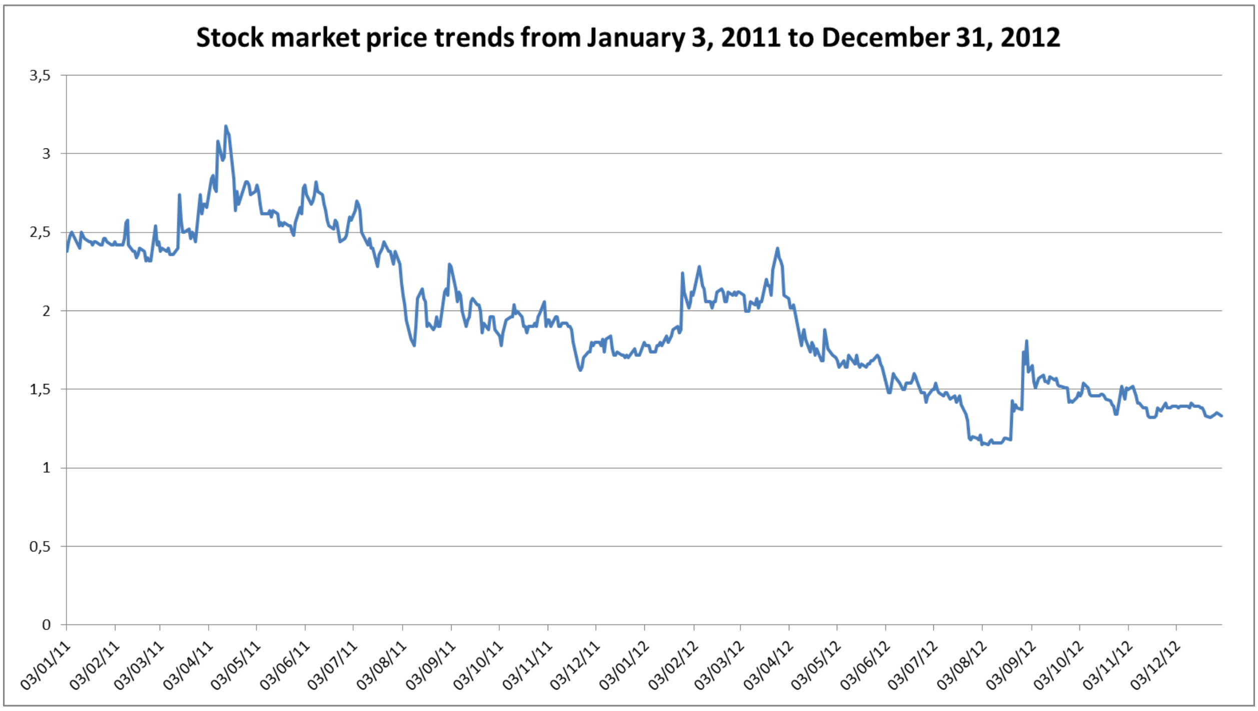
For further information on the change in the terms of the OCEANEs, please refer to the securities note number 10-198 dated June 23, 2010, available on the Company's Website.

6.4 STOCK MARKET INFORMATION

TEO
LISTED
NYSE
EURONEXT

The THEOLIA share is listed on the C compartment of NYSE Euronext Paris (regulated market) under the TEO ticker.

Stock market price trends from January 3, 2011 to December 31, 2012 are shown below:



Given the share consolidation plan implemented on July 20, 2012 (2 old shares consolidated in 1 new share), stock market prices before July 20, 2012 were adjusted accordingly.

7 Additional information

7. ADDITIONAL INFORMATION

7.1 DOCUMENTS AVAILABLE TO THE PUBLIC

The Company's Articles of Incorporation, as well as minutes of the general meeting of shareholders, the parent company and consolidated financial statements, the Statutory Auditors' reports and any other corporate documents may be consulted in paper form at the Company's registered address.

All the information made public by the Group pursuant to Article 221-1 of the General Regulations of the AMF and Article 225-73-1 of the French Commercial Code are available on the Company's Website: www.theolia.com and a copy may be obtained at the Company's registered office, 75 rue Denis Papin - PO Box 80199 – F-13795 Aix-en-Provence Cedex 3, France.

7.2 SPECIAL REPORT ON FREE SHARES

This Registration Document contains all the elements of the Board of Directors' special report on free shares which are required under the terms of Article L. 225-197-4 of the French Commercial Code, as follows:

- number and value of the shares freely awarded by the Company and its affiliates (in the meaning of Article L.225-197-2), during fiscal year 2012, to the corporate officers according to the assignments and duties held within the Company: see Sections 2.3.1.3, 5.1.6 note 21 and 6.2.5.2 hereof;
- number and value of the shares freely awarded by controlled entities (in the meaning of Article L.233-16), during fiscal year 2012 to the corporate officers, according to the assignments and duties held within the Company: none;
- number and value of the shares freely awarded by the Company and its affiliates (in the meaning of Article L.225-197-2), during fiscal year 2012, to the ten employees of the Group who are not executive corporate officers for whom the number of shares thus granted is the highest: see Section 6.2.5.2 hereof; and
- number and value of the shares freely awarded by the companies mentioned in the preceding paragraph to all the beneficiary employees, as well as their number: see Section 6.2.5.2 hereof.

7.3 SPECIAL REPORT ON STOCK OPTIONS OR DISCOUNTED SHARES

This Registration Document includes all elements of the special report of the Board of Directors on stock options or discounted shares as required pursuant to Article L. 225-184 of the French Commercial Code, as follows:

- number, maturity dates and price of stock options or discounted shares granted, by the Company and its affiliates (in the meaning of Article L.225-180), during fiscal year 2012, to the corporate officers, according to the assignments and duties held within the Company: none;
- number, maturity dates and prices of stock options or discounted shares granted by controlled entities (in the meaning of Article L.233-16), during fiscal year 2012 to the corporate officers, according to the assignments and duties held within the Company: none;
- number and price of stock options or discounted shares purchased by the Company's corporate officers, during fiscal year 2012, by exercising one or more of the options they held on the companies covered in the two preceding sections: none;
- number, maturity dates and price of stock options or discounted shares granted by the Company and its affiliates (in the meaning of Article L.225-180), during fiscal year 2012, to the ten employees who are not corporate officers, for whom the number of options thus granted is the highest: none;
- number and price of shares subscribed or purchased, during fiscal year 20121, by exercising one or more options held on the companies mentioned in the preceding paragraph, by each of the Group's ten employees who are not corporate officers, for whom the number of shares thus purchased or subscribed is the highest: none;
- number, maturity dates and price of stock options or discounted shares granted by companies mentioned in the preceding paragraph, during fiscal year 2012, to all beneficiary employees, as well as their number: none.

7.4 HISTORICAL FINANCIAL INFORMATION INCORPORATED BY REFERENCE

7.4.1 Fiscal year ended on December 31, 2010

Pursuant to Article 28-1 section 5 of (EC) Regulation 809/2004 of the European Commission of April 29, 2004, the Group's consolidated financial statements for the year ended on December 31, 2010 (prepared in accordance with IFRS standards, including comparative data for fiscal year 2009 under the same standards), and the related Auditors' report, are incorporated by reference in this Registration Document. They appear in Section 4.2 of the Company's Registration Document registered with the AMF on November 9, 2011 under No. R 11-062.

7.4.2 Fiscal year ended on December 31, 2011

Pursuant to Article 28-1 section 5 of (EC) Regulation 809/2004 of the European Commission of April 29, 2004, the Group's consolidated financial statements for the year ended on December 31, 2011 (prepared in accordance with IFRS standards, including comparative data for fiscal year 2010 under the same standards), and the report of the Statutory Auditors relating thereto, are included by reference in this Registration Document. They appear in Section 4.1 of the Company's Registration Document registered with the AMF on April 27, 2012.

7.5 CERTIFICATION OF THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Having adopted all reasonable measures for such purpose, I certify that the information contained in this Registration Document, to the best of my knowledge, faithfully reflects reality and does not contain any omission that could have a significant impact upon it.

I certify, to the best of my knowledge, that the financial statements have been prepared in accordance with the applicable accounting standards and fairly present the assets and liabilities, financial position and income of the Company and of all consolidated entities, and that the Management Report, included in this Registration Document, the cross-reference table of which can be found in Section 7.7.1 hereof, gives a true and fair view of the business performance, income and financial position of the Company and of all consolidated entities, together with a description of the main risks and uncertainties they are facing.

I have obtained the final report from the Statutory Auditors, indicating that they have verified the information on the financial conditions and financial statements provided in this Registration Document and that they read the entire Registration Document.

- The Auditors' report on the consolidated financial statements at December 31, 2010 and appearing in Section 4.2.7 of the 2010 Registration Document contains the following observations: "Without calling into question the opinions expressed above, we direct your attention to note 2 "Accounting Principles" in the notes to the consolidated financial statements, which describes the changes in accounting methods resulting from the application of new standards and interpretations which came into force on January 1, 2010";
- The Auditors' report on the consolidated financial statements at December 31, 2011 and appearing in Section 4.1.7 of the 2011 Registration Document does not contain any specific observations;
- The Auditors' report on the consolidated financial statements at December 31, 2012 and appearing in Section 5.2 hereof does not contain any specific observations.

In Aix en Provence, on April 29, 2013

Fady Khallouf, CEO

7.6 PERSONS RESPONSIBLE FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND FEES

7.6.1 Principal Statutory Auditors

7.6.1.1 Deloitte & Associés

Les Docks – Atrium 10.4 – 10 place de la Joliette – 13002 Marseilles, France

Represented by Christophe Perrau

Initial Date of Appointment:	combined general meeting of shareholders of November 28, 2005 for the remaining term of office of its predecessor, that is, until the ordinary general meeting of the shareholders called upon to rule on the financial statements for fiscal year closed on December 31, 2007.
Last renewal:	combined general meeting of May 30, 2008 for a term of six fiscal years, expiring at the end of the ordinary general meeting of shareholders to be held in 2014 to rule on the financial statements of fiscal year closed on December 31, 2013.

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

7.6.1.2 Didier Kling & Associés

41, avenue de Friedland – 75008 Paris, France

Represented by Didier Kling and Christophe Bonte

Initial Date of Appointment:	ordinary meeting of shareholders of December 17, 2010 for the remaining term of office of its predecessor, i.e. until the ordinary general meeting of shareholders called in 2012 to approve the financial statements of fiscal year closed on December 31, 2011.
First renewal:	combined general meeting of June 1, 2012 for a term of six fiscal years, expiring at the end of the ordinary general meeting of shareholders to be held in 2018 to rule on the financial statements of fiscal year closed on December 31, 2017.

Didier Kling & Associés is a member of the Regional Society of Auditors of Paris.

7.6.1.3 Principal Statutory Auditors having resigned or not having been renewed during the last three fiscal years

On June 28, 2010, the Coexcom company, Principal Statutory Auditor since August 31, 2009, submitted its resignation to the Company, which was effective when the half-yearly 2010 financial statements were closed, i.e. September 2, 2010. Having agreed to it with the Company, the Coexcom company confirmed, in a letter dated November 17, 2010, that its resignation would only be effective as of December 17, 2010, or at the end of the ordinary general meeting of shareholders called to appoint a new principal statutory auditor. The Coexcom company had been appointed deputy statutory auditor during the combined general meeting of shareholders of November 28, 2005 for a six-year term expiring at the end of the ordinary general meeting of shareholders to be held in 2012 to approve the financial statements for the year ending December 31, 2011. Pursuant to the law, the Coexcom company was automatically appointed Principal Statutory Auditor on August 31, 2009, when the former Principal Statutory Auditor's resignation came into force.

7.6.2 Alternate Statutory Auditors

7.6.2.1 SARL BEAS

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

Initial Date of Appointment:	combined general meeting of shareholders of November 28, 2005 for the remaining term of office of its predecessor, that is, until the ordinary general meeting of shareholders called to rule on the financial statements for the fiscal year closed on December 31, 2007.

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

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

7.6.2.2 FICOREC Audit

327 boulevard Michelet, 13009 Marseilles, France

Initial Date of Appointment: ordinary general meeting of shareholders of December 17, 2010 for the remaining term of office of its predecessor, i.e. until the ordinary general meeting of shareholders called in 2012 to approve the financial statements for the fiscal year closed on December 31, 2011.

First renewal: combined general meeting of June 1, 2012 for a term of six fiscal years, expiring at the end of the ordinary general meeting of shareholders to be held in 2018 to rule on the financial statements of the fiscal year closed on December 31, 2017.

FICOREC Audit is a member of the Regional Society of Auditors of Marseilles.

7.6.2.3 Alternate Statutory Auditors having resigned or not having been renewed during the last three fiscal years

After the Coexcom company was appointed Principal Statutory Auditor on August 31, 2009, the Company's annual general meeting of shareholders held on June 1, 2010 had appointed Ernst and Young et Autres as Deputy Statutory Auditor for the remaining term of its predecessor, i.e. until the end of the general meeting of shareholders scheduled for 2012 to approve the financial statements for the fiscal year ended on December 31, 2011. With a letter dated November 30, 2010, Ernst & Young et Autres notified the Company that its resignation would be effective on December 17, 2010.

7.6.3 Fees paid to Statutory Auditors

	2011		2012		
(in euros excl. tax)	DELOITTE & ASSOCIÉS	KLING & ASSOCIÉS	DELOITTE & ASSOCIÉS	KLING & ASSOCIÉS	Variation
Audit					
Audit of the financial statements, certification, review of individual and consolidated financial statements					
Issuer	280,001	170,000	280,001	130,000	-40,000
Non-wind activity subsidiaries	20,400	17,400	20,400	17,400	-
Wind activity subsidiaries	93,040	96,040	84,540	94,540	-10,000
Wind activity foreign subsidiaries	202,486	-	162,500	-	-39,986
Statutory Auditors' sub-total	595,927	283,440	547,441	241,940	-89,986
Accessory missions					
Issuer	9,500	11,039	3,000	-	-17,539
Subsidiaries	3,000	4,000	8,000	11,000	12,000
Accessory missions' sub-total	12,500	15,039	11,000	11,000	-5,539
Other diligences					
Other diligences' sub-total	-	-	-	-	-
TOTAL	608,427	298,479	558,441	252,940	-95,525
TOTAL	906,906		811,381		-95,525

7.7 CROSS-REFERENCE TABLES

7.7.1 Cross-reference table for the Management Report

To facilitate the reading of the Management Report, the following table of topics identifies, in this Registration Document, the information required pursuant to Articles L.225-100 et seq. of the French Commercial Code.

		§
	REPORT ON ACTIVITY	
1.	Position and activity of the Company during the previous fiscal year	4.1, 4.6
2.	Objective and complete analysis of changes in its business, results and financial position	4.1, 4.6
3.	Principal risks and uncertainties	4.4
4.	Indications on the use of financial instruments	4.1.3
5.	Significant events occurring between the end of the fiscal year and the date the report was prepared	4.7.1
6.	Research and development activities	4.1.5
7.	Anticipated change in the Company's position, and future prospects	4.7.2, 4.7.3
8.	Payment deadlines for accounts payable	4.6.1.2
9.	Results of the activities of the Company, its subsidiaries, and the companies it controls	4.1, 4.6
10.	Key financial performance indicators	4.1, 4.6
	GOVERNANCE	
11.	Entity chosen to exercise the Company's general management	2.1
12.	List of all assignments or duties exercised within all companies during the previous fiscal year, by each corporate officer	2.4
13.	Compensation and benefits of any kind paid to each corporate officer during the previous fiscal year	2.3
14.	Breakdown of fixed, variable and non-recurring items comprising such compensation and benefits, as well as calculation criteria	2.3
15.	Commitments of any kind assumed by the Company in favor of its corporate officers	2.1, 2.3
16.	Transactions performed by corporate officers and parties closely associated with the latter, involving Company stock	2.3.5
17.	Adjustment of the conversion bases and conditions for the subscription or exercise of stock options or discounted shares	6.2.5
	SHAREHOLDER STRUCTURE AND CAPITAL	
18.	Composition of the shareholder structure and changes occured during the fiscal year	6.3.1
19.	Statement of employee stock holdings at the last day of the previous fiscal year	6.3.1
20.	Amount of dividends and other income distributed and paid out during the last three fiscal years	4.1.6
21.	Information on the profit-sharing premium	None
22.	Factors likely to have an impact in the event of a public offering	6.3
23.	Transactions performed by the Company involving its own shares	6.2.3
24.	List of Company subsidiaries and controlled companies	5.1.6
25.	Significant interests or control assumed during the fiscal year in companies having their corporate headquarters on the French territory	None
26.	Disposals of shares occurring for purposes of adjusting cross-holdings	None

	CORPORATE SOCIAL RESPONSIBILITY	
27.	Information on how the Company takes into consideration the social and environmental consequences of its activities	3
28.	Key environmental and social indicators	3
29.	Company commitments in favor of sustainable development	3
30.	Information on fight against discrimination and the promotion of diversity	3.3.7
31.	Information on facilities classified in the “Seveso” high-risk category (polluting or risky activity)	None
	OTHER INFORMATION	
32.	Injunctions or monetary penalties for anti-competitive practices	None
33.	Sumptuary expenses	None
34.	Table of income for the last five fiscal years	4.6.2
35.	Information on plans for stock options granted to corporate officers and employees	2.3.1.3, 2.3.2, 3.3.2, 5.1.6, 6.2.5.3
36.	Information on allocations of free shares to corporate officers and employees	2.3.1.3, 2.3.2, 3.3.2, 5.1.6, 6.2.5.2
37.	Table of current authority with respect to capital increases and the use of such authority during the fiscal year	6.2.4

7.7.2 Cross-reference table for the Annual Financial Report

To facilitate the reading of the Annual Financial Report, the following table of topics identifies, in this Registration Document, the main information required pursuant to Articles L.451-1-2 of the French Monetary and Financial Code and 222-3 of the general Regulations of the *Autorité des Marchés Financiers.*

		§
1.	Parent company financial statements	5.3
2.	Consolidated financial statements	5.1
3.	Management Report	
3.1	Information mentioned in Articles L.225-100 and L.225-100-2 of the French Commercial Code	
	• Analysis of changes in the business, results and financial position	4.1, 4.6
	• Key indicators of human and environmental resources	3
	• Principal risks and uncertainties	4.4
	• Summary table of the current authority granted by the General Meeting of Shareholders to the Board of Directors for capital increases	6.2.4
3.2	Information mentioned in Article L.225-100-3 of the French Commercial Code	
	• Factors likely to have an impact in the event of a public offering	6.3
3.3	Information mentioned in Article L.225-111 of the French Commercial Code	
	• Company purchases of its own shares	6.2.3
4.	Statement by individuals responsible for the Annual Financial Report	7.5
5.	Statutory Auditors’ report on the corporate and consolidated financial statements	5.4, 5.2
6.	Communication regarding the Statutory Auditors’ fees	7.6.3
7.	Chairman of the Board of Directors’ report on company governance, internal control procedures and risk management	2.1
8.	Statutory Auditors’ report on the Report by the Chairman of the Board of Directors	2.2

7.7.3 Cross-reference table for the Registration Document

In order to facilitate comprehension hereof, the following thematic table will help the reader identify the minimum categories of information required according to Annex I of Regulation No. 809/2004 of the European Commission of April 29, 2004.

		§
1.	PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT	
1.1	Name and function of the persons responsible for the document	7.5
1.2	Declaration of the responsible persons	7.5
2.	STATUTORY AUDITORS	
2.1	Names and addresses of the Statutory Auditors	7.6.1, 7.6.2
2.2	Statutory Auditors having resigned, having been dismissed or not having been renewed during the last three fiscal years	7.6.1.3, 7.6.2.3
3.	SELECTED FINANCIAL INFORMATION	1.6
4.	MAIN RISK FACTORS	4.4
5.	INFORMATION CONCERNING THE ISSUER	
5.1	Information related to the Company	1.3
5.2	Investments	4.2
6.	SUMMARY OF ACTIVITIES	
6.1	Main activities	1.2
6.2	Main markets	1.4
6.3	Exceptional events	4.1.1
6.4	Extent of the Company's reliance on patents, licenses, industrial, commercial or financial agreements or new manufacturing technologies	4.4
6.5	Statements made by the Company regarding its competitive position	1.5
7.	ORGANIZATIONAL CHART	
7.1	Brief description of the Group	Note to Chapter 1
7.2	List of important subsidiaries	Note to Chapter 1
8.	REAL ESTATE AND EQUIPMENT	
8.1	Significant tangible assets	1.2.1.5
8.2	Environmental constraints which could influence the Group's use of its fixed assets	3.2
9.	OPERATING AND FINANCIAL REVIEW	
9.1	Financial position	4.1, 4.6
9.2	Operating income	4.1, 4.6
10.	FINANCIAL STRUCTURE	
10.1	Information on capital	4.1.3, 4.6.1.2
10.2	Source and amount of cash flows	4.1.4, 4.6.1.3
10.3	Information on borrowing requirements and funding structure	4.1.3
10.4	Restrictions on the use of capital resources that have affected or could materially affect the Company's operations	4.1.3.2
10.5	Anticipated sources of funds needed to fulfill firm investment commitments undertaken by the management, as well as those concerning planned tangible assets	1.5, 4.1.3, 4.7.2
11.	RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES	4.1.5
12.	INFORMATION ON TRENDS	4.7
13.	PROFIT FORECASTS AND ESTIMATES	4.7.3

14.	ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND GENERAL MANAGEMENT	
14.1	Composition and operation of management and supervisory bodies	2.1
14.2	Conflicts of interest	2.6
15.	COMPENSATION AND BENEFITS	
15.1	Sum of compensation paid and benefits in kind	2.3
15.2	Total sum provisioned or stated for payment of pensions, retirement or other benefits	2.3
16.	OPERATING PROCEDURES OF THE ADMINISTRATIVE AND MANAGEMENT BODIES	
16.1	Date of expiration of current terms of office	2.4
16.2	Service agreement binding on the members of the Board of Directors	None
16.3	Information on Committees	2.1
16.4	Declaration of compliance with the code of corporate governance	2.1
17.	EMPLOYEES	
17.1	Number of employees	3.3.1
17.2	Equity holdings and stock options of corporate officers	2.3.1.3, 3.2.2, 2.3.4, 2.3.5
17.3	Arrangements involving the employees in the Company's share capital	None
18.	MAIN SHAREHOLDERS	
18.1	Shareholders holding more than 5% of the share capital or the voting rights	6.3.1
18.2	Existence of different voting rights	6.3.4
18.3	Control over the Company	6.3
18.4	Agreements known by the Company whose implementation may bring about a change in control	6.3.3, 6.3.4
19.	TRANSACTIONS WITH RELATED-PARTIES	2.5
20.	FINANCIAL INFORMATION CONCERNING THE COMPANY'S ASSETS, FINANCIAL SITUATION AND INCOME	
20.1	Historical financial information	7.4
20.2	Pro forma financial information	None
20.3	Financial statements	5.1, 5.3
20.4	Verification of annual historical financial information	5.2, 5.4
20.5	Date of latest financial information	2012/12/31
20.6	Interim financial and other information	None
20.7	Dividend distribution policy	4.1.6, 6.1.10
20.8	Litigation and arbitration	4.5
20.9	Significant change in the financial or commercial situation	4.7.1
21.	ADDITIONAL INFORMATION	
21.1	Share capital	6.2
21.2	Deed of Incorporation and Articles of Incorporation	6.1.6, 6.1.7, 6.1.8, 6.1.9, 6.1.10
21.3	Non-equity securities	None
22.	MATERIAL CONTRACTS	4.3
23.	INFORMATION FROM THIRD PARTIES, EXPERT STATEMENTS AND DECLARATION OF INTEREST	None
24.	DOCUMENTS AVAILABLE TO THE PUBLIC	7.1
25.	INFORMATION ABOUT PARTICIPATIONS	Note to Chapter 1

Public limited company with Board of Directors
with a share capital of €90,846,529.20

Registered office:
75 rue Denis Papin
BP 80 199
13795 Aix-en-Provence Cedex 3
France

Tél: +33 (0)4 42 904 904
Fax: +33 (0)4 42 904 905

www.theolia.com