theolia

2013

Registration Document

Annual Financial Report

The English version of this document 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.

AMF | AUTORITÉ DES MARCHÉS FINANCIERS

This Registration Document has been filed with the French Financial Markets Authority (AMF) on April 23, 2014, 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

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

As at December 31, 2013, the Group operated 1,224 megawatts ("MW"), of which 307 MW were operated for its own account, 337 MW were controlled and 579 MW were operated for third parties. These wind farms are located in four countries: Germany, France, Morocco and Italy. Capacities operated by the Group broke down as follows as at December 31, 2013:

	MW operated for own account (1)	MW controlled (2)	MW operated for third parties	TOTAL
Germany	145	311	484	940
France	87	26	95	208
Morocco	50	-	-	50
Italy	25	-	-	25
TOTAL	**307**	**337**	**579**	**1,224**

(1) Net capacity according to THEOLIA's investment share.
(2) MW held by Breeze Two Energy, a company controlled by THEOLIA.

On January 31, 2013, THEOLIA took control of Breeze Two Energy, a company holding 337 MW, of which 311 MW are located in Germany and 26 MW in France (see section 4.1.1 hereof). This company has been consolidated since February 1, 2013.

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: prospection, development, construction and operation of wind farms.

As at December 31, 2013, the Group's portfolio of wind projects totaled 652 MW, of which 206 MW of projects having obtained a building permit or being under construction. This portfolio does not include wind projects that are in the prospecting phase or projects under litigation.

The Group is also involved in non-wind activities (see section 1.2.2 hereof), which account for a marginal portion of its business.

1.2 ACTIVITIES

1.2.1 Onshore wind activities

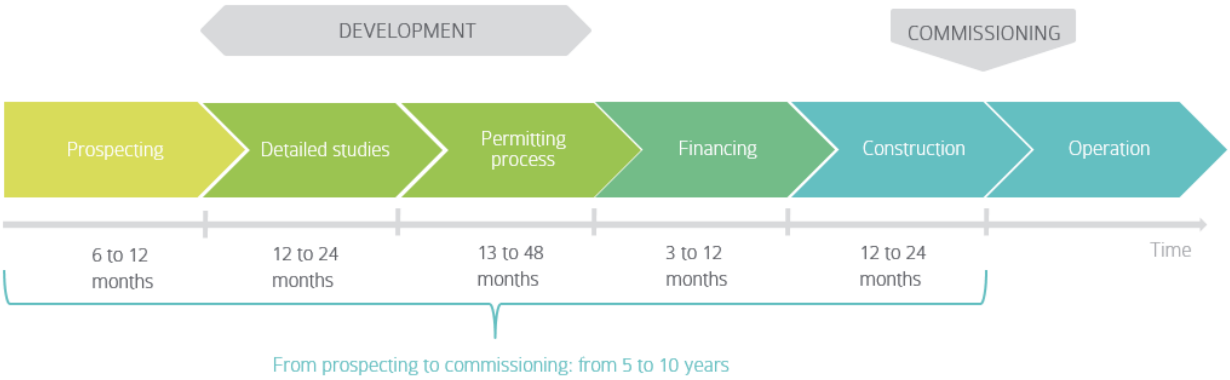
THEOLIA is an independent player in the wind energy sector. The market for wind energy is particularly dynamic and offers significant prospects for growth. The Group is convinced that wind is an excellent source of renewable energy that contributes to the energy mix worldwide and to the independence 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;
- wind is 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. Commissioning a wind project is a long process (from 5 to 10 years on average) with numerous steps.



Prospecting

The initial phase of the process is the prospecting phase. It consists in 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 lease agreements if the project is authorized.

Development

Development includes 2 phases:

- conducing detailed studies; and
- time to obtain permits and authorizations.

Detailed studies

- The impact study

This study enables to assess the general preliminary state 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 (refer to sections 3.1, 3.2 and 3.4 hereof).

- 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, 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 (see section 3.4.1 hereof).

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

Time to obtain permits and authorizations

The building permit application is reviewed by the various governmental agencies. While the investigation is going on, a public survey is generally 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 to the site.

Financing

After having obtained building permits and necessary authorizations, 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 time, rate, ratios to be maintained and guarantees. The lending banks may ask that audits be performed by independent specialized audit firms.

Performance

The performance phase begins with the turbine order. The final lease agreements 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 on site 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 enables to keep the wind farm in perfect condition throughout its operating life.

The Group provides administrative services (billing for the electricity produced, doing the farm's accounting), as well as operational services (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 (refer to section 3.2.4 hereof).

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:

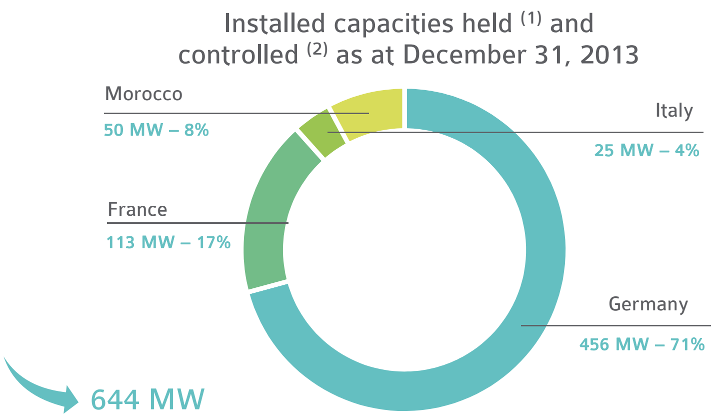
- operation of wind farms for its own account ("Sales of electricity for own account" activity);
- development and construction of wind farms for its own account and for third parties, as well as the sale of wind farms to third parties ("Development, construction, sale" activity); and
- operation of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

Revenue and EBITDA by type of activity are shown in sections 4.1.2.1 and 4.1.2.2 hereof.

Sales of electricity for own account

The Group develops, builds and operates wind farms for its own account. Besides, the Group controls Breeze Two Energy, a company operating wind farms for its own account.

Therefore, the Group recognizes as revenue from the Sales of electricity for own account activity the revenue from the sales of electricity produced by the wind farms held and controlled by the Group. As at December 31, 2013, THEOLIA operated 307 MW for its own account and controlled 337 MW, i.e. a total of 644 MW, distributed amongst 4 countries: Germany, France, Morocco and Italy. The graph below shows the distribution of the net installed capacities held and controlled by country:



(1) *Installed capacities held are expressed in net capacity according to THEOLIA's investment share.*
(2) *Installed capacities controlled are held by Breeze Two Energy.*

Financing of wind farms held for own account is ensured by a combination of equity 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, pledges or other off-balance-sheet commitments described in section 5.1.6, note 29 hereof.

Wind farms held by Breeze Two Energy were financed through a bond issue performed in 2006 (see section 4.1.1 hereof).

The electricity produced from installed capacities held and controlled generates a predictable and recurring income over a long period (15 to 20 years, depending on the country), as well as significant margins.

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 of the farm on behalf of TUIC. Likewise, when THEOLIA sells an operating wind farm to TUIC, it operates it 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 IFRSs, 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 items 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.

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 management and maintenance services 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.

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

As at December 31, 2013, the Group operated 1,224 MW, of which 307 MW were operated for its own account, 337 MW were controlled and 579 MW were operated for third parties. The Group's installed capacity broke down as follows as at December 31, 2013:

	MW operated for own account (1)	MW controlled (2)	MW operated for third parties	TOTAL
Germany	145	311	484	940
France	87	26	95	208
Morocco	50	-	-	50
Italy	25	-	-	25
TOTAL	**307**	**337**	**579**	**1,224**

(1) Net capacity according to THEOLIA’s investment share.
(2) MW held by Breeze Two Energy, a company controlled by THEOLIA.

On January 31, 2013, THEOLIA took control of Breeze Two Energy, a company holding 337 MW, of which 311 MW are located in Germany and 26 MW are located in France (see section 4.1.1 hereof).

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. As at December 31, 2013, the Group's project portfolio included 652 MW, of which 206 MW had obtained a building permit or were under construction.

As at December 31, 2013, this project portfolio broke down as follows:

			Backlog			
(en MW)	Under development	Permits applied	Permits obtained	Under construction	TOTAL	
France	139	78	43	21	**281**	**43%**
Italy	-	29	38	-	**67**	**10%**
Germany	-	-	4	-	**4**	**1%**
Morocco	200	-	100	-	**300**	**46%**
TOTAL	**339**	**107**	**185**	**21**	**652**	
	52%	**17%**	**28%**	**3%**		**100%**

In Brazil, the Group holds 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.

No project in India is included in the Group's portfolio because the Group 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 THEOLIA's project portfolio, but they may be reintroduced should the ongoing lawsuit turn out favorably.

For additional details on the risks specific to wind activities, notably operational risks (related to the selection of sites, construction and commissioning of wind farms, connection to the grids, weather conditions, etc.) and legal risks (difficulty to obtain the required permits and authorizations, risk of change in regulations, etc.), see section 4.4.1 hereof.

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: Germany, France, Italy and Morocco.

Revenue and EBITDA by geographic area are shown in sections 4.1.2.1 and 4.1.2.2 hereof.

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

THEOLIA is an integrated industrial operator. The Group has 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 favors pooling of expertise within the Group, according to the needs of the subsidiaries in different countries.

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). Moreover, on January 31, 2013, THEOLIA took control of Breeze Two Energy, a company holding 337 MW, of which 311 MW are located in Germany (see section 4.1.1 hereof).

In Germany, the Group develops, builds and operates wind farms for its own account and on behalf of third parties.

It is specified that the Group also conducts a wind farm purchase-sale activity, specific to the German market, whereby it acquires wind projects under development, generally at an advanced stage, builds them, connects them to the electrical grid, and then sells them when they are commissioned or a short time thereafter, while continuing to operate them for the new owner. Disposals performed under this activity vary from one year to another, depending on the context. Thus, whereas 5.2 MW in operation had been sold in Germany in 2012, no disposal was performed in the scope of this activity in 2013.

As main consequence of the wind farm purchase-sale activity, the Group operates a great number of wind farms for third parties in Germany.

As at December 31, 2013, THEOLIA Naturenergien operated 940 MW in Germany, of which 145 MW were operated for its own account, 311 MW were controlled and 484 MW were operated for third parties. As at that date, THEOLIA Naturenergien had 4 MW for which a building permit had been obtained.

Revenue in Germany over the year 2013 represented 64.7% of the Group's consolidated revenue.

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

With respect to the German market's maturity, 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 via a global transfer of assets and liabilities to THEOLIA France SAS.

Moreover, on January 31, 2013, THEOLIA took control of Breeze Two Energy, a company holding 337 MW, of which 26 MW are located in France (see section 4.1.1 hereof).

In France, the Group develops, builds and operates wind farms for its own account and for third parties. As at December 31, 2013, THEOLIA France operated 208 MW, of which 87 MW were operated for its own account, 26 MW were controlled and 95 MW were operated for third parties. Revenue in France over the year 2013 represented 22.0% of the Group's consolidated revenue.

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.

As at December 31, 2013, THEOLIA France developed a 281 MW project portfolio, of which 64 MW had obtained a building permit or were under construction. This portfolio notably included the Haute Borne wind project, located in the Somme French department. Constructions works for this wind farm began during the 1st quarter of 2014. In April 2014, the Group entered into a financing agreement for this project. Commissioning should occur during the 2nd quarter of 2015.

It is specified that since 2008, the terms for obtaining building permits have become more stringent in France. As a result, THEOLIA has had building permit applications which were denied. THEOLIA automatically lodged appeals against the denial 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 in Tetouan, comprising 84 wind turbines for a total installed capacity of 50.4 MW. The farm was commissioned in 2000.

In 2013, the revenue from this wind farm in Morocco represented 7.3% of the Group's consolidated revenue.

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 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.

This project, which will be developed in two phases, consists of:

- completing 100 MW on the existing Koudia Al Baïda site, 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 2013, the Group continued the first repowering phase, analyzing the five offers received in the scope of the call for tenders to choose the general contractor who will provide, install and perform the technical maintenance for this phase. As at the publication date of this Registration Document, negotiations are still underway to make the final choice for the general contractor.

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. 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 as at December 31, 2013 to 25 MW.

Revenue in Italy over the year 2013 represented 5.4% of the Group's consolidated revenue.

As at December 31, 2013, the Group’s portfolio of projects under development in Italy included 67 MW, of which 38 MW had obtained a non-recourse building permit.

It should be noted that conditions for wind project development in Italy are difficult. The significant decrease in the feed-in tariff, confirmed by a decree issued in July 2012, and the economic and financial crisis, significantly restrict access to financing and increase credit cost.

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

THEOLIA has several projects in the prospecting phase in Brazil. However, as at December 31, 2013, 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

Due to litigations between the Group and its historical local partner, the Group intends to end the partnership. Nevertheless, the terms for leaving this partnership were not fully defined as at the date of this Registration Document.

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 or local authorities. No farm is installed on land leased under the terms of a precarious occupancy agreement. Furthermore, none of the lands 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 minority interests and assets. Since the beginning of 2009, many assets were disposed of or closed. The remaining non-wind activities now only account for a residual portion of the consolidated revenue.

France environmental division

The France environmental division was, as at December 31, 2013, made up of the following entities:

- Seres Environnement SAS: a company created in June 2006, further to THEOLIA's takeover of Seres SA at the Aix-en-Provence Commercial Court. This company is active in the field of designing and manufacturing instruments to measure and analyze water and air quality. As part of its strategy to withdraw from its non-wind activities, THEOLIA sold Seres Environnement in March 2014 (see section 4.7.1 hereof).
- Ecoval Technology SAS: a company constituted in December 2004, further to THEOLIA's takeover of A+O at the Nanterre Commercial Court. This company is involved in the business of designing, installing in part or entirely, turnkey building and selling units providing environmental solutions on behalf of local authorities and manufacturers. On July 22, 2013, this subsidiary was dissolved via global transfer of assets and liabilities under the common law tax regime. Its assets, as well as receivables held against that same subsidiary, were transferred to THEOLIA.
- Therbio SA: Therbio (previously Sodetrex) is the controlling holding company of Ecoval 30.
- Ecoval 30 SA: a company integrated in THEOLIA's consolidation scope further to the takeover, before the court, of the Sodetrex company. Ecoval 30 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 4.5 million euros in 2013.

The other companies of the France environmental division are registered, according to IFRS 5, as "Discontinued activities".

ecolutions GmbH & Co. KGaA

In 2007, THEOLIA purchased 35.21% of the share capital of the ecolutions GmbH & Co. KGaA, a German company at first specialized in creating and trading carbon credits, since then reoriented towards the development of solar projects.

Considering its special legal form ("KGaA"), which is similar to a partnership limited by shares managed by a General Partner, the shareholders' rights and their influence on the company's management are very limited.

As it is under litigation with this entity since 2011, 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 MWp capacity, which it entirely developed and built. It reported a revenue of 1.1 million euros in 2013.

1.3 HISTORY

1999

- Creation of PMB Finance which will become THEOLIA in 2002

2002

- Listing of THEOLIA on the over-the-counter market of the Paris stock exchange

2005

- Acquisition of Ventura, a French wind project developer, now called THEOLIA France

2006

- Listing of the THEOLIA stock on the Eurolist of Euronext Paris
- Acquisition of Natenco, now called THEOLIA Naturenergien GmbH, which has wind activities in Germany, France, India, Brazil, Greece and the Czech Republic

2007

- Acquisition of 165 MW in operation in Germany from GE Energy Financial Services, financed by way of shares of the Company
- Issuance of bonds convertible to and/or exchangeable for new or existing shares (OCEANEs) in the amount of 240 million euros
- Acquisition of Maestrale Green Energy, a wind project developer in Italy, with a 500 MW project portfolio in Italy
- Acquisition of a 35.21% interest in ecolutions GmbH & Co. KGaA, a German company specialized in creating and trading carbon credits, since then reoriented towards the development of solar projects

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
- Appointment of Marc van't Noordende as CEO

2009

- Disposal of 234 MW of wind projects and farms in France and Germany during the year due to financial difficulties

2010

- Appointment of Fady Khallouf as CEO
- Renegotiation of the terms of the convertible bonds and capital increase of 60.5 million euros

2011

- Memorandum of understanding signed between THEOLIA and the Moroccan *Office National de l'Électricité et de l'Eau potable* to jointly develop and complete a 300 MW wind farm in Tetouan, Morocco
- Creation of the investment vehicle THEOLIA Utilities Investment Company ("TUIC"), dedicated to invest in wind projects in France, Germany and Italy

2013

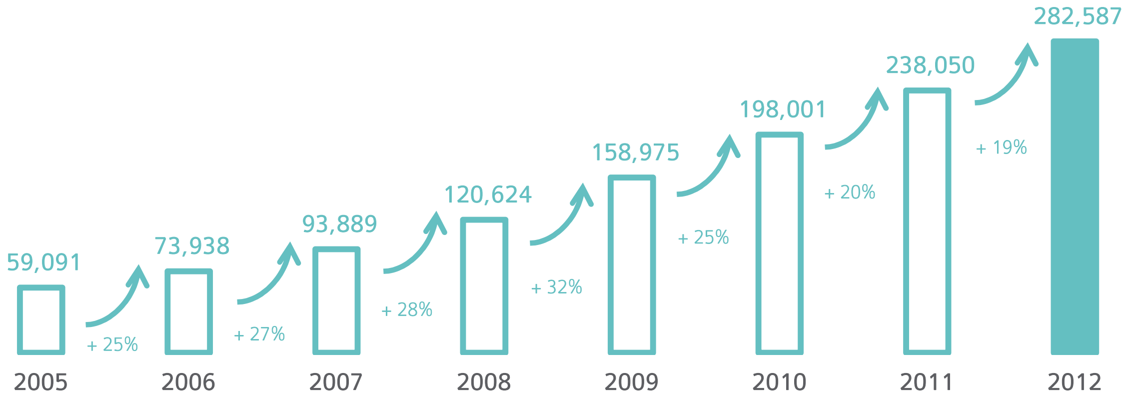
- Control over the Breeze Two Energy company, holding 337 MW for own account, of which 311 MW are located in Germany and 26 MW are located in France
- Friendly takeover offer on THEOLIA initiated by Macquarie, open from July 26, 2013 to September 6, 2013 inclusive, which lapsed due to the fact that the holding threshold initially set by the Offeror was not met

1.4 WIND MARKET AND REGULATIONS

1.4.1 Global wind energy market

The global wind energy market registered a strong growth in 2012, with the commissioning of almost 45 GW over the year. These new capacities commissioned brought the total of operating wind facilities worldwide to 283 GW.

Evolution of operating wind capacities worldwide (in MW) (1)



(1) *Growth net of capacities decommissioned during the year.*

Source: Global Wind Report, Annual Market Update 2012, Global Wind Energy Council (GWEC), April 2013.

The global wind farm fleet keeps increasing, with an average growth of 25% each year.

The 15 countries which contributed the most to this growth in 2012 are presented in the following table (countries where the Group is present are highlighted in blue):

(in MW)	Capacities installed during 2012	Total capacities in operation as at 2012/12/31
USA	13,124	60,007
China	12,960	75,324
Germany	**2,415**	**31,308**
India	2,336	18,421
United Kingdom	1,897	8,445
Italy	**1,273**	**8,144**
Spain	1,122	22,796
Brazil	**1,077**	**2,508**
Canada	935	6,200
Romania	923	1,905
Poland	880	2,497
Sweden	846	3,745
Mexico	801	1,370
France	**757**	**7,564**
Turkey	506	2,312
Rest of the world	2,947	30,041
TOTAL	**44,799**	**282,587**

Source: Global Wind Report, Annual Market Update 2012, Global Wind Energy Council (GWEC), April 2013.

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 growing environmental concerns, together with significant technological improvements, support this expected growth. The potential for development of the wind energy sector in the world for the years 2013 to 2017 is shown in the following table:

Capacities installed during the year

			Outlook 2013-2017				
(in GW)	2011	2012	2013	2014	2015	2016	2017
Europe	10.3	12.7	10	11	13	14	15
North America	8.1	14.9	6.5	9	11	12.5	13.5
Asia	20.9	15.5	19	20.5	22.5	24	25.5
Latin America	0.9	1.2	2.8	3	2	2.2	3
Pacific	0.3	0.4	0.8	0.8	1	1	1.2
Middle East and Africa	0.03	0.1	0.5	1	1.5	2.5	3
TOTAL	**40.5**	**44.8**	**39.6**	**45.3**	**51**	**56.2**	**61.2**

Sources: Global Wind Report, Annual Market update 2011, Global Wind Energy Council (GWEC), March 2012 and Global Wind Report, Annual Market Update 2012, Global Wind Energy Council (GWEC), April 2013.

Capacity installed annually worldwide are expected to grow at a sustained pace, with differences between regions and countries.

Asia, Europe and North America should remain the regions most contributing to this growth.

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 legally 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 in Durban, South Africa, at the annual conference of countries having signed the UNFCCC. The countries collectively decided to draw up a new legally 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.

The 18th annual conference of the signatory States was held in Doha, Qatar, in December 2012. It notably enabled to extend the Kyoto Protocol until 2020.

The 19th annual conference of the signatory States was held in Warsaw in November 2013. It notably decided to accelerate the negotiation of a new universal climate agreement by December 2015: indeed, each country shall prepare domestically its own contribution to the future agreement. We are two years and one annual conference away (planned to be held in Lima, Peru, in 2014) from finalizing the bases of this agreement, which should be signed during the annual conference to be held in Paris in 2015.

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 2020 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 2020 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 final consumption of 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.

The European Commission published in early 2014 a proposal in favor of the Climate and Energy policy until 2030. This 2030 Climate and Energy Package will supersede the 2020 Climate and Energy Package. The Commission suggested that the Member States reduce by 40% their European greenhouse gas emissions by 2030.

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 2009, the feed-in tariff significantly increased, going 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 year for the new facilities connected to the grid, compared to 2% before. Hence, the feed-in tariff as at January 1, 2010 was €9.108 c/kWh.

In 2010, a SDL-bonus was added to this tariff for turbines with special grid connection 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 year.

The feed-in tariff as at January 1, 2011 was €9.02 c/kWh, with a possible addition of €0.49 c/kWh. The feed-in tariff as at January 1, 2012 was €8.93 c/kWh, with a possible addition of €0.48 c/kWh. The feed-in tariff as at January 1, 2013 was €8.8 c/kWh, with a possible addition of €0.47 c/kWh. The feed-in tariff could 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) enable individual investors to benefit from income tax reduction.

A change in the legislation on feed-in tariffs for electricity produced from wind energy is expected to occur during the year 2014.

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:

- 2011: €8.19 c/kWh
- 2012: €8.47 c/kWh
- 2013: €8.52 c/kWh

This tariff 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 tariff will be adjusted according to the number of production hours of the farm, calculated by dividing the production by the installed power.

In France, administrative authorizations are required to operate and connect wind farms to the grid, in particular a certificate granting the right to a purchase obligation ("CODOA"), an operating authorization and several agreements with EDF (*Électricité de France*) (or other private distributors).

The French act providing for a "national commitment for the environment", also known as "Grenelle 2", enacted on July 12, 2010, modified this plan by creating, through its Article 90, a group of obligations to follow when building new wind power plants in France. The main provisions are as follows:

- wind turbines exceeding 50 meters high will now be subject to a permit pursuant to the facilities classified for environmental protection ("ICPE"), whereas the existing building permit system will remain in force;
- regional plans for wind energy are created;
- production units are defined within wind power development zones (*Zones de Développement Éolien* - "ZDE"), with a minimum threshold of five wind turbines per farm; and
- a minimum distance of 500 meters is mandatory between wind turbines and houses or 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.

The "Brottes" French act, adopted in early 2013, notably includes the removal of the five mast rule and the cancellation of ZDEs.

In early 2012, an appeal was brought before the French State Council, in the aim of proving that the obligation to purchase electricity produced by wind power installations constituted a State aid and should be notified as such. On May 15, 2012, the French State Council decided to stay proceedings and asked for the opinion of the Court of Justice of the European Union. The Assistant Public Prosecutor of the Court of Justice gave its conclusions on July 11, 2013 and considered that this tariff indeed constituted a State aid in the meaning of Community rules. On December 19, 2013, the Court of Justice of the European Union decided that the French obligation to purchase electricity from wind energy constitutes an intervention by means of State resources. It is now the responsibility of the French State Council to make the final decision.

However, the French government said that it would guarantee the support mechanisms in favor of onshore wind energy. A new support mechanism in favor of onshore wind energy was notified in October 2013 before the European Commission and was recognized, in March 2014, as compatible with the rules of the European Union as far as State aids are concerned.

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, bill number 13-09 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:

- 280 MW are in operation (including the existing Koudia Al Baïda wind farm of an installed capacity of 50 MW);
- 920 MW are under development (including the repowering of the existing Koudia Al Baïda wind farm, bringing the installed capacity for the wind farm to 100 MW); and
- 1,050 MW are subject to a call for tenders (in the scope of the integrated complementary wind program – *Programme éolien complémentaire intégré*) (including the extension of the Koudia Al Baïda wind farm for an installed capacity of 200 MW).

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 by the 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 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 obtaining the applicable environmental authorizations.

Sales of electricity

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

- sales to third parties via 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.

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. The 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.

Energy produced after December 31, 2015 will benefit from an incentive rate corresponding, for each MWh produced, to 78% x (180 euros – 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 decree establishes a system granting a fixed incentive tariff through 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 shall not exceed 500 MW per year;
- the base tariff for 2013 equals to €127/MWh, being specified that this tariff will decrease by 2% each year;
- auction tariffs must be between 98% and 70% of the base tariff; and
- winners have 28 months as from the notification of the grant of the auctioned tariff to commission the wind farm.

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.

Non-wind minority interests and 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 are generated among the countries where the Group is present.

The Group is an efficient cross-border industrial platform.

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 recurring revenue and significant margins over the long term. This activity is secured by 15- to 20-year electricity buy-back contracts with a fixed tariff over the long term and generates regular cash flows. In 2013, the sales of electricity for own account represented 89.4% of the Group's consolidated revenue.

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. Since 2011, the Group can sell its projects to its investment vehicle, THEOLIA Utilities Investment Company, 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 its investment vehicle, which were in operation as at December 31, 2013. The vehicle is a preferred buyer for the Group's future disposals.

To date, the Group is active in 4 countries (Germany, France, Morocco and Italy).

1.5.2.2 A continued development

As at December 31, 2013, the Group's portfolio of wind projects comprised 652 MW, of which 206 MW had obtained a building permit or were under construction.

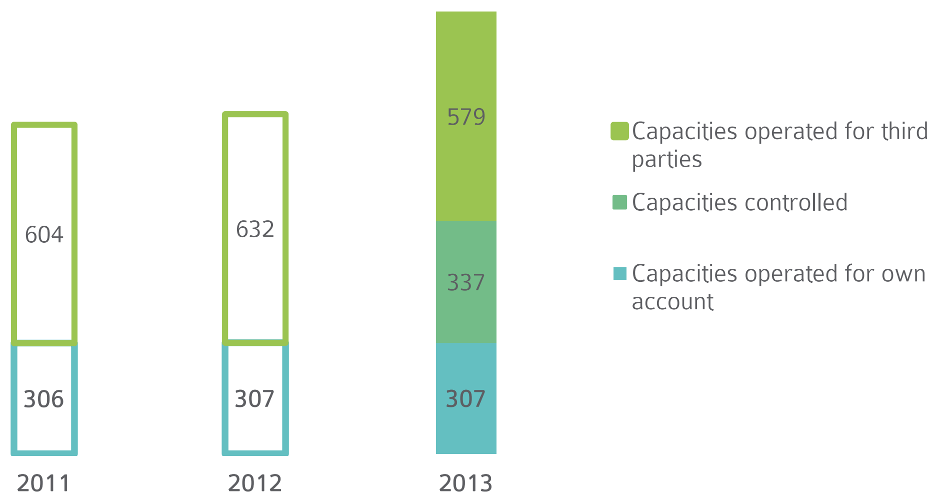
In particular, on May 31, 2011, the Group launched the development of a 300 MW project in Morocco, in partnership with the *Office National de l'Électricité et de l'Eau potable*. It is a major structuring development for the Group. This project will be developed in two phases: a first 100 MW phase and 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 wind farms 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 enabled THEOLIA to significantly enhance its operational position in its two historical countries. THEOLIA intends to generate significant operational synergies with Breeze Two Energy, in particular by performing the management of Breeze Two Energy's wind farms, which used to be 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

Evolution of capacities operated by the Group during the last 3 years (as at December 31)



Summary of consolidated income statements for the years ended December 31, 2013, 2012 and 2011

(in thousand euros)	FY 2013	FY 2012	FY 2011
Revenue	95,447	67,736	67,480
Current operating income	15,616	18,763	10,384
Operating income	(4,458)	(545)	(18,204)
Net income, Group share	(41,210)	(34,206)	(38,520)

Summary balance sheet for the years ended December 31, 2013, 2012 and 2011

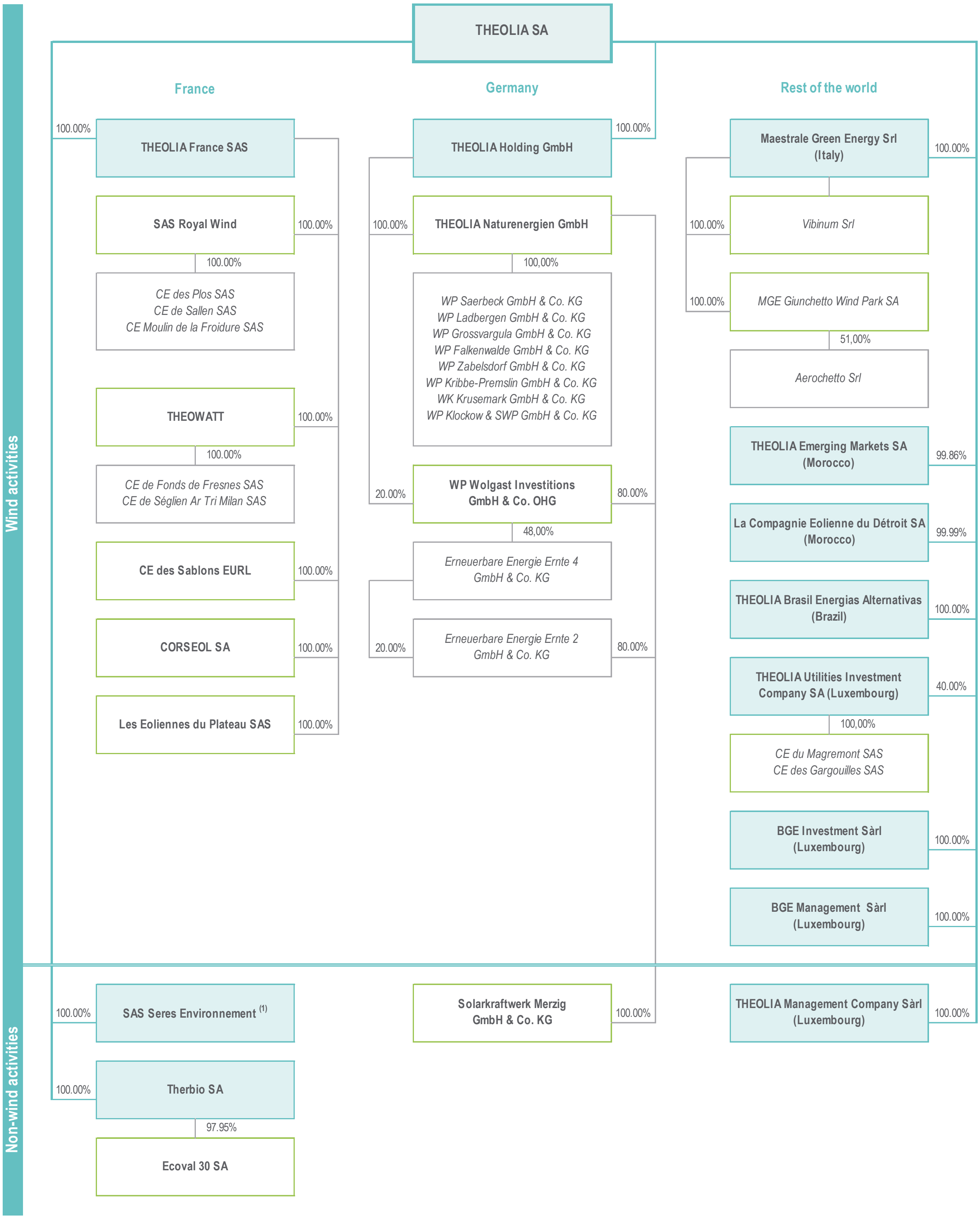
(in thousand euros)	2013/12/31	2012/12/31	2011/12/31
Non-current assets	601,620	397,148	440,655
Current assets	131,361	129,566	164,378
Total assets	**744,611**	**538,118**	**617,324**
Shareholders' equity, Group share	127,947	165,477	197,806
Non-current liabilities	528,741	281,019	306,191
Current liabilities	97,239	83,754	107,136
Total liabilities and shareholders' equity	**744,611**	**538,118**	**617,324**

Summary of consolidated cash flows for the years ended December 31, 2013, 2012 and 2011

(in thousand euros)	FY 2013	FY 2012	FY 2011
Net cash flows from operating activities	57,625	40,602	16,768
Net cash flows from investing activities	20,519	(23,104)	(26,950)
Net cash flows from financing activities	(62,574)	(36,150)	(12,322)
Change in cash	**15,529**	**(18,661)**	**(22,528)**

1.7 SIMPLIFIED ORGANIZATIONAL CHART

The organizational chart below is the simplified organizational chart of the main companies which were part of the Group as at December 31, 2013. 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

This report (the "Report") was prepared by the Chairman of the Board of Directors in accordance with Article L.225-37 of the French Commercial Code, and approved by the Board of Directors during the meeting dated April 22, 2014. It concerns compliance with a corporate governance code, the composition and conditions for preparing and organizing the work of the Board of Directors, application of the principle of equal representation of men and women on the Board, the rules approved for determining the compensation and benefits of any kind granted to corporate officers, the limitations made by the Board of Directors to the powers of General Management, the special terms concerning participation of shareholders in the General Meeting together with elements that may impact a public offering or takeover bid, and the internal control and risk management procedures established by the Company.

2.1.1 Corporate governance

Board members are appointed by the shareholders, control the economic and financial management of the Group and participate in setting strategy. They evaluate and approve the broad actions adopted by General Management, which is responsible for implementing them.

The Board of Directors declares that it conducts its work in a collective manner, in accordance with the law, regulations and recommendations of the AMF (French financial regulatory authority) and the MiddleNext Code (as defined below).

2.1.1.1 Corporate governance code

In accordance with Article L. 225-37 of the French Commercial Code, since December 1, 2010, the Company has voluntarily referred to the corporate governance principles of the MiddleNext Corporate Governance Code for Small and Midcap Companies (the "MiddleNext" Code), published in December 2009 and available on the MiddleNext website (www.middlenext.com), under Publications/Middlenext Guides.

The Company implements the Code's fifteen guidelines. In line with the "comply or explain" principle, recommended by the AMF, a table summarizing the rules set out in the MiddleNext Code and their application within the Company is presented in section 2.1.1.8 hereof.

The Board also declares that it is familiar with the vigilance points in the MiddleNext Code.

2.1.1.2 Internal Regulations of the Board of Directors

The Board of Directors has its own set of Internal Regulations (the "Internal Regulations") in addition to the legal and regulatory rules and those defined in the Articles of Incorporation adhered to by the corporate body as a whole and particularly the Board members.

The Internal Regulations have been updated several times since being adopted by the Board of Directors during the meeting of April 14, 2006 and complies with Recommendation R6 of the MiddleNext Code.

The full Internal Regulations and Appendices in effect are available on the Company's website (www.theolia.com, under Finance/Corporate Governance/Documents).

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 together represents all shareholders and is obligated to act in the corporate interest of the Company at all times.

In performing its legal prerogatives, the Board of Directors performs 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; and
- control and ensure the quality of information provided to shareholders and the market via financial statements or for important transactions.

At December 31, 2013, the Company's Board of Directors was made up as follows:

	Office(s)	Date of first appointment	Expiry of term of office
David Fitoussi	Director	July 26, 2010	June 2015
	Chairman of the Audit Committee	July 26, 2010	June 2015
Lilia Jolibois	Director	June 1, 2012	June 2015
Fady Khallouf	Director	March 19, 2010	June 2016
	Chief Executive Officer	May 20, 2010	-
Michel Meeus	Director	March 19, 2010	June 2016
	Chairman of the Board of Directors	July 26, 2010	June 2016

Code of ethics for members of the Board of Directors

Directors shall comply with their various legal and regulatory obligations and those included in the Articles of Incorporation and internal regulations of the Company, and particularly the rights and obligations of the Internal Regulations of the Board of Directors and the Code of Conduct on Insider Trading adopted by the Board of Directors (Note II of the Internal Regulations).

Pursuant to Recommendation R7 of the MiddleNext Code, at the beginning of Board meetings, all directors shall inform the Board of Directors of any conflicts of interest (even if they are only potential) with regard to any items on the agenda and, if such is the case, abstain from participating in the related deliberations. Furthermore, at the request of the Company, when the Registration Document is being prepared and at any time upon request of the Chairman of the Board, the directors shall confirm each year that there are no conflicts of interest between themselves and the Company.

All directors shall endeavor to attend all Board of Directors meetings and those of the committees of which they are members, and ensure that they have obtained all necessary information concerning the topics that are to be addressed during said meetings.

Finally, all directors are bound by an obligation to observe discretion and confidentiality.

Application of the principle of equal representation of men and women and diversity

Pursuant to French Act No. 2011-103 of January 27, 2011 pertaining to equal representation of men and women on boards of directors and supervisory boards, the Board of Directors must include 20% of women in 2014 and 40% in 2017.

Mrs. Lilia Jolibois has been a member of the Company's Board of Directors since June 1, 2012. The Board of Directors has four members, so female representation (25%) complies with the 20% minimum legal requirement.

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

Independence

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

At the date hereof, two of the four Board members are considered to be independent directors with respect to the criteria of Recommendation R8 of the MiddleNext Code, stated below:

	David Fitoussi	Lilia Jolibois	Fady Khallouf	Michel Meeus
Employee or executive corporate officer of the Company or a company within the Group over the previous three years	-	-	Yes	Yes
Lead shareholder in the Company	-	-	-	Yes
Family ties with an officer or a lead shareholder	-	-	-	-
Auditors in the Group over the previous three years.	-	-	-	-
Significant banker, customer or supplier of the Company or Group, for whom the Company or Group represents a significant share of business.	-	-	-	-
Qualification as an independent director	**Yes**	**Yes**	**No**	**No**

With two independent 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 independent members. Under these conditions, the Board of Directors is able to perform its functions with the necessary independence and objectivity.

Selection of directors

Board members are elected by the Company's 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 rules of independence, ethics and integrity expected of them.

The executive, financial and sectorial skills of the Company's directors, as well as 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 confirmation of cooptation of a new Board member are made at the Company's General Meeting of Shareholders, shareholders shall be provided with sufficient information on the experience and expertise of the Board member and each appointment is subject to a separate resolution.

Term of office

The term of office of each director (3 years) is adapted to the specific needs of the Company. Furthermore, terms of office are staggered to avoid renewing blocks of Board members in accordance with the recommendations of the MiddleNext Code (R10) and the AMF.

Dates of appointment and the expiry of terms of office, offices and functions held and performed inside and outside the Group, and the main offices and functions held and performed by the Company's directors over the last five years are given in section 2.4 hereof.

No concurrent holding of corporate offices

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 in section 2.4 hereof detailing the functions and offices held and performed by the members of the Board of Directors inside and outside the Group shows that no directors of the Company serve simultaneously as directors on more than five boards of directors of public limited companies registered in France, in accordance with provisions of Article L.225-21 of the French Commercial Code, or of French or foreign companies listed on a regulated stock market.

Likewise, the executive corporate officers of the Company do not act as directors for any listed French or foreign companies outside the Group in accordance with Recommendation R7 of the MiddleNext Code.

Furthermore, Article 4.6 of the Internal Regulations stipulates that should a director accept an office in addition to those which he/she holds (except for directorships with controlled companies that are not listed), he/she must inform the Chairman of the Board of Directors and they must determine together whether the new responsibility leaves enough time available for the Company.

Employee and/or employee representative Board members

At the year-end closing of financial statements, the Company does not fall within the criteria of Articles L. 225-27-1, I of the French Commercial Code and Article L. 2322-1 of the French Labor Code and as a result, is not subject to the obligation to appoint employee and/or employee representative Board members as specified in the French Act of June 14, 2013.

2.1.1.4 Conditions for the preparation and organization of Board of Directors' activities

Organization of Board meetings

Pursuant to Recommendation R11 of the MiddleNext Code and the Internal Regulations, the Board members receive information and documents concerning the items on the Board meeting agenda several days before the date of the meeting. This allows them to prepare the subjects that will be addressed during the meeting. Subjects that are particularly sensitive or urgent may be discussed without prior distribution of documents or notice may be given close to the date of the meeting.

To facilitate the participation of directors 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 facilitate discussions (55% of Board meetings for fiscal year 2013) but also uses telecommunications for Board meetings when geographical distance is an issue for Board members.

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

Activity of the Board of Directors during fiscal year 2013

The Board of Directors met 11 times in 2013, an average of 0.92 times a month. The frequency of Board meetings corresponds with Recommendation R13 of the MiddleNext Code.

The Board members had a 100% attendance rate in 2013; all directors were present at each Board meeting, evidence of the high level of dedication and involvement of each of the directors in performing their functions.

During fiscal year 2013, the Board of Directors particularly addressed the following subjects:

- *Governance*
  - approval of regulated agreements in accordance with Article L.225-38 of the French Commercial Code;
  - policy on directors' fees and their distribution;
  - evaluation of achieved performance criteria in the performance share scheme for employees and/or corporate officers of the Company and/or companies of its Group;
  - performance evaluation of the Board of Directors ;
  - evaluation of the variable compensation of the Chief Executive Officer for fiscal year 2012;
  - renewal of the term of office of the Chairman of the Board;

- *Company earnings*
  - approval of the parent company and consolidated financial statements for the fiscal year ending on December 31, 2012 and related reports, consolidated half-year financial statements and the Half-year Financial Report as at June 30, 2013;
  - review and approval of press releases on the annual and half-yearly financial statements;
  - proposal for allocation of earnings;
- *Financial Management of the Company*
  - approval of sureties, endorsements and guarantees;
  - review of the 2013-2015 Business Plan;
  - analysis report on the prevention of corporate difficulties;
  - study of options concerning reimbursement of OCEANE convertible bonds following the failed public takeover bid on the THEOLIA Group initiated by MEIF 4 AX Holdings SAS, a company managed by Macquarie Infrastructure and Real Assets (Europe) Limited;
  - examination of changes to the swap agreement with Credit Suisse concerning OCEANE convertible bonds;
- *Strategy and growth*
  - examination of the situation in Italy and Morocco;
  - follow-up of the control took over Breeze Two Energy GmbH & Co. KG;
  - examination of the terms and conditions of the takeover bid received from MEIF 4 AX Holdings SAS and selection of an independent expert;
- *Risk Monitoring*
  - examination of developments with ecolutions GmbH and Co. KGaA and ongoing disputes;
  - monitoring business development of the environmental division;
  - analysis of the situation of Italian activities;
- *Preparing 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); and
  - examination of requests made by a shareholder to include draft resolutions on the agenda for the Ordinary General Meeting.

Evaluation of the work of the Board of Directors

The Board of Directors evaluates its own operation and the preparation of its work on a regular basis. Once a year, it conducts an annual review of its work in accordance with Recommendation R15 of the MiddleNext Code.

Discussions on the past fiscal year mainly focused on the following:

- the evaluation and contribution of each director, particularly during Board exchanges concerning the public takeover bid initiated by MEIF 4 AX Holdings SAS; and
- compliance with governance best practices in order to avoid any conflicts of interest, even potential, concerning issues addressed by the Board. In particular, David Fitoussi abstained from participating in all decisions relating to Breeze Two Energy.

Audit Committee

The Company has had an Audit Committee since 2006. It is organized in accordance with Recommendation R12 of the MiddleNext Code.

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

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

Main functions

The Audit Committee assists the Board of Directors in ensuring the accuracy and honesty of the Group's consolidated and parent company financial statements, the quality of internal control, and that information is issued to shareholders and the market.

The main functions of the Audit Committee are as follows:

- ensuring that all internal control and risk management systems are functioning properly;
- assessing the main risks to the Group with General Management on a regular basis;
- overseeing the selection and renewal of Auditors, providing input on the fees requested by them and submitting the results of its work to the Board of Directors;
- ensuring that the Auditors' other work does not affect their independence;
- assessing the audit plan of the Auditors, their findings and their recommendations;
- ensuring the relevance and continuity of accounting methods used to prepare the consolidated and parent company financial statements, assessing and evaluating the scope of consolidation; and
- examining the consolidated and parent company financial statements before they are presented to the Board of Directors.

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 2013

The Audit Committee met twice in 2013. 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-year financial statements prior to the relevant meetings.

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

- the review of consolidated and parent company financial statements for the fiscal year ending December 31, 2012 and related reports, and
- the review of half-year consolidated financial statements and the Half-year Financial Report as at June 30, 2013.

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

Outlook for 2014

In 2014, the Audit Committee will devote itself to:

- reviewing the risks and challenges of business in Italy;
- reviewing the activities of the environmental division and the conditions for removing them from the scope of consolidation;
- methods for optimizing business financing; and
- examining solutions that will improve the structure of the Company's balance sheet.

2.1.1.5 Principles for compensation of corporate officers

The Board of Directors determines compensation for corporate officers.

Pursuant to Recommendation R2 of the MiddleNext Code, compensation and indemnity amounts received by the Company's executive corporate officers are outlined exhaustively in a justified, consistent, readable and transparent manner in section 2.3.1 hereof. Furthermore, the compensation for non-executive corporate officers is outlined in section 2.3.2 hereof.

Director's fees

The General Meeting of June 1, 2012 voted to allot an annual total of 250,000 euros in directors' fees to the 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 the Audit Committee and their involvement, in accordance with Recommendation R14 of the MiddleNext Code.

For fiscal year 2013, a gross total of 140,250 euros from a total budget of 250,000 euros was distributed in directors' fees.

During the meeting of February 4, 2014, the Board of Directors confirmed that directors' fees for 2013 would be distributed as follows:

- 30,000 euros (annual baseline) for each non-executive director for their duties as Board members (lowered to 22,500 euros if they are present for less than 75% of Board meetings);
- 15,000 euros for the Chairman of the Audit Committee; and
- 11,250 euros for each member of the Audit Committee (lowered to 8,500 euros if they are present for less than 75% of Committee meetings).

On the same day, the Board of Directors also confirmed its decision to allot an additional 24,000 euros in directors' fees to the Chairman of the Board of Directors for fiscal year 2013 in recognition of his work in organizing and preparing the work of the Board of Directors and his strong involvement and availability throughout fiscal year 2013.

Please note that Fady Khallouf does not receive any directors' fees for his role as a Company board member.

Compensation for executive corporate officers of the Company

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

The CEO receives a fixed compensation and a variable compensation based on targets set by the Board of Directors, in accordance with Recommendation R2 of the MiddleNext Code, detailed in section 2.3.1.2 hereof. He also benefits from a success bonus, the amount of which is capped, in the event of the performance, before a date set by the Board of Directors, of significant projects for the Company's expansion, also meeting an objective set on the Company's stock price.

The CEO also receives an additional pension package, detailed in section 2.3.1.2 hereof. This practice complies with Recommendation R4 of the MiddleNext Code. Furthermore, the CEO has a non-compete clause detailed in section 2.3.1.4 hereof. This practice complies with Recommendation R3 of the MiddleNext Code considering that, if he were to resign from office, payment of the compensation would be at the Company's discretion.

In accordance with the Board of Directors' decision of December 1, 2010, stock options based on achieving stock market performance targets were allocated to the CEO. This plan complies with Recommendation R5 of the MiddleNext Code. For more information concerning stock options currently outstanding, please refer to sections 5.1.6, Note 21.3, 2.3.1.3 and 6.2.5.3 hereof and section 2.3.1.3 of THEOLIA's 2011 Registration Document submitted to the AMF on April 27, 2012 and available on the Company's website.

Based on the authorization granted in the 24th resolution of the General Meeting of Shareholders of June 1, 2012, the Board of Directors allotted 900,000 free performance shares to the CEO during the meeting of December 10, 2012. The definitive acquisition of these shares was subject to attendance and performance conditions related to the achievement of operational, financial and stock market objectives for the fiscal years ending December 31, 2012 and December 31, 2013. This plan complies with Recommendation R5 of the MiddleNext Code. For more information concerning performance shares under acquisition, please refer to sections 5.1.6, Note 21.2, 2.3.1.3 and 6.2.5.2 hereof.

No concurrent holding of a corporate office and employment contract

Fady Khallouf and Michel Meeus were not employed by the Group when appointed as the Company's CEO and Chairman of the Board respectively. Therefore, they do not concurrently hold a corporate office and employment contract in compliance with regulatory provisions in effect and Recommendation R1 of the MiddleNext Code.

Service agreement

As far as the Company is aware, the members of the Board of Directors are not bound to the Company or any of its subsidiaries by a service agreement that would grant advantages at the end of the contract.

2.1.1.6 Organization and operation of General Management

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

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

The list of offices and functions currently held and performed inside and outside the Group, as well as the main offices and functions held and performed over the last five years by the CEO, Fady Khallouf, and Chairman of the Board, Michel Meeus, are listed in section 2.4 hereof.

Limitations of General Management powers

The powers of General Management are governed by a delegation of powers appended to the Internal Regulations. Said delegation of powers stipulates that the Board of Directors must grant prior approval for any decisions related, in particular, to the following:

- defining the annual budget and strategy;
- any spending or contractual commitment not approved in the annual budget and/or exceeding 15% of the amount approved in the annual budget;
- any acquisition and sale decisions not approved in the annual budget;
- any decisions to expand into new geographic areas;
- any sureties, endorsements and guarantees; and
- any summons or transactions concerning a dispute over an amount of more than 1 million euros.

However, it is specified that, by a decision of March 28, 2012, the Company's Board of Directors granted the Chief Executive Officer a general authorization to grant the sureties, endorsements and guarantees mentioned in Article L.225-35 section 4 of the French Commercial Code, in the name and on behalf of the Company for a period of one year as from said date, for a total amount of 11 million euros within the following limits: (i) 1 million euros for sureties, endorsements and guarantees that may be granted to all companies of the THEOLIA Group, and (ii) 10 million euros for sureties, endorsements and guarantees that may be granted to THEOLIA Utilities Investment Company for any agreements that are required or useful for investment operations, including any operational, acquisition or sale agreements involving wind farms or projects. Said authorization ended on March 28, 2013.

During fiscal year 2014, the Board of Directors will grant the CEO with a new authorization limited to a set amount and a maximum period of one year.

2.1.1.7 Other elements provided for in Article L. 225-37 of the French Commercial Code

Participation of shareholders in General Meetings

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

- by attending in person;
- by voting by correspondence;
- by giving proxy to the Chairman, another shareholder, their spouse, their partner in a civil union or any other person or legal entity of their choice, as provided for in Article L. 225-106 of the French Commercial Code; or
- by giving proxy to the Company without indicating the representative. It is specified that for any proxy granted by a shareholder without mention of the representative, the Meeting's Chairman will vote in favor of adopting the draft resolutions presented or approved by the Board of Directors and a vote against any other draft resolutions.

To participate in Meetings, shareholders must provide proof of their 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, registration at D-3 in the registered share accounts is sufficient to enable them to take part in the Meeting. For bearer shareholders, the authorized agents holding the shares must directly prove the shareholder status of their clients to the centralizing bank of the Shareholders' Meeting by providing a shareholding certificate appended to the single form for mail-in voting (or via proxy) or at the request of an admission card made out in the name of the shareholder or on behalf of the shareholder represented by the registered agent.

Elements that may have an impact in the event of a public offering or takeover bid

Pursuant to Article L. 225-37 of the French Commercial Code, it is specified that the elements that may have an impact in the event of a public offering or takeover bid are presented and detailed in accordance with Article L. 225-100-3 of the French Commercial Code in section 6.3.4 hereof.

2.1.1.8 Compliance with MiddleNext Corporate Governance Code Recommendations

	Recommendations	Compliance	§
R1	Concurrent employment contract and corporate office	Yes	2.1.1.5
R2	Definition and transparency of compensation for executive corporate officers	Yes	2.1.1.5
R3	Severance packages	Yes	2.1.1.5
R4	Additional pension packages	Yes	2.1.1.5
R5	Stock options and free allotment of shares	Yes	2.1.1.5
R6	Implementation of Board of Directors' internal regulations	Yes	2.1.1.2
R7	Code of ethics for Board members	Yes	2.1.1.3
R8	Composition of the Board – Presence of independent members on the Board	Yes	2.1.1.3
R9	Selection of directors	Yes	2.1.1.3
R10	Term of office of Board members	Yes	2.1.1.3
R11	Board member information	Yes	2.1.1.4
R12	Committee creation	Yes	2.1.1.4
R13	Board of Directors and Committee meetings	Yes	2.1.1.4
R14	Compensation of directors	Yes	2.1.1.5
R15	Evaluation of the work of the Board of Directors	Yes	2.1.1.4

2.1.2 Internal control and risk management

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

At the request of the Chairman of the Board, General Management worked together with the Company's main operational and functional departments to put together the information for this report on internal control and risk management procedures. The internal control process used by the Group takes into account the opinions and recommendations of the AMF. This report was written based on the working group report on audit committees and on the implementation guide for small and midcap companies of the reference framework on risk management and internal control systems published by the AMF.

Like all control systems, the Company's internal control system can only provide reasonable assurance and not an absolute guarantee that risks are managed and controlled.

2.1.2.1 Definition of internal control and objectives

Internal control is an integral part of the Group's governance strategy and is implemented to assist the Audit Committee and General Management in their consideration of risk management.

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

- compliance with laws and regulations in effect;
- reliability of financial and accounting information;
- decision-making security within the Group;
- application of General Management instructions and strategies;
- proper operation of the Company's internal processes and particularly those intended to preserve its assets;
- management of all risks related to the Company's business and risks of errors and fraud;
- consistency between the actions and values of the Group; and
- in general, contribution to managing its activities, operational efficiency and efficient use of resources.

The internal control procedures apply to all companies included in the scope of consolidation, i.e. the parent company and entities controlled as per IFRSs. In some fields, these procedures are different depending on whether the entity in question is located in France or another country.

Following the integration of Breeze Two Energy into the Group on January 31, 2013, a new organizational structure was put in place in order to produce significant operational synergies and optimize management, which until then had been subcontracted out to several external service providers. The Group's internal control and risk management system is currently being implemented within said entity and its subsidiaries.

2.1.2.2 Internal control system

The aim of the Group is to have an internal control and risk management system that works at each level of management while remaining adapted to the structural characteristics of the Group. The system relies on an organizational framework that clearly defines the roles and responsibilities of all parties, an efficient risk management process and management of internal communication. It is not limited to the procedures in place in order to gain reliable accounting and financial information.

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 improve implementation of crosscutting procedures with the primary aims of (i) achieving more harmonized activities within the Group and (ii) optimizing reporting from subsidiaries to the parent company.

Internal control and risk management require the participation of all players of the Group. The Audit Committee monitors the efficiency of internal control and risk management systems and with General Management, examines the main risks to the Group on a regular basis. All employees of the Group concerned also have the knowledge and information needed to set up, run and monitor the internal control system based on their assigned objectives.

The internal control system covers numerous accounting, financial and operational reporting processes. When required, the relevance of controls and any adaptations are examined, particularly in the light of feedback, organizational changes and new decisions made by General Management and functional or operational departments.

An 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 in section 4.4 hereof, along with the strategies for better anticipating and managing them.

Furthermore, as a wind power company, the Group's industrial and environmental risk exposure is extremely low. Section 3 hereof identifies the potential risks related to the impact of its activities on the environment and people, outlines the management policy implemented and measures its efficiency.

The Company's General Management, working closely with the Audit Committee, updates the definition of significant risks, which are then managed by the Group's functional or operational departments.

Risk identification and evaluation are part of a continuous process that covers risks that can have significant implications on the financial and operational situation of the Group.

Management of internal communication

Relevant information must be identified, compiled and communicated internally in some manner and within a timeframe that enables all parties to manage and control the operations for which they are responsible.

Official minutes of Board of Directors and Audit Committee meetings therefore focus on decisions that are made and actions that must be carried out in order to ensure that the relevant Group employees receive the right information.

Meetings are organized between General Management, the functional and operational departments of the Company 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 underway and the challenges for the forthcoming period. Periodic meetings are also organized with the employees of the main subsidiaries and the Group's General Management.

2.1.2.3 Implementation of internal control

The implementation of internal control within the Group is part of a continuous improvement strategy that relies mainly on improving procedures for communication and harmonization of intra-group practices and adapting them as risks evolve and operational feedback on their efficiency is collected. This makes it possible to develop practices in order to more efficiently manage the risks that are inherent to the Group's activities.

Compliance with laws and regulations

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 (particularly the General Regulations of the AMF).

Each functional or operational department of the Group is responsible for complying with the laws and regulations of its area of expertise.

Reliability of accounting and financial information

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

Compiling and processing accounting and financial information

To ensure the quality and reliability of its financial and accounting information, the Group mainly relies on a set of accounting principles and standards, and on a reporting and consolidation system that is used by the entities within the scope of application to ensure data consistency, quality and reliability via strict verification processes before it is reported to the parent company.

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

- the correct adjustment and elimination of internal transactions;
- the verification of actual 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.

The main procedures used to draw up the parent company and consolidated financial statements are particularly based on:

- a consolidation procedure manual updated on a regular basis. It covers accounting principles to be implemented, standards in force and use procedures for IT tools;
- consolidation instructions communicated to subsidiaries for year-end and half-yearly closing of accounts. These instructions include a schedule for closing of financial statements, the team in charge, the consolidation scope, applicable Group accounting principles and the content of the financial statements. Meetings are held with finance teams to check that they have been understood properly;
- improved subsidiary monthly income statement reporting by operational segment in accordance with IFRSs, submitted by country directly to the parent company. In addition to providing information for Group management, this approach allows more effective closing procedures to be implemented to produce reliable financial information; and
- with the support of the Legal Department, improved quarterly reporting of the Group's off-balance-sheet commitments, now achieved via a consolidation information system to ensure that data collected from the Group's subsidiaries is consistent and more complete.

The implementation of fiscal risk mapping and periodic fiscal reporting was postponed to the current fiscal year.

Players involved in controls

- accounting for subsidiaries of the Group is carried out under the responsibility of subsidiary managers. These managers 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;
- financial reports are submitted to the holding company and verified by the consolidation team under the responsibility of the Group's Chief Financial Officer, a role currently fulfilled by the Company's Chief Executive Officer;

- in drawing up financial statements, the Group sometimes calls on experts from various fields, particularly with regard to complying with IFRSs on financial consolidation. The Group's Finance Department works to remain informed of new IFRSs in order to better report and anticipate their impacts on Group financial statements;
- the Project Financing, M&A and Cash Department is responsible for processing and centralizing cash flows, and covering interest rate risks, ensuring that an inventory and accounting of commitments is kept;
- 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 approval;
- accounting and financial documents prepared by consolidated subsidiaries are looked over by Auditors at the half-year closing of financial statements and fully audited at the year-end closing of financial statements. This work also includes validating the switching of financial statements from local accounting principles to IFRSs; and
- in accordance with legal provisions, the Company has two Auditors who also rely on the validation of accounting information, including consolidation adjustments made by their network of local auditors working across the various subsidiaries.

<u>Financial communication</u>

As a listed company, the Company publishes the following in accordance with the laws and regulations in effect:

- periodic information on a consistent basis: quarterly revenue, Annual Financial Report and Half-year Financial Report;
- a Registration Document; and
- press releases for events considered important and/or that may considerably influence the stock market price, reflecting changes in 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 holds 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 use;
- the Accounting/Consolidation Department is the sole source of financial information. Other data and information (particularly operational data and information) is submitted to the Financial Communication Department by various specific departments in the Group;
- all financial information to be published is documented internally; and
- all financial information to be published must be 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 being checked by the Auditors.

Identification and evaluation of risks

General Management, in close collaboration with the Company Audit Committee, is responsible for ensuring that each operational and functional department of the Company and the General Management of each subsidiary complies 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, including:

- regular risk monitoring in all fields of activity;
- ongoing securing of the project portfolio and project monitoring;
- implementing internal control in all subsidiaries of the Group; and

- securing and archiving professional documents.

Furthermore, the continuous management of internal control by General Management helps drive 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 Audit Committee. The Board of Directors and Audit Committee may carry out checks that they deem necessary or take any other measures that they deem appropriate 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 crosscutting approaches across the Group so that the technical expertise of each subsidiary is efficiently made available to the entire Group.

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

Other intra-group practices implemented for internal control

Cash management

Since 2010, the Audit Committee and General Management of the Group have implemented measures and tools to improve the process used to prepare 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 (risks related to the Group's debt, liquidity and interest rates are outlined in sections 4.4.3.1, 4.4.3.2 and 4.4.3.5 hereof).

Legal Department

The Group has implemented the following procedures to manage legal risks more efficiently:

- monthly reporting of disputes within the Group was revised in 2013 to better evaluate the level of risk related to the outcome of disputes and litigations and therefore anticipate risk provisions (more information on litigation risks is given in section 4.4.4.4 hereof);
- new monthly reporting to manage pre-litigation was implemented with subsidiaries in 2013 to provide early anticipation of risks related to future disputes;
- quarterly reporting to manage the Group's off-balance-sheet commitments was optimized in order to manage risks related to obligations from off-balance-sheet commitments (the risks from these commitments are restated in section 4.4.3.6 hereof); and
- quarterly reporting to manage the legal scope of the Group.

Project control

As part of securing its project portfolio and preventing risks related to the activities of the Group:

- monthly reporting of its wind portfolio constantly updates risk levels used to determine accounting reserves and write-down to be recorded (risks related to the difficulty to obtain building permits and operating authorizations are included in sections 4.4.1.2 and 4.4.1.7 hereof);
- periodic reviews of projects with development managers provide opportunities to discuss the budget status, validate projects ready to be developed and outline development outlooks and main strategies; and

- the Group's insurance policies are closely managed in order to better prevent and manage the main risks related to the Group's wind activities (the risks covered by insurance are listed in section 4.4.5 hereof).

Management control

The Group's Management Control Department 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;
- better budget planning via the implementation of a standardized calculation model so that local staff can use a common tool for financial forecasting;
- improved monthly budget reporting/re-forecasting in order to produce more qualitative and in-depth analyses for almost all income statements of companies in the Group; and
- a vertical approach to management control in the Group.

Human resources

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

In an ongoing effort to optimize its organizational structure, the Company promotes cross-management between its teams. The Group is organized into an integrated industrial group with areas of expertise available to all countries.

A new reporting tool was implemented within the Group to help perform legal obligations related to the Company's social responsibility (detailed in section 3.3 hereof) and improve communication of social information.

Information systems

In accordance with the IT policy implemented in 2010, which improved and harmonized measures related to the use of information systems and network access conditions, protecting the data linked to the various systems used by the Group remains one of the priorities of the IT Department. In order to ensure IT security, the data back-up system was entirely revamped. The original back-up software and hardware were replaced with more recent versions that provide much greater storage capacity and better recovery granularity.

To increase the MTTR (Mean Time To Recover), critical servers were virtualized and integrated into 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 helps secure information systems and protect 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 the French Commercial Code, we hereby report on the report prepared by the Chairman of your Company in accordance with article L.225-37 of the French Commercial Code for the year ended December 31, 2013.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by article L.225-37 of the French Commercial Code, particularly 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 the French Commercial Code, 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 the French Commercial Code.

Other disclosures

We hereby attest that the Chairman's report includes the other disclosures required by Article L.225-37 of the French Commercial Code.

In Paris and Marseilles, on April 22, 2014

The Statutory Auditors

Deloitte & Associés	Cabinet Didier Kling & Associés	
Christophe PERRAU	Didier KLING	Christophe BONTE

2.3 INTERESTS AND COMPENSATION OF THE COMPANY'S CORPORATE OFFICERS

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

According to AMF recommendation dated December 10, 2009, amended on December 17, 2013, the following section includes the 11 tables required when applicable. When they are not applicable, negative wording is used.

2.3.1 Compensation of the Company's executive corporate officers

The following tables are prepared in accordance with the recommendations of the AMF. 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 2012 and 2013 in a justified, 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

Table 1 *(in thousand euros)*

Michel Meeus, Chairman since July 26, 2010	FY 2013	FY 2012
Compensation due for the year (see details in section 2.3.1.2 hereunder)	54	59
Valuation of multiannual variable compensation allocated during the year (see details in section 2.3.1.3 hereunder)	-	-
Valuation of options allocated during the year (see details in section 2.3.1.3 hereunder)	-	-
Valuation of performance shares allocated during the year (see details in section 2.3.1.3 hereunder)	-	-
TOTAL	**54**	**59**

Table 1 *(in thousand euros)*

Fady Khallouf, CEO since May 20, 2010	FY 2013	FY 2012
Compensation due for the year (see details in section 2.3.1.2 hereunder)	460	464
Valuation of multiannual variable compensation allocated during the year (see details in section 2.3.1.3 hereunder)	-	-
Valuation of options allocated during the year (see details in section 2.3.1.3 hereunder)	-	-
Valuation of performance shares allocated during the year (see details in section 2.3.1.3 hereunder)	-	246 (1)
TOTAL	**460**	**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.*

The valuation of the performance shares allocated during fiscal year 2012 does not constitute a cash compensation and has no impact on the Group's cash position, with the exception of the applicable employer contributions, paid on the day of the initial allocation of the performance shares.

2.3.1.2 Summary table of compensation of each executive corporate officer

Table 2 *(in thousand euros)*

	2013		2012	
Michel Meeus, Chairman since July 26, 2010	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**
Fixed compensation	-	-	-	-
Annual variable compensation	-	-	-	-
Multiannual variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees	54	68 (1)	59	81 (2)
Benefits in kind	-	-	-	-
TOTAL	**54**	**68**	**59**	**81**

(1) Including the payment of directors' fees due for fiscal year 2013 and the 4th quarter of 2012.
(2) Including the payment of directors' fees due for the first 3 quarters of 2012 and the 4th quarter of 2011, as well as the allocation of an additional 25 thousand euros in directors' fees for fiscal year 2011, which was decided by the Board of Directors on March 28, 2012.

The Chairman of the Board of Directors' compensation only includes directors' fees. The calculation method of directors' fees can be found in the Report of the Chairman of the Board of Directors (see section 2.1 hereof).

Moreover, the Board of Directors dated February 4, 2014 confirmed the allocation to the Chairman of the Board of Directors, as for fiscal year 2013, of additional directors' fees amounting to 24,000 euros based on the work provided by the Chairman in organizing and preparing the Board of Directors' work, on his strong involvement and availability throughout fiscal year 2013.

Table 2 *(in thousand euros)*

	2013		2012	
Fady Khallouf, CEO since May 20, 2010	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**
Fixed compensation (1)	300	300	300	300
Annual variable compensation (2)	150 (3)	150 (4)	150 (3)	150 (5)
Multiannual variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	16 (6)
Benefits in kind	10 (7)	10 (7)	14 (8)	14 (8)
Profit-sharing bonus (9)	- (9)	2	2 (10)	2
TOTAL	**460**	**462**	**466** (10)	**482**

(1) The CEO's fixed compensation relating to year N is paid during 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 parent company and consolidated financial statements as at December 31, N, representing the upper limit of the annual variable compensation of the CEO.
(4) Amount set by the Board of Directors during its meeting dated April 15, 2013 relating to fiscal year 2012.
(5) Amount set by the Board of Directors during its meeting dated March 28, 2012 relating to fiscal year 2011.
(6) Directors' fees paid as for his office as a member of the Supervisory Board of ecolutions GmbH & Co. KGaA (of which THEOLIA holds 38.82% of the share capital) for fiscal year 2011.
(7) Benefits in kind including only the senior executive insurance policy contracted by the Company (unemployment insurance).
(8) Benefits in kind including a company car and the senior executive insurance policy contracted by the Company.
(9) The profit-sharing bonus relating to year N is calculated in June of N+1 and paid in N+1.
(10) Information added compared to the one published in the 2012 Registration Document.

The CEO's compensation includes a fixed part and a variable part, capped at 50% of the gross annual fixed compensation. The calculation of the variable compensation is based on the results obtained compared to 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 quantity- and quality-oriented, related to the Company's performance. They notably 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 also benefits from a success bonus, the amount of which is capped, in the event of the performance, before a date set by the Board of Directors, of significant projects for the Company's expansion, also meeting an objective set on the Company's stock price.

The CEO does not receive any directors' fees in his capacity as director of the Company, nor any compensation in his capacity as corporate officer within the Group, which offices are specified in section 2.4.1 hereof.

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. 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 its 4th resolution), in the framework of the procedure for regulated agreements.

2.3.1.3 Details on the other allocations

Performance shares

During fiscal year 2013, no free performance shares were granted by the Company **(Table 6)**.

Table 10

History of allocations of free shares	
Date of the General Meeting which granted approval	June 1, 2012
Date of the Board of Directors' meeting which allocated the free shares	December 10, 2012
Total number of free shares allocated	1,900,000
of which free shares granted to Fady Khallouf, corporate officer	900,000
Share acquisition date	December 10, 2014 or December 10, 2016 (1)
Maturity date of the holding period	December 10, 2016
Aggregated number of cancelled or lapsed shares as at December 31, 2013	66,430
Number of non-tradable shares acquired as at December 31, 2013	-
Number of tradable shares acquired as at December 31, 2013	-
Free shares under acquisition as at December 31, 2013	1,833,570

(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.

It is reminded that final acquisition of the free performance shares described hereabove is subject to attendance and performance conditions 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.

Moreover, Fady Khallouf will be required to keep 30% of the effectively acquired performance shares in registered form until the end of his office.

During fiscal year 2013, no free shares became available **(Table 7)**.

For additional information on the performance shares under acquisition, refer to sections 5.1.6, note 21.2 and 6.2.5.2 hereof.

Besides, as at December 31, 2013, 441,638 shares, which were definitively granted by the Board of Directors during its meeting dated March 28, 2012, were still subject to a holding period. This holding period ended on March 28, 2014.

Stock options

During fiscal year 2013, no stock options were granted by the Company **(Tables 4 and 9)**.

Table 8

History of allocations of stock options	Plan No. 1	Plan No. 2
Date of the General Meeting which granted approval	May 30, 2008	June 17, 2011
Date of the Board of Directors' meeting which allocated the stock options	December 1, 2010	July 29, 2011
Number of stock options granted	1,500,000	810,000
Exchange ratio	0.5 (1)	0.5 (1)
Total number of shares which may be subscribed for or purchased	750,000 (1)	405,000 (1)
of which shares which may be subscribed for or purchased by Fady Khallouf, corporate officer	750,000 (1)	-
Earliest exercise date for stock options	December 1, 2014	July 29, 2015
Maturity date for stock options	December 1, 2015	July 29, 2016
Subscription price	€2.48 (2)	€2.34 (3)
Number of shares subscribed as at December 31, 2013	-	-
Aggregated number of cancelled or lapsed stock options as at December 31, 2013	-	135,000
Outstanding stock options as at December 31, 2013	1,500,000	675,000

(1) Number adjusted since the share consolidation plan implemented on July 20, 2012.

(2) The exercise price corresponds to the smallest number between 2.80 euros and the arithmetic average of the volume-weighted average price over the 20 trading days preceding the Board of Directors' meeting dated December 1, 2010.

(3) The exercise price corresponds to the smallest number between 2.80 euros and the arithmetic average of the volume-weighted average price over the 20 trading days preceding the Board of Directors' meeting dated July 29, 2011.

It is reminded that the abovementioned stock options are subject to stock performance conditions based on the meeting of thresholds. A threshold is deemed met if the arithmetic average of the volume-weighted average price over 20 consecutive trading days is superior or equal to that threshold. When a threshold is met, one part of the stock options becomes exercisable according to the following distribution:

	Part of stock options which became exercisable	
Threshold	**Plan No. 1**	**Plan No. 2**
€3.60	6.67%	6%
€5.00	20%	20%
€6.00	13.33%	12%
€7.00	26.67%	25%
€10.00	33.33%	37%

Moreover, Fady Khallouf will be required to keep in registered form, until the end of his office, 50% of the shares related to the exercise of stock options which were granted to him.

During fiscal year 2013, no stock options were exercised (**Tables 5 and 9**).

For additional information on the currently outstanding stock options, refer to sections 5.1.6, note 21.3 and 6.2.5.3 hereof, as well as to section 2.3.1.3 of THEOLIA's 2011 Registration Document, filed with the French Financial Markets Authority ("AMF") on April 27, 2012 and available on the Company's website.

Multiannual variable compensation

During fiscal year 2013, no multiannual variable compensation mechanisms were implemented by the Company to the benefit of its executive corporate officers.

2.3.1.4 Additional information

Table 11

	Employment contract	Supplemental pension plan	Compensation or benefits that are or may be due in case of termination or change in duties	Compensation pertaining to a non-compete clause
Michel Meeus, Chairman Beginning of office: July 26, 2010 Maturity of the ongoing office: 2016	No	No	No	No
Fady Khallouf, CEO Beginning of office: May 20, 2010 Maturity of the ongoing office: n/a	No	Yes (1)	No (2)	Yes

(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).*

The non-compete clause stipulated in the corporate office of the CEO, entered into in 2010 between the Company and Fady Khallouf, has a maximum duration of 24 months and the related compensation amounts to 24 months of gross compensation (fixed and variable). This compensation would have to be refunded by Fady Khallouf if it was found by the final and un-appealable decision of a court of law that he committed serious misconduct. Conditions for triggering the non-compete clause were amended in January 2013. This change will be subject to the approval of the General Meeting of Shareholders to rule on the financial statements for fiscal year closed on December 31, 2013.

The Group has not made any commitment to its officers relating to compensation or benefits that are or may be due in case of termination or 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 includes directors' fees.

The calculation method of directors' fees can be found in the Report of the Chairman of the Board of Directors (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 Audit Committee and their involvement in the Company.

Table 3 *(in thousand euros)*

Amounts paid during the fiscal year *(in thousand euros)*		2013	2012
David Fitoussi Director since July 26, 2010 Chairman of the Audit Committee since July 26, 2010	Directors' fees	56 (1)	45 (2)
	Other compensation	-	-
	TOTAL	**56**	**45**
Lilia Jolibois Director since June 1, 2012 Member of the Audit Committee since June 1, 2012	Directors' fees	52 (1)	14 (3)
	Other compensation	-	-
	TOTAL	**52**	**14**

(1) *Including the payment of directors' fees due for the 4th quarter of 2012 and the 4 quarters of 2013.*

(2) *Including the payment of directors' fees due for the 4th quarter of 2011 and the first 3 quarters of 2012.*

(3) *Information amended compared to the one published in the 2012 Registration Document, which did not refer to amounts paid but to amounts due for the relevant fiscal year.*

The Company did not award any stock warrants, stock options or free shares to the non-executive corporate officers during fiscal year 2013.

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

(in thousand euros)		2013	2012	2011	2010
Directors' fees due for the fiscal year	Executive corporate officers	54	59	67	160
	Non-executive corporate officers	86	97	143	232
	TOTAL	140	156	210	392
Exceptional compensation due for the fiscal year	Executive corporate officers	-	-	-	-
	Non-executive corporate officers	-	-	-	470
	TOTAL	-	-	-	470
TOTAL	Executive corporate officers	54	59	67	160
	Non-executive corporate officers	86	97	143	702
	TOTAL	140	156	210	862

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 a General Meeting of Shareholders.

In compliance with the method of distribution of directors' fees between the members of the Board of Directors described in section 2.1.1.5 hereof, the amount of directors' fees distributed between the Company's directors, for fiscal year 2013, amounted to 86 thousand euros for the Company's non-executive corporate officers and 54 thousand euros for the Chairman of the Board of Directors, i.e. a total of 140 thousand euros.

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

As at December 31, 2013	Number of shares	% of share capital	% of total voting rights
David Fitoussi	0	-	-
Fady Khallouf	150,000	0.2	0.2
Lilia Jolibois	0	-	-
Michel Meeus	3,622,081	5.6	8.5

It is reminded that 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 stock performance conditions (for more information on the conditions related to this allocation, 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 and available on the Company's website) and that 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 (for more information on the conditions related to this allocation, refer to section 2.3.1.3 of THEOLIA's 2012 Registration Document, filed with the French Financial Markets Authority ("AMF") on April 29, 2013 and available on the Company's website).

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 2013

No transactions were performed by the Company's corporate officers on THEOLIA's securities during fiscal year 2013.

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

Beginning of office as CEO: May 20, 2010

Expiration of term: n/a

53 years old

75, rue Denis Papin – BP 80199 - 13795 Aix-en-Provence Cedex 3, France

Number of THEOLIA shares held: 150,000

Before being appointed as THEOLIA's Chief Executive Officer on May 20, 2010, Fady Khallouf worked as a consultant in strategy and restructuring. He previously held the positions of director and CEO of the Tecnimont group where he led the industrial and financial restructuring of the group. Prior to that, he worked as Head of Strategy and Development within the Edison group, and held leadership positions, notably specialized in the field of investments and business development, within the EDF, Suez, SITA/Novergie and Lyonnaise des Eaux-Dumez companies.

Positions held within the Company

- Director of THEOLIA
- CEO of THEOLIA

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

- Managing Director of Breeze Two GmbH (1)
- Co-Manager of THEOLIA Naturenergien GmbH (1)
- Co-Manager of THEOLIA Holding GmbH (1)
- 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)
- Co-Manager of BGE Investment Sàrl (1)
- Co-Manager of BGE Management Sàrl (1)
- Chairman and CEO of Therbio SA
- Chairman and CEO of THEOLIA Emerging Markets SA (1)
- Permanent representative of THEOLIA, acting as corporate officer within the following companies:
  - THEOLIA France SAS (President)
  - Centrale Eolienne du Magremont SAS (President)
  - Centrale Eolienne des Gargouilles SAS (President)
  - Corséol SA (director)
  - Ecoval 30 SA (director)

Main positions held outside the Group during fiscal year 2013

- None

Main positions held outside the Group over the past five years which are no longer held

- None

(1) Foreign company.

*** Pursuant to Article L.233-16 of the French Commercial Code.*

2.4.2 Members of the Board of Directors

DAVID FITOUSSI *

Beginning of first office: July 26, 2010 (cooptation)

Ratification by the General Meeting: December 17, 2010

Renewal of the office: June 1, 2012

Expiration of term: 2015 – further to the General Meeting convened to approve the financial statements for the fiscal year ended December 31, 2014

32 years old

75, rue Denis Papin – BP 80199 - 13795 Aix-en-Provence Cedex 3, France

Number of THEOLIA shares held: 0

David Fitoussi has a master's degree in bank and finance from the Paris I-Sorbonne University and graduated from the *École Supérieure de Gestion.* He is currently Manager of Christofferson Robb & Company LLP. In the context of his duties, he notably took part in the development of 736 MW of onshore and offshore wind projects.

Positions held within the Group

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

Main positions held outside the Group during fiscal year 2013

- Manager of Christofferson Robb & Company LLP (1)

Main positions held outside the Group over the past five years which are no longer held

- None

* *Independent director.*

(1) *Foreign company.*

LILIA JOLIBOIS *

Beginning of first office: June 1, 2012

Expiration of term: 2015 – further to the General Meeting convened to approve the financial statements for the fiscal year ended December 31, 2014

49 years old

75, rue Denis Papin – BP 80199 - 13795 Aix-en-Provence Cedex 3, France

Number of THEOLIA shares held: 0

On March 1, 2014, Lilia Jolibois was appointed as trustee, non-executive director and member of the Finance Committee of Cara, in the United Kingdom. Previously, Lilia Jolibois was Senior Vice-President Marketing and Sales for the Aggregates activity of Lafarge, group where she held several operational and managerial functions. Lilia Jolibois started her career with Merrill Lynch Capital Markets as a financial analyst in New York and as an Associate at the Paris branch. She was also a European Marketing Manager at Sara Lee. Lilia Jolibois has a Bachelor of Arts (B.A.) in economics from the Harvard University and a Master of Business Administration (MBA) from the INSEAD.

Positions held within the Group

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

Main positions held outside the Group during fiscal year 2013

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

Main positions held outside the Group over the past five years which are no longer held

- None

* *Independent director.*

FADY KHALLOUF

Beginning of first office: March 19, 2010

Renewal of the office: June 21, 2013

Expiration of term: 2016 – further to the General Meeting convened to approve the financial statements for the fiscal year ended December 31, 2015

See section 2.4.1 hereabove.

MICHEL MEEUS

Beginning of first office: March 19, 2010

Renewal of the office: June 21, 2013

Expiration of term: 2016 – further to the General Meeting convened to approve the financial statements for the fiscal year ended December 31, 2015

61 years old

75, rue Denis Papin – BP 80199 - 13795 Aix-en-Provence Cedex 3, France

Number of THEOLIA shares held: 3,622,081

Since 2007, Michel Meeus has been director within the Alcogroup SA company (which gathers the ethanol production units of the group with the same name), as well as within some of its subsidiaries. Before joining Alcogroup, Michel Meeus carried out a career in the financial sector, at Chase Manhattan Bank in Brussels and London, then at Security Pacific Bank in London, then finally at ElectraKingsway Private Equity in London.

Positions held within the Group

- Chairman of the Board of Directors of THEOLIA
- Director of THEOLIA

Main positions held outside the Group during fiscal year 2013

- Within the Alcogroup group:
  - Director of Alcogroup Holding SA (previously known as Alcofinance SA) (1)
  - Director of Alcogroup SA (1)
  - Director of Alcofina SA (1)
  - Director of Alco2 SA (1)
  - Director of Alco Bio Fuel NV (1)
  - Director of S.A.D. SA (*Société des Alcools Dénaturés*)
  - Permanent representative of SOLIS Management & Consulting Sprl, acting as deputy director of Alcodis SA (1)
- Manager of SOLIS Management & Consulting Sprl (1)
- Director of Livestream (1)

Main positions held outside the Group over the past five years which are no longer held

- None

(1) Foreign company.

2.5 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, 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.

1. Debt waiver agreement with financial recovery clause entered into with THEOLIA France SAS on December 23, 2013

Person involved: Mr. Fady Khallouf, acting in his capacity as (i) Chief Executive Officer and director of THEOLIA and (ii) in his capacity as legal representative of THEOLIA, Chairman of THEOLIA France SAS.

Board of Directors' authorization date: December 23, 2013

Nature, purpose, terms and conditions: a debt waiver granted to THEOLIA France in the amount of 15 million euros. This debt waiver was only granted under the resolutory condition of THEOLIA France SAS' financial recovery within 5 years following the year ended December 31, 2013, failing which the debt would be immediately restored.

2. Non-compete indemnity for the Chief Executive Officer

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

Board of Directors' authorization dates: August 27 and December 10, 2012

Conclusion date: March 15, 2013, effective as of August 27, 2012

Nature, purpose, terms and conditions: the Shareholders' Meeting of June 1, 2012 had approved, in its fourth resolution, a non-compete clause for Fady Khallouf.

The Board of Directors sought to amend the terms and conditions under which this non-compete clause would be triggered without undermining its other parameters. Previously, the clause was applicable in the event of the Chief Executive Officer's dismissal due to a change in control or strategy by the Company and the indemnity was to be paid systematically. The non-compete clause is now extended to any cases whereby the Chief Executive Officer would leave the Company (particularly in the event of resignation, involuntary departure or dismissal). However, it is now stipulated that the Company may unilaterally choose to waive this clause and not pay the indemnity by releasing the Chief Executive Officer from his obligations under the non-compete clause.

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.

1. Framework Shareholder Loan Agreement entered into with THEOLIA Utilities Investment Company

Person involved: 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

Framework Shareholder Loan Agreement expiry: 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.

Nature, purpose, 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. Concluded for an indefinite term, the framework agreement provides for a first demand total or partial repayment by shareholders and the option to convert the loans into capital.

Under this agreement, THEOLIA granted a shareholder loan amounting to €4,358,160 to THEOLIA Utilities Investment Company. This loan bears interest at an annual rate of 7%.

In respect of fiscal year 2013, interest income of €309,308 was generated.

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

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

Board of Directors' authorization date: June 15, 2010

Contract type, purpose, 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 compensation (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 year 2013, with the exception of the matter with regard to the triggering of the non-compete clause.

3. Centralized cash management agreement

A centralized inter-company cash management agreement was signed in 2007 between the various companies of the THEOLIA Group. Pursuant to this agreement, the Company is responsible for coordinating and centralizing all of the Group's cash requirements and surpluses.

This agreement had continuing effect during fiscal year 2013 but did not generate any interest income.

4. 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, and CESAM to enable the financing of wind farm construction. This agreement provided that each party acts as joint and several guarantor for the other borrowers.

This agreement had continuing effect during fiscal year 2013.

In Marseilles and Paris, on April 22, 2014

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, as at the date this Registration Document was filed, there were 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. 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 implements 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 the highest return 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.

Methodology and indicators

In compliance with Article 225 of the Grenelle 2 Act, this section details how THEOLIA anticipates and manages the impact of its activities on the people and the environment. To do so, the Group chose a both descriptive and quantitative approach. For each section of Decree No. 2012-557 dated April 24, 2012, the Group identifies the possible risks, details the management policy implemented and measures its efficiency using one or several numerical indicators.

As no renowned and relevant public frame of reference is available for activities in the field of renewable energy, the Group defined its own environmental and societal indicators, fitted to its activity and its specificities, reflecting its will to take into account the impact of its activities on the people and the environment. As regards labor-related indicators, the Group used the principles and recommendations of the Global Reporting Initiative (GRI), to promote maximum transparency and consistency. In 2013, those indicators were defined in the same way as in 2012.

The Group publishes those indicators on an annual basis and may redefine its reporting method according to the change in its activities. In 2013, the Group improved the measurement of some environmental and societal indicators by gathering information that was missing in 2012. Complemented information was therefore published. The Group is also presenting its labor-related indicators over two years, whereas they were only presented over one year in 2012.

As most of its activity is located in 4 countries, the Group implemented a simple gathering and consolidation method. Each subsidiary (country) identified one or several persons responsible for the labor-related, environmental and societal reporting. Each contributor receives a common reporting table and precise reporting instructions. Then, they provide the requested information to the holding company, which performs consistency checks, then consolidates the data.

Scope

The social, environmental and societal responsibility information presented below covers the Group's wind power activities and therefore does not cover environmental activities that are currently being sold (primarily Seres Environnement and Ecoval 30), the solar park and the Ecolutions GmbH & Co. KGaA company, consolidated with the equity method.

Apart from this general rule, the Group defines, for each indicator category, the scope which is most appropriate to measure its performance:

- indicators relating to the output performed during the year include all wind farms operated and controlled by the Group, i.e. wind farms operated for own account, Breeze Two Energy's wind farms and wind farms operated for third parties;
- indicators relating to the impact studies performed before a wind farm is installed focus on wind farms operated for the Group's account and therefore exclude Breeze Two Energy's wind farms and wind farms operated for third parties;
- indicators relating to turbine suppliers also focus on wind farms operated for the Group's account and also exclude Breeze Two Energy's wind farms and wind farms operated for third parties; and
- labor-related indicators take into account the THEOLIA Group's employees and exclude corporate officers and contributors, being specified that Breeze Two Energy has no employees.

Control by an independent third party organization

As from 2013, THEOLIA has been requesting a review of this Social, environmental and societal responsibility section by an independent third party Auditor. Its certification on the presence of the required social, environmental and societal information consolidated in this section in compliance with Article L. 225-102-1 of the French Commercial Code is included at the end of this section.

Key figures

- **126** employees in the wind power business
- **1,224 MW** operated and controlled in **4** countries
- More than **2,000,000 MWh** generated in 2013 (1)
- Covers the domestic electricity needs of approximately **808,000** households (1) (2)
- Emission savings of approximately **800,000 tons** of CO_2 (1) (3)
- Savings in radioactive waste production of approximately **22.2 tons** (1) (4) or the combustion of approximately **248,000 tons** of coal (1) (5)

(1) Estimate based on 1,224 MW operated and controlled by the Group.
(2) Estimate based on consumption of 2,500 kWh/yr for one household (excluding electric heating). Source: Ademe.
(3) Estimate based on emissions of 396 g of CO_2 per kWh of electricity generated in Europe. Source: European Environment Agency.
(4) Estimate based on 11 g of radioactive waste generated for every MWh of nuclear-powered electricity generated. Source: EDF.
(5) Estimate based on the combustion of 0.1228 ton of coal equivalent per MWh of electricity generated. Source: International Energy Agency.

3.2 ENVIRONMENTAL RESPONSIBILITY

3.2.1 Environmental policy and management system

The resource and technology used (wind power, wind turbine) means that wind power generation 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, constraints, etc.), **heritage sites** and **landscapes**. This first stage of the study identifies the environmental issues related to the site and highlights the areas that would be suitable for the development of a wind farm.

The Group then works on these 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, and
- 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

Considering its small number of employees (126 employees in the wind power business as at December 31, 2013) and its activity sector directly related to sustainable development, the Group did not train its staff on specific environmental protection topics. However, the Group is particularly committed to raising awareness of its staff to the reduction of their carbon footprint.

Therefore, the Group 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); and
- 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.

Contribution to adapting to and fighting climate change

The Group's wind activities have very little impact on the climate. Indeed, wind energy is a clean energy which does not produce directly any carbon dioxide. Moreover, wind turbines on site do not use any fossil resource having an impact on global warming. 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 emission savings

Scope: Installed capacities for own account, controlled capacities and capacities operated for third parties	2013	2012
Capacities operated and controlled as at December 31	1,224 MW	939 MW
Annual output	2,020 GWh	1,589 GWh
Tons of CO_2 saved (in tons) (1)	800,005	629,390

(1) Estimate based on emissions of 396 g of CO_2 per kWh of electricity generated in Europe. Source: European Environment Agency.

In addition, the Group has the opportunity, through the implementation of accompanying measures (see section 3.4.1 hereunder), to provide financial support to local initiatives that promote the use of renewable energy or reduced energy consumption. These are, generally, initiatives implemented by the town where a new wind farm has been installed and are partially financed by THEOLIA.

Considering its activity, its commitment in favor of renewable energy and the limited availability of some external data required for calculation, in particular for indirect greenhouse gas emissions, the Group chose not to publish numerical information relating to its carbon emissions.

It is also specified that no wind farm or administrative building is located in sensitive, seismic or flood risk areas. The vulnerability of the Group's wind activities to climate change is insignificant.

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 period 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 works 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 capacities for own account (excluding Breeze Two Energy)	2013	2012
Installed capacity for own account (net) as at December 31	307 MW	307 MW
Proportion of wind farms operated for own account for which the impact study included an ornithological analysis (1)	77.2%	77.2%

(1) Percentages shown refer to wind farms operated for own account as at December 31 of the relevant year when THEOLIA performed an impact study which included an ornithological analysis.

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, covering 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 capacities for own account (excluding Breeze Two Energy)	2013	2012
Installed capacity for own account (net) as at December 31	307 MW	307 MW
Proportion of wind farms operated for own account for which the impact study included a bat review (1)	13.8%	13.8%

(1) Percentages shown refer to wind farms operated for own account as at December 31 of the relevant year when THEOLIA performed an impact study which included a bat review.

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, etc.) which are corridors of choice for bat flight.

The Group may also decide, during the 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 compensatory 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 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 can also perform bird and bat activity monitoring in partnership with local players, in the period after wind farm construction when necessary. The aim is then 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 during the construction phase. The extensive work carried out during this period (e.g. turbine foundations, access road and track building, installation of the internal electric wind turbine 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 have been damaged.

Management of flora risk

Scope: Installed capacities for own account (excluding Breeze Two Energy)	2013	2012
Installed capacity for own account (net) as at December 31	307 MW	307 MW
Proportion of wind farms operated for own account for which the impact study included a botanical study (1)	94.8%	94.8% (2)

(1) Percentages shown refer to wind farms operated for own account as at December 31 of the relevant year when THEOLIA performed an impact study which included a botanical study.
(2) Information complemented compared to the one published in the 2012 Registration Document.

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. 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 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 under operation 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.

Annual radioactive waste savings

Scope: Installed capacities for own account, controlled capacities and capacities operated for third parties	2013	2012
Capacities operated and controlled as at December 31	1,224 MW	939 MW
Annual output	2,020 GWh	1,589 GWh
Tons of radioactive waste saved (1)	22.22	17.48

(1) Estimate based on 11 g of 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 Baïda 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 several years of 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 7 years. Breeze Two Energy's wind farms were almost all commissioned between 2005 and 2008 and will therefore not be decommissioned in the short term.

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 nacelle 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 zone is covered with soil that is comparable to the local soils in order that natural vegetation or farming restarts. 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 generated by the Group, THEOLIA has decided not to publish this information.

3.3 SOCIAL RESPONSIBILITY

Despite the difficulties faced in 2008, 2009 and 2010, the Group's men and women demonstrated their fighting spirit and commitment to ensure the Company's recovery. With the continuous aim to optimize its organization, THEOLIA promotes cross-management across its teams. The Group is organized as an integrated industrial group, with pools of expertise available to all the countries.

Cross-management has several advantages:

- it enables to share best practices across the Group;
- it increases the Group's efficiency; and
- it favors synergies.

THEOLIA'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 can generate shared values and therefore lead to improving overall performance and risk management.

3.3.1 Employment

Workforce, as presented hereunder, includes the Group's employees and excludes corporate officers, temporary workers and independent service providers. Workforce for the Group's wind power business included 126 people as at December 31, 2013.

Variations in workforce as at December 31

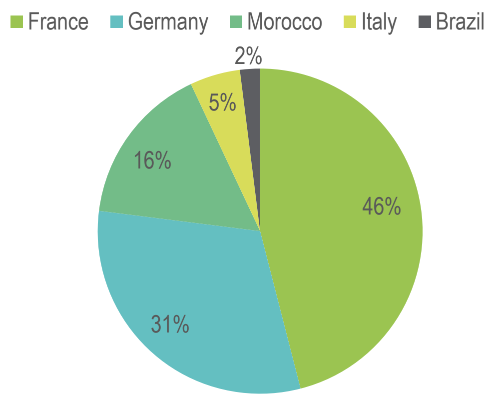
	2013	2012
Workforce	126	140
Women (%)	40%	44%
Men (%)	60%	56%

Variations in workforce in full-time equivalent

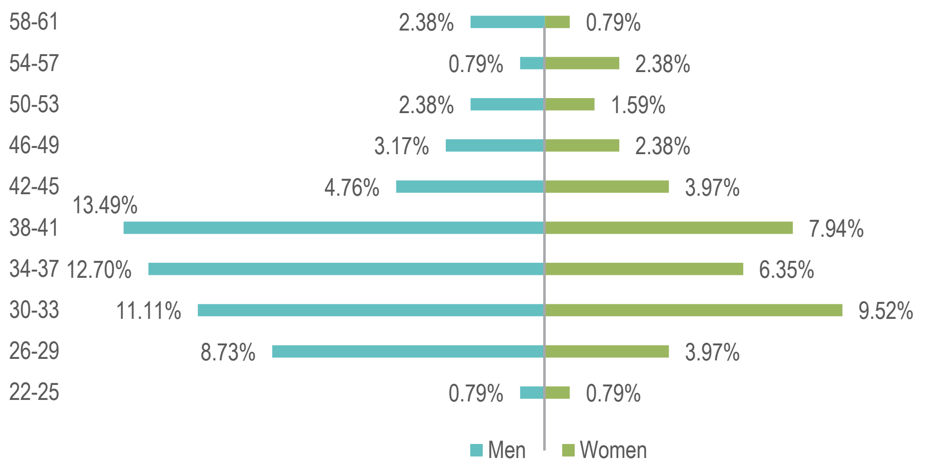
	2013	2012
Workforce in full-time equivalent	128	145
Women (%)	40%	39%
Men (%)	60%	61%

The drop in employee numbers during the past two years reflects the General Management's aim of continuing to control costs and optimize the Group's human resource management.

Breakdown of employees by geographical zone as at December 31, 2013



Age profile by gender as at December 31, 2013



The majority of staff recruited in 2013 was hired to replace outgoing employees. The Group has no major difficulties in recruitment.

Recruitments

	2013	2012
France	7	10
Germany	5	14
Morocco	1	3
Italy	-	1
Brazil	-	-
TOTAL	**13**	**28**

Departures

	2013	2012
France	17	17 (1)
Germany	7	14
Morocco	2	3
Italy	1	6
Brazil	-	4
TOTAL	**27**	**44 (1)**

(1) Information restated further to the departure of an employee in sabbatical leave, now deducted as out of the workforce.

Reason for departure

	2013	2012
Lay-offs on economic grounds	-	9
Dismissals for personal reasons	4	1
End of the contract	6	4
By mutual consent	6	1
Resignation	11	28
Sabbatical leave	-	1 (1)
TOTAL	**27**	**44 (1)**

(1) Information restated further to the departure of an employee in sabbatical leave, now deducted as out of the workforce.

The percentage of resignations among total departures sharply decreased in 2013 (41%) compared to 2012 (64%). The number of resignations, still high in 2013, is the consequence of the continuation 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 the recognition of high-potential employees.

3.3.2 Compensation policy

In each country, the Group aims to grant compensation 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

	2013	2012
Total annual payroll (1)	€5,497,905	€5,956,004
Mean annual compensation (2)	€42,885	€40,974
Total annual payroll for women employees (3)	€1,959,199	€2,059,075
Mean annual compensation for women employees (4)	€38,131	€36,010

(1) Gross payroll (including variable pay), excluding social security contributions for the year in question and excluding corporate officers, interns and benefits in kind. 2012's payroll was reclassified by excluding benefits in kind.
(2) Annual payroll divided by total employees in full-time equivalent.
(3) Gross payroll for women employees (including variable pay) excluding social security contributions for the year in question and excluding corporate officers, interns and benefits in kind.
(4) Annual payroll for women employees divided by the number of women employees in full-time equivalent.

The Group's compensation policy aims to motivate its employees, encourage their loyalty and attract new talent. The following loyalty measures are currently in place:

Variable compensation

For some positions, compensation includes variable pay, to reward employees if certain targets are achieved.

Profit-sharing scheme

Profit-sharing schemes are in place both within the Company and the subsidiary THEOLIA France. A new profit-sharing scheme was negotiated with THEOLIA SA's staff representatives in 2011 for the period from 2011 to 2013. An amendment updating the criteria was signed in 2012.

Free shares

1,000,000 free shares were allocated to Group employees on December 10, 2012 by the Board of Directors, in order to align the performance of each employee with Group targets. Definitive acquisition is subject to attendance and performance conditions associated with operational, financial and stock performance targets. As at December 31, 2013, 933,570 free shares were under acquisition. Detailed information about the free share scheme can be found in section 6.2.5.2 hereof.

Stock options

On July 29, 2011, the Board of Directors granted 810,000 stock options to certain Group employees, subject to stock performance and attendance conditions. As at December 31, 2013, 675,000 stock options were outstanding. Detailed information about the stock option scheme can be found in section 6.2.5.3 hereof.

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 types of contract:

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

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

In Germany, the working time at the THEOLIA Naturenergien company is set to 40 hours per week. The German legislation stipulates that the working time cannot exceed 48 hours per week.

In Morocco, the working time at both CED and TEM subsidiaries is set to 44 hours per week, which corresponds to the legal working time. Working hours may be annualized according to positions and the company's requirements.

At the Italian subsidiary Maestrale Green Energy, the working time is set to 37.76 hours per week, while the standard working time in Italy is of 40 hours per week. Employees benefit from 20 days off prior to 10 years of employment, then from 25 days.

For THEOLIA Brazil's employees, the working time is set to 44 hours per week, in compliance with the local legislation.

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

	2013 (1)	2012 (2)
France	1.51%	2.34%
Germany	2.47%	1.55%
Morocco	0.23%	2.27%
Italy	3.22%	0.82%
Brazil	-	-
MEAN RATE OF ABSENTEEISM	**1.63%**	**1.97%**

(1) Total number of days of absence or working days lost due to occupational accidents/occupational illness, other illness, unjustified absence, a sick kid or family event over the reference period, expressed as a percentage of the theoretical total number of days worked over the same period.

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

3.3.4 Labor relations and collective agreements

There is open and active dialogue between employees and management within the Group. The Group complies with local legislation for informing, consulting and negotiating with its employees.

Amongst the French entities, THEOLIA SA has a staff representative and THEOLIA France has a sole staff delegation including four members.

Collective agreements were signed during the preceding years (profit-sharing scheme, time savings account, etc.).

No collective agreement was implemented in 2013. As THEOLIA SA's profit-sharing agreement is coming to an end in December 2013, it will have to be renegotiated before June 30, 2014.

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 and their employability.

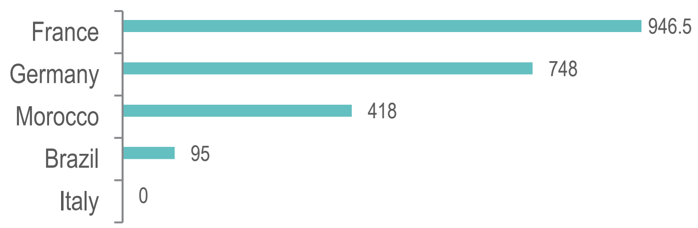
Training fields may be as follows:

- technical (maximization of wind farm performance, upgrade according to the evolution of software, etc.);
- linguistic (mainly English and German, to improve communication between the Group's various entities); and
- behavioral (communication, negotiation, etc.).

During fiscal year 2013:

- the average duration of training for each trained employee was 28.3 hours; and
- 61% of Group employees benefited from training (compared to 44% in 2012).

Number of training hours in 2013



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 by the law whenever necessary.

The Group's low rate of accidents is the result of its effective health and safety policy.

Number of days of complete inability to work due to an occupational accident	2013	2012
France	-	2
Germany	-	1
TOTAL	**-**	**3**

No occupational accident occurred in 2013, the two accidents which occurred in 2012 were minor travel accidents, as they only incurred 3 days of complete inability to work for both.

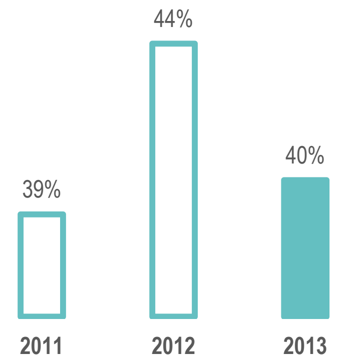
3.3.7 Equality of treatment

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 respects professional equality by organizing the recruitment, career 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 Charter of Ethics. This Charter was rolled out to THEOLIA France in 2013 and will be rolled out to the foreign subsidiaries in 2014.

The proportion of women employees slightly decreased in 2013, as some positions held by women were not replaced after they left:

Variation in proportion of women employees as at December 31



The employment and integration of disabled workers are taken into account within the Group.

Despite their recruitment policy encouraging the employment of people with disabilities, THEOLIA SA and THEOLIA France have to pay a contribution to the French State (K-400) to promote the employment of disabled workers.

However, THEOLIA SA regularly places orders with "sheltered workshop" projects that enable disabled workers to return to employment. It also entrusted a company employing distressed or disabled workers with waste paper recycling.

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 child labor.

The Group intends to look beyond its own borders in this respect and intends, from 2014, 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 Relations with stakeholders

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 led to 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 building permit 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 permitting process. 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 initiatives that 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, during the day or at night, 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 implement a preventive management plan, by limiting one or more turbines 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 turbines 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 capacities for own account (excluding Breeze Two Energy)	2013	2012
Installed capacity for own account (net) as at December 31	307 MW	307 MW
Proportion of wind farms operated for own account for which the impact study included an acoustic study (1)	100%	100% (2)

(1) *Percentages shown refer to wind farms operated for own account as at December 31 of the relevant year when THEOLIA performed an impact study which included an acoustic study.*
(2) *Information complemented compared to the one published in the 2012 Registration Document.*

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 possible 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.

Manufacturers that supply turbines installed by the Group are for the vast majority 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 close 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; and
- wind turbines are equipped with on-blade ice detection mechanisms, which stop the turbine if necessary.

In addition, all wind farms have continuous 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 on site 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 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 accompany woodlands, which provide 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 generally 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 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 wind turbine 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 capacities for own account (excluding Breeze Two Energy)	2013	2012
Installed capacity for own account (net) as at December 31	307 MW	307 MW
Proportion of wind farms operated for own account for which the impact study included a landscape study (1)	96.8%	96.8% (2)

(1) Percentages shown refer to wind farms operated for own account as at December 31 of the relevant year when THEOLIA performed an impact study which included a landscape study.
(2) Information complemented compared to the one published in the 2012 Registration Document.

3.4.4 Direct and indirect contribution to the local economy

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

- 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. More specifically, the Group seeks to establish a long-term and balanced relation with its wind turbine suppliers.

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 is not aware of any major labor-related risk relating to its turbine suppliers. Therefore, the Group does not include the labor-related risk in its turbine supplier selection process.

Turbine suppliers by country of origin

Scope: Installed capacities for own account (excluding Breeze Two Energy)	2013	2012
Installed capacity for own account (net) as at December 31	307 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 turbine suppliers

Scope: Installed capacities for own account (excluding Breeze Two Energy)	2013	2012
Installed capacity for own account (net) as at December 31	307 MW	307 MW
Proportion of ISO 14001 certified turbine 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, internal electric wind 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 and human rights

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).

As regards human rights, the Charter promotes respect for individuals, and more specifically non-discrimination towards the other employees, clients and suppliers, on the grounds of gender, origin, age or religion.

This Charter has initially been presented to staff working at the 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.

3.5 REPORT OF ONE OF THE STATUTORY AUDITORS, DESIGNATED AS INDEPENDENT THIRD-PARTY ENTITY, ON THE CONSOLIDATED ENVIRONMENTAL, SOCIAL AND SOCIETAL INFORMATION PUBLISHED IN THE MANAGEMENT REPORT

To the Shareholders,

In our capacity as one of the Statutory Auditors of THEOLIA SA, and designated as independent third-party entity, who is accredited by the French National Accreditation Body (COFRAC) under the number 3-1048[1], we hereby present you with our report on the social, environmental and societal information presented in the management report prepared for the year ended December 31, 2013 (hereinafter the “CSR Information”), pursuant to Article L.225-102-1 of the French Commercial Code.

Responsibility of the Company

The Board of Directors of THEOLIA SA is responsible for preparing a management report including the CSR Information provided by Article R. 225-105-1 of the French Commercial Code, prepared in accordance with the reporting criteria used by THEOLIA SA (the “Reporting Criteria”), a summary of which is provided in the paragraph 3.1 of the management report included in the Registration Document and available on request from the Headquarters of the Company.

Independence and quality control

Our independence is defined by regulatory texts, the profession’s Code of Ethics as well as by the provisions set forth in Article L. 822-11 of the French Commercial Code. Furthermore, we have set up a quality control system that includes the documented policies and procedures designed to ensure compliance with rules of ethics, professional standards and the applicable legal texts and regulations.

Responsibility of the Statutory Auditors

Based on our work, our responsibility is:

- to attest that the required CSR Information is presented in the management report or, in the event of omission, is explained pursuant to the third paragraph of Article R. 225-105 of the French Commercial Code (Attestation of completeness of the CSR information);
- to express limited assurance on the fact that, taken as a whole, the CSR Information is presented fairly, in all material aspects, in accordance with the adopted Reporting Criteria (Formed conclusion on the fair presentation of the CSR Information).

Our work was carried out by a team of 5 people between March 2014 and April 2014. To assist us in conducting our work, we referred to our CSR experts.

We conducted the following procedures in accordance with professional standards applicable in France, with the order of May 13, 2013 determining the methodology according to which the independent third party entity conducts its assignment and, with regard to the formed conclusion on the fair presentation of the Information, with the ISAE (International Standard on Assurance Engagements) 3000[2].

1. Attestation of completeness of the CSR Information

Based on interviews with management, we familiarized ourselves with the Group’s sustainable development strategy, with regard to the social and environmental impacts of the Company's business and its societal commitments and, where appropriate, any resulting actions or programs.

We have compared the CSR Information presented in the management report with the list set forth in Article R. 225-105-1 of the French Commercial Code.

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1 *whose outreach is available on the website www.cofrac.com*
2 *ISAE 3000 – Assurance engagements other than audits or reviews of historical information*

In the event of omission of certain consolidated information, we have verified that explanations were provided in accordance with the third paragraph of the Article R. 225-105 of the French Commercial Code.

We have verified that the CSR Information covered the consolidated scope, i.e., the Company and its subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code and the companies that it controls within the meaning of Article L. 233-3 of the French Commercial Code, subject to the limits set forth at paragraph "Scope" of chapter "3.1 Sustainable Development" of the management report.

Based on our work and considering the aforementioned limits, we attest that the required CSR Information is presented in the management report.

2. Formed conclusion on the fair presentation of the CSR Information

Nature and scope of procedures

We held 5 interviews with the people responsible for preparing the CSR Information in the departments in charge of the CSR Information collection process and, when appropriate, those responsible for internal control and risk management procedures, in order to:

- assess the appropriateness of the Reporting Criteria with respect to its relevance completeness, reliability, neutrality and clarity, taking into consideration, when relevant, the sector's best practices;
- verify the set-up of a process to collect, compile, process, and check the CSR Information with regard to its completeness and consistency and familiarize ourselves with the internal control and risk management procedures relating to the compilation of the CSR Information.

We determined the nature and scope of the tests and controls according to the nature and significance of the CSR Information with regard to the Company's characteristics, the social and environmental challenges of its activities, its sustainable development strategies and the sector's best practices.

Concerning the CSR information that we have considered to be most important[3] :

- for the consolidating entity, we consulted the documentary sources and held interviews to corroborate the qualitative information (organization, policies, actions), we implemented analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the data consolidation, and we verified their consistency with the other information presented in the management report;
- for a representative sample of entities that we have selected[4] according to their activity, their contribution to the consolidated indicators, their location and a risk analysis, we held interviews to verify the

[3] *Quantitative social information:*

- *Workforce as at December 31, and % of women and % of men*
- *Total number of recruitments*
- *Numbers of lay-offs on economic grounds and dismissals for personal reasons*
- *Total annual payroll and mean annual compensation*
- *Total annual payroll and mean annual compensation for women employees*
- *Absenteeism (in %)*
- *Number of occupational accidents*
- *Number of days of complete inability to work due to an occupational accident*
- *Number of training hours per country*
- *Average duration of training in hours for each trained employee*
- *% of employees who benefited from training*

Quantitative environmental information:

- *Capacities operated and controlled as at December 31*
- *Annual output*
- *Proportion of wind farms operated for own account for which the impact study included an ornithological analysis*
- *Proportion of wind farms operated for own account for which the impact study included a bat review*
- *Proportion of wind farms operated for own account for which the impact study included a botanical study*
- *Proportion of wind farms operated for own account for which the impact study included an acoustic study*

Quantitative societal information:

- *Proportion of manufacturers that supply turbines that are ISO 14 001 certified, as far as the Company is aware*

Qualitative information:

- *Labor relations and collective agreements*
- *Equality of treatment*
- *Preventive approach to environmental risk management*
- *Staff awareness-raising to reduce the Group's carbon footprint*
- *Informing and consulting all stakeholders*
- *Impact of activities on health*
- *Impact of activities on heritage and landscape*
- *Subcontractor relations*
- *Business ethics and human rights*

[4] *For social and environmental quantitative information, the following legal entities:*

- *THEOLIA SA*

correct application of the procedures and implemented substantive tests on a sampling basis, consisting in verifying the calculations performed and reconciling the data with supporting evidence. The selected sample represented between 28% and 100% of the Group social quantitative information and between 14% and 27% of the environmental quantitative information.

Regarding the other consolidated CSR information, we have assessed its consistency in relation to our knowledge of the Group.

Finally, we have assessed the relevance of the explanations relating to, where necessary, the total or partial omission of certain information.

We believe that the sampling methods and sizes of the samples we have used in exercising our professional judgment enable us to express limited assurance; a higher level of assurance would have required more in-depth verifications. Due to the use of sampling techniques and the other limits inherent to the operations of any information and internal control system, the risk that a material anomaly be identified in the CSR Information cannot be totally eliminated.

Conclusion

Based on our work, we did not identify any material anomaly likely to call into question the fact that the CSR Information has been presented fairly, in all material aspects, in accordance with the Reporting Criteria.

In Marseilles, on April 22, 2014

One of the Statutory Auditors

Deloitte & Associés

Christophe Perrau

Partner

- *THEOLIA France*

4 Review of fiscal year 2013

4.1 ACTIVITY OF THE GROUP IN 2013

4.1.1 Highlights of the year

THEOLIA took control of Breeze Two Energy

At the end of 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 2005 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.

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 into 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.

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 various rights including 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 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. 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 Manager at Christofferson, Robb & Company, LLP, as detailed in section 2.4.2 hereof. It is specified that David Fitoussi did not participate in any deliberations of the Board of Directors relating to Breeze Two Energy (see sections 2.1.1.3 and 2.1.1.4 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. 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.

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. Breeze Two Energy has therefore been consolidated in THEOLIA's financial statements using the global integration method since February 1, 2013.

THEOLIA took control of Breeze Two Energy in order to create significant operational synergies between THEOLIA and Breeze Two Energy, in particular with THEOLIA's teams taking over the future management of Breeze Two Energy's wind farms, which used to be subcontracted to third parties.

In 2013, measures were taken to optimize the management of Breeze Two Energy. In particular, the agreement with the service provider performing the company's administrative management was terminated. As from March 2014, these duties are performed by THEOLIA. Likewise, the operational management of Breeze Two Energy's wind farms located in France was taken over by THEOLIA's operating teams in France. The operational management of Breeze Two Energy's wind farms located in Germany will be gradually taken over by THEOLIA's German teams as from 2014.

Takeover offer initiated by Macquarie

On July 8, 2013, MEIF 4 AX Holdings SAS (the "Offeror"), which is controlled by Macquarie European Infrastructure Fund 4, an investment fund dedicated to long-term infrastructure investment with extensive experience in the renewable energy sector in Europe, filed a friendly takeover offer for THEOLIA.

This offer was approved on July 23, 2013 by the French Stock Exchange Authority ("AMF").

The financial conditions of the offer, as described hereunder, had been considered as fair from a financial standpoint by the Board-appointed independent expert. THEOLIA's Board of Directors considered the offer to be in the interest of the THEOLIA Group, its shareholders, the holders of convertible bonds and stock warrants, and its employees.

The offer was open from July 26, 2013 to September 6, 2013 inclusive. The offer included all existing shares of THEOLIA (consolidated and non-consolidated shares) and all outstanding convertible bonds and stock warrants. The prices offered for all the securities targeted by the offer were as follows:

- 1.70 euro per consolidated share;
- 0.85 euro per non-consolidated share;
- 15.29 euros per OCEANE, plus the accrued coupon; and
- 0.002 euro per stock warrant.

On September 13, 2013, the AMF and THEOLIA published the results of the takeover offer. The Offeror received 64.49% of the share capital and 64.79% of the voting rights of the Company on a non-diluted basis, according to the calculation method presented in the offer note. The majority of THEOLIA's shareholders tendered their shares. However, the conditional threshold of 2/3 of the voting rights on a non-diluted basis, set by the Offeror, was not reached. The takeover offer thus lapsed.

Three new building permits obtained in France

Having obtained a building permit without recourse since November 2012, the Chemin Perré project was still on hold pending the creation of a wind power development zone ("Zone de développement éolien", ZDE), in order to benefit from the regulatory feed-in tariff. Adopted in April 2013, the Brottes Act cancelled the ZDE procedure and therefore removed the last administrative obstacle to the implementation of this project.

The Chemin Perré project is located on the Nogentais community of communes, on the territory of the towns of Montpothier and Villenauxe-la-Grande, in the Aube French department. It will include 9 wind turbines, for a total estimated capacity of 22.5 MW.

Also in the Aube French department, THEOLIA obtained a second building permit to install 4 wind turbines on the territory of the towns of Mergey, Saint-Benoît-sur-Seine and Sainte-Maure. Pending the choice of the turbine type, the total capacity for the future wind farm is estimated to 13.2 MW.

Finally, THEOLIA obtained a third building permit to install 3 wind turbines in the Moselle French department, on the territory of the town of Coume. The total capacity for the wind farm is estimated to 7.5 MW.

These building permits are free from any recourse from third parties.

As at December 31, 2013, THEOLIA holds 206 MW in its pipeline which already received all necessary authorizations.

Escrow of the Giunchetto wind farm in Italy

The Nicosia Italian public prosecutor led investigations against some executives of the Aerochetto S.r.l. company, a 51% subsidiary of THEOLIA, for infringements related to the acoustic impact and to the construction of the Giunchetto wind farm in 2009. The decision to preventively put the wind farm in escrow was made on April 24, 2013 and implemented on May 3, 2013.

On August 8, 2013, the Aerochetto S.r.l. company obtained the release of escrow of 25 wind turbines (over the 35 wind turbines composing the wind farm).

On November 3, 2013, the public prosecutor authorized 8 additional wind turbines to operate partially again.

On March 18, 2014, the public prosecutor released of escrow the remaining 10 wind turbines (see section 4.7.1 hereof).

Progress of the Moroccan wind farm

In North Morocco, THEOLIA develops, jointly with the *Office National de l'Électricité et de l'Eau potable* (« ONEE »), a 300 MW project which is made up of two phases:

- a first phase of 100 MW to be installed in lieu of the 50 MW of the Koudia Al Baïda wind farm, currently operated by THEOLIA (repowering operation*,* i.e. replacing the existing turbines with higher powered turbines); and
- a second phase of 200 MW to be installed on sites adjacent to the wind farm (wind farm extension).

Five tenderers submitted bids to the call for tenders to choose the general contractor who will supply, install and technically maintain the wind turbines for the first 100 MW phase. Negotiations are still underway in order to make the final choice for the general contractor.

4.1.2 Analysis of the consolidated financial statements

The Group's consolidated financial statements for fiscal year 2013 were examined by the Audit Committee, and then approved by the Board of Directors during its meeting of April 22, 2014, in the presence of the Statutory Auditors.

On February 1, 2013, Breeze Two Energy was integrated in the consolidated scope, which has an impact on the Group's financial statements. The main consequences are described in the following sections.

Consolidated income statement (selected information) *(in thousand euros)*	**Year ended December 31**	
	2013	**2012**
Revenue	95,447	67,736
EBITDA (1)	50,575	32,877
Current operating income	15,616	18,763
Operating income	(4,458)	(545)
Financial income	(39,421)	(31,990)
Net income from continuing activities	(46,399)	(33,676)
NET INCOME	**(45,286)**	**(34,238)**
of which Group share	**(41,210)**	**(34,206)**
of which minority share	(4,076)	(32)

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

4.1.2.1 Consolidated revenue

THEOLIA's consolidated annual revenue amounted to 95.4 million euros in 2013, showing an increase of + 41% compared to 2012. The Sales of electricity for own account activity includes Breeze Two Energy's revenue in the amount of 38.5 million euros over 11 months.

Consolidated revenue by business segment [1] (in thousand euros)	Year ended December 31 2013	2012
Sales of electricity for own account	85,340	49,314
Operation	6,320	6,260
Development, construction, sale	2,677	10,786
Non-wind activity	1,110	1,376
TOTAL	**95,447**	**67,736**

(1) 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 the revenue from the sales of electricity produced by operating wind farms held and controlled by the Group in Germany, France, Morocco and Italy.

The revenue from the Sales of electricity for own account activity reached 85.3 million euros in 2013, including Breeze Two Energy since February 1, 2013, compared to 49.3 million euros in 2012, i.e. an increase of + 73% compared to 2012. Whereas the first and third quarters of 2013 were penalized by less favorable wind conditions than in 2012, the Sales of electricity for own account activity recorded a strong growth during the fourth quarter of 2013.

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

The revenue from the Sales of electricity for own account activity represents 89.4% of the consolidated revenue for fiscal year 2013.

Operation

The revenue from the Operation activity includes management fees for 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 for fiscal year 2013, at the same level as in 2012, despite the reduction of capacities managed for third parties.

The revenue from the Operation activity represents 6.6% of the consolidated revenue for fiscal year 2013.

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 four 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 amounted to 2.7 million euros in 2013, compared to 10.8 million euros in 2012. In 2012, THEOLIA had sold 5.2 MW of operating wind farms in Germany. In 2013, the Group only sold projects under development.

The revenue from the Development, construction, sale activity represents 2.8% of the consolidated revenue for fiscal year 2013.

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 2013, the non-wind activity registered a revenue almost stable compared to 2012. It amounted to 1.1 million euros in 2013, compared to 1.4 million euros in 2012.

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

Consolidated revenue by geographical zone (1) *(in thousand euros)*	Year ended December 31 2013	2012
Germany	61,739	37,017
France	21,018	19,307
Morocco	6,964	6,534
Italy	5,150	4,650
Other countries	576	229
TOTAL	**95,447**	**67,736**

(1) The "Headquarters" activity does not generate revenue and is therefore not shown in this table.

Germany

The revenue registered in Germany in 2013 is largely the result of the sales of electricity produced by the 456 MW held and controlled by the Group in the country (87.6% of the revenue in Germany) and management fees from the operation of the 484 MW operated for third parties (8.9% of the revenue in Germany).

The strong increase in revenue registered in Germany in 2013, i.e. + 67%, is mainly due to the Sales of electricity for own account activity with the integration of Breeze Two Energy over 11 months. The Development, construction, sale activity recorded a strong decrease, in compliance with the strategy implemented by the Group to reduce the pace of wind farm disposals. It is reminded that THEOLIA had sold 5.2 MW of operating wind farms in Germany in 2012.

The revenue registered in Germany represents 64.7% of the consolidated revenue for fiscal year 2013, compared to 54.6% for fiscal year 2012.

France

The revenue performed in France in 2013 mainly includes the sales of electricity produced by the 113 MW held and controlled by the Group in the country (91.8% of the revenue in France), management fees for the 95 MW operated for third parties as well as development and construction services performed for third parties.

The + 9% increase in the revenue in France in 2013 compared to 2012 mainly comes from the Sales of electricity for own account activity with the integration of Breeze Two Energy over 11 months.

The revenue registered in France represents 22.0% of the consolidated revenue for fiscal year 2013, compared to 28.5% for fiscal year 2012.

Italy

In Italy, THEOLIA operates two wind farms for own account for a net aggregated capacity of 25.2 MW. The fact that the Giunchetto wind farm was put in escrow during a part of the year was offset by the first year of operation of the Bovino wind farm. In total, the revenue registered in Italy increased by + 11% in 2013, compared to 2012.

The revenue registered in Italy represents 5.4% of the consolidated revenue for fiscal year 2013, compared to 6.9% 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. Wind conditions more favorable in 2013 than in 2012 enabled the revenue for the Sales of electricity for own account activity to grow by + 7% from 2012 to 2013.

The revenue performed in Morocco represents 7.3% of the consolidated revenue for fiscal year 2013, compared to 9.6% for fiscal year 2012.

4.1.2.2 Consolidated EBITDA

Consolidated EBITDA is not a financial indicator defined by IFRSs. It corresponds to the current operating income before amortization and provisions for non-operational risks (see table for the conversion of EBITDA to current operating income in section 4.1.2.3 below).

The consolidated EBITDA showed a strong growth of + 54% between 2012 and 2013. It reached 50.6 million euros for fiscal year 2013, compared to 32.9 million euros for fiscal year 2012. The consolidated EBITDA/consolidated revenue margin again significantly improved, going from 49% in 2012 to 53% in 2013.

Consolidated EBITDA by business sector *(in thousand euros)*	Year ended December 31	
	2013	2012
Sales of electricity for own account	58,148	35,374
Operation	1,957	3,368
Development, construction, sale	(9,339)	(5,927)
Non-wind activity	1,377	1,248
Corporate	(1,568)	(1,185)
TOTAL	**50,575**	**32,877**

Sales of electricity for own account

The EBITDA from the Sales of electricity for own account activity amounted to 58.1 million euros in 2013, compared to 35.4 million euros in 2012, up by 64%. This performance is linked to the consolidation of Breeze Two Energy over 11 months, which contributed to the EBITDA for this activity in the amount of 25.7 million euros.

The EBITDA/revenue margin for the Sales of electricity for own account activity decreased in 2013, compared to the two preceding years, penalized by less favorable wind conditions which have a direct impact on the margin and by the integration of Breeze Two Energy, which recorded EBITDA margins lower than the Group's standards.

However, Breeze Two Energy began implementing, as soon as 2013, a process to improve its operational performance, with a drop in revenue considering the less favorable wind conditions, but with an EBITDA which declined less sharply.

Operation

The EBITDA from the Operation activity gained momentum again in 2013, reaching 2.0 million euros, including a net provision reversal on waived long-outstanding receivables of 0.7 million euros. In 2012, the EDBITDA from this activity amounted to 3.4 million euros, including a net provision reversal on waived long-outstanding receivables of 2.6 million euros.

Development, construction, sale

The EBITDA from the Development, construction, sale activity recorded a 9.3 million euro loss in 2013, compared to a loss of 5.9 million euros in 2012. The level of EBITDA from this activity is directly related to the performance or the absence of disposals and development and construction services for third parties over the period. Therefore, it varies sometimes greatly from one fiscal year to another.

The decrease recorded between 2012 and 2013 is the result of three main factors:

- the absence of wind farm or project disposal to the investment vehicle THEOLIA Utilities Investment Company (one 18.4 MW operating wind farm had been sold to the vehicle in 2012);
- the decrease in development and construction services, directly related to the previous paragraph; and
- the absence of operating wind farm disposal to third parties, whereas 5.2 operating MW had been sold in Germany in 2012.

The Group performs, at each closing of the fiscal year, a complete review of its pipeline of projects under development and adjusts the value of some of its projects according to the assessment of the risk of failure. In 2013, this review led to a net depreciation of 1.1 million euros, mainly in Italy, compared to 1.3 million euros in 2012, mainly in France.

Non-wind activity

In 2013, the Non-wind activity registered an EBITDA of 1.4 million euros, a figure higher than its revenue, due to a reversal of long-outstanding provision in the amount of 0.4 million euros, compared to an EBITDA of 1.2 million euros in 2012.

Corporate

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

In 2013, the EBITDA from the Corporate activity decreased compared to 2012, going from a 1.2 million euro loss in 2012 to a 1.6 million euro loss in 2013, due to:

- the full-year impact of expenses relating to free shares under acquisition for 0.5 million euros; and
- a receivable depreciation related to a subsidiary under liquidation for 0.5 million euros.

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 2013	2012
Germany	38,180	18,753
France	12,167	10,565
Italy	(2,539)	637
Morocco	4,013	4,420
Other countries	93	(986)
Headquarters (1)	(1,339)	(512)
TOTAL	**50,575**	**32,877**

(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 IFRSs. It corresponds to the operating income before non-current provisions, other non-current income and expenses, share in income of associates and impairment.

(in thousand euros)	Year ended December 31 2013	2012
EBITDA	**50,575**	**32,877**
Amortization	(35,300)	(16,048)
Provisions for non-operational risks	341	1,934
CURRENT OPERATING INCOME	**15,616**	**18,763**

The vast majority of amortization is related to wind farms held and controlled by the Group.

For wind farms held by THEOLIA, amortization is calculated, at each closing, according to the residual value of the farms (estimated sale price) and the date of disposal estimated by the Group (5 years). In 2013, this cost increased by 3.4 million euros, due to the amortization of new wind farms commissioned in late 2012 and to the changes in assumptions related to some operating wind farms.

For wind farms controlled by THEOLIA and therefore held by Breeze Two Energy, amortization, after restatement, is recognized according to a straight-line method, over 20 years in Germany and 15 years in France. From February 1, 2013 to December 31, 2013, Breeze Two Energy's wind farm amortization amounted to 15.3 million euros.

Amortization registered on operating wind farms held and controlled by the Group is distributed as follows by geographical zone in 2013 (in million euros):

- Germany (22.6)
- France (7.0)
- Morocco (2.7)
- Italy (1.3)

It is reminded that in 2012, the current operating income benefited from the positive effect of a provision reversal of 1.8 million euros.

4.1.2.4 Operating income

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

The Group's operating income is a loss of 4.5 million euros in 2013, compared to a loss of 0.5 million euros in 2012. Impairments recorded in 2013 are down compared to 2012, going from 23.3 million euros in 2012 to 16.0 million euros. They are related to investment decisions made prior to 2009 and mainly involve:

- a 4.0 million euro depreciation on the value of wind turbines purchased in 2008, currently stored because they were not yet installed, reflecting their growing dilapidation; and
- a 10.0 million euro depreciation on the value of two Italian projects in the portfolio, currently under litigation with the initial developers.

The other impairments recorded in 2013 result from the modification of some operational assumptions.

During fiscal year 2013, the Group also recorded a 2.2 million euro non-current provision, related to an Italian project abandoned in 2012, under litigation with the initial developer.

It is reminded that in 2012, the Group benefited from an occasional positive impact of 3.6 million euros on the "Share in income of associates" item.

4.1.2.5 Financial income

The Group's financial income represented a net cost of 39.4 million euros in 2013, compared to a net cost of 32.0 million euros in 2012. The deterioration of the financial income mainly reflects the strong increase in the interest cost related to loans held by operating wind farms, including the interest cost related to Breeze Two Energy's wind farms in the amount of 16.4 million euros.

Financial income *(in thousand euros)*	**Year ended December 31**	
	2013	**2012**
Current financial income		
Interest cost calculated according to the effective interest rate of the convertible bond	(13,903)	(12,504)
Net interest cost related to loans held by operating wind farms	(23,989)	(8,701)
Other	(350)	(1,021)
Non-current financial income		
Depreciation of financial assets	(6,411)	(7,777)
Restatement of interests of Breeze Two Energy's bond debt	5,232	-
Impact of debt restructuring for some operating wind farms in France	-	(1,987)
TOTAL	**(39,421)**	**(31,990)**

In compliance with IFRSs, the net annual interest cost related to the convertible bond increased again in 2013. This cost broke down as follows in 2013 (in million euros):

- interests accrued as at December 31, 2013 and paid in January 2014 (4.2)
- additional non-cash interest cost due to the convertible nature of the bond (9.7)

The net interest cost related to loans held by operating wind farms recorded a strong increase in 2013 as it integrated, in addition to the net bank interests on project financing taken out with credit institutions, the net interests on Breeze Two Energy's bond debt over 11 months. This cost broke down as follows by geographical zone (in million euros):

- operating wind farms in Germany (17.9)
- operating wind farms in France (4.7)
- operating wind farm in Italy (1.4)

The "Other" item integrates the positive impact of 1.1 million euros related to the unwinding of the swap contract relating to the convertible bonds, including the provision reversal registered in 2012, as well as the registered added value and interests.

Non-recurring items also had an impact on the 2013 financial income, including:

- the positive impact of the restatement of interests of Breeze Two Energy's bond debt for 5.2 million euros;
- depreciations of financial assets related to investment decisions made prior to 2009:
    - the depreciation of non-consolidated securities considering the litigations currently ongoing with deconsolidated subsidiaries (5.0 million euros); and
    - the depreciation of other non-consolidated securities and trade receivables on subsidiaries consolidated using the proportionate consolidation method (1.4 million euros).

4.1.2.6 Net income

Income net of tax from discontinued activities, 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 profit of 1.1 million euros in 2013, compared to a loss of 0.6 million euros in 2012.

The net income, Group share, for 2013 is a loss of 41.2 million euros, compared to a loss of 34.2 million euros in 2012.

In 2013, the Group was again penalized by various non-recurring items related to investment decisions made prior to 2009, described in the above sections, for an aggregated amount of 24.6 million euros.

The consolidation of Breeze Two Energy over 11 months had an adverse effect on the net income of the consolidated group in the amount of 4.0 million euros.

4.1.3 Financial structure

In recent years, the Group's main sources of liquidity have been its operating activities, project financing, the issuance of convertible bonds, capital increases, asset disposals and corporate credit lines in Germany.

4.1.3.1 Shareholders' equity - Group share

The Group share of shareholders' equity totaled 127.9 million euros as at December 31, 2013, as opposed to 165.5 million euros as at December 31, 2012. This decrease mainly reflects the net loss, Group share, registered for the consolidated Group in 2013 for 41.2 million euros.

4.1.3.2 Net financial debt

Net financial debt is calculated by reference to current and non-current financial liabilities (including the fair value of derivative interest rate hedging instruments), less cash, cash equivalents and other current financial assets.

The consolidated net financial debt increased by 199.2 million euros between the end of 2012 and the end of 2013, mainly due to the consolidation of Breeze Two Energy's net financial debt since February 1, 2013. As at the closing of the fiscal year, the consolidation of Breeze Two Energy resulted in an additional net financial debt of 201.7 million euros.

The net financial debt breaks down as follows:

Net financial debt *(in thousand euros)*	December 31	
	2013	**2012**
Project financing	(152,695)	(172,647)
Bonds, of which:	(342,529)	(109,358)
Convertible bond	*(119,010)*	*(109,358)*
Breeze Two Energy's bonds	*(223,519)*	-
Other financial liabilities of which:	(13,612)	(16,445)
Derivative financial instruments (interest rate swap)	*(7,925)*	*(11,192)*
Other (current accounts)	*(5,687)*	*(5,253)*
Bank overdrafts	(23)	-
Financial debt	**(508,859)**	**(298,450)**
Cash and cash equivalents	84,722	69,171
Current financial assets	205	4,569
Net financial debt	**(423,932)**	**(224,710)**

FINANCIAL DEBT

Financial debt amounted to 508.9 million euros as at December 31, 2013, compared to 298.5 million euros as at December 31, 2012, i.e. an increase of 210.4 million euros, mainly due to the consolidation of Breeze Two Energy since February 1, 2013.

Notes 22.3 and 22.4 to the consolidated financial statements for the fiscal year ended December 31, 2013 (see section 5.1.6 hereof) show maturities for financial debt as at December 31, 2013.

It is specified that Breeze Two Energy's Class A and B bonds are subject to rating by rating agencies. The other items of the Group's debt are not subject to rating.

Project financing

As at December 31, 2013, project financing debt represented 152.7 million euros, or 29.9% of the Group's financial debt, compared to 172.6 million euros as at December 31, 2012, or 57.8% of the Group's financial debt as at that date. This relative decrease in the share of project financing in the Group's consolidated debt is related to the integration of Breeze Two Energy, the operating wind farms of which were financed through bonds.

Project financing debt decreased by 20.0 million euros over the year, mainly reflecting the normal amortization of this financing, which amounted to 19.0 million euros over the year.

It is reminded that:

- each project financing is directly taken out by the special purpose vehicle ("SPV"), which holds the assets of the wind farm subject to financing; the SPV is the debtor of financing and ensures repayment of the installments through cash flows from the wind farm's operation;
- project 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

- project 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 is subject to rate hedging via an interest rate swap corresponding to 65% to 100% of the outstanding amount.

As at December 31, 2013, excluding the effect of financial hedging instruments, 50.5% of project financing debt had a fixed rate and 49.5% of project financing debt had a variable rate, compared to respectively 51.4% with a fixed rate and 48.6% with a variable rate as at December 31, 2012.

As at December 31, 2013, including the effect of financial hedging instruments, 86.6% of project financing debt had a fixed rate and was therefore protected against an unfavorable change in interest rates, and 13.4% of project financing debt had a variable rate, compared to respectively 91.8% with a fixed rate and 8.2% with a variable rate as at December 31, 2012.

Project financing contracts contain various covenants, the breach of which could result in the repayment of the corresponding financing (see section 4.4.3.4 hereof). The Group has a policy of continuously checking that those covenants are complied with.

As at December 31, 2013, the Group did not comply with some financial commitments required in the context of project financing of a wind farm located in Italy, due to the temporary stoppage of the wind turbines during the 2nd and 3rd quarters after the wind farm was put in escrow by a legal order. However, the lenders did not notify the early repayment request of the corresponding debt. Apart from this, the other main financial covenants were complied with as at the closing of the fiscal year. As at the date of publication of this Registration Document, no early repayment request was made for financing of the entire THEOLIA Group.

Pursuant to IAS 1R.69, the Group posts under current financial debt the non-current part of financial debt corresponding to wind farms in operation for which defaults have been identified as at the closing date. As at December 31, 2013, the non-current part of the debt for the Italian wind farm being under breach of covenant and the associated swap were reclassified in current financial debt in the amount of 19.9 million euros, compared to 23.4 million euros as at December 31, 2012.

Convertible bond

The convertible bond amounted to 119.0 million euros as at December 31, 2013, compared to 109.4 million euros as at December 31, 2012. That increase is mainly due to the registration of a non-cash interest cost due to the convertible nature of the bond for 9.7 million euros.

The main movements acknowledged on the convertible bond during fiscal year 2013 are as follows (in million euros):

- non-cash interests due to the convertible nature of the bond + 9.7
- payment, in January 2013, of interests accrued as at December 31, 2012 (4.2)
- interests accrued as at December 31, 2013 + 4.2

As at December 31, 2013, 8,226,380 convertible bonds were still outstanding. Bondholders are entitled to ask for the early repayment of their bonds at a unit price of 15.29 euros as at January 1, 2015. If the bondholders of all the outstanding convertible bonds were to ask for early repayment, the maximum amount to repay as at January 1, 2015 would reach 125.8 million euros. Due to such a possible request, the Group is subject to a strong liquidity risk, described in section 4.4.3.2 hereof.

The non-cash interest cost due to the convertible nature of the bond would amount to 11.0 million euros for fiscal year 2014.

Breeze Two Energy's bonds

Breeze Two Energy's bonds are only guaranteed by the cash flows generated by the operation of Breeze Two Energy's wind farms and are without recourse on THEOLIA.

As at February 1, 2013, when Breeze Two Energy entered the Group's consolidated scope, the fair value of Breeze Two Energy's bonds, corresponding to 100% of the A debt, 100% of the B debt and 30% of the C debt, was valued at 241.7 million euros. The A and B debts are valued based on discounted future cash flows. The C debt is valued based on the transaction performed by the Group.

Since February 1, 2013, Breeze Two Energy's bonds decreased by 18.2 million euros, according to the following movements (in million euros):

- amortization (18.8)
- interests accrued as at December 31, 2013 + 5.8
- restatement of interests (5.2)

The counterpart for the decrease in the value of Breeze Two Energy's bond debt had a positive impact on the financial income by the same amount.

Other financial liabilities

As at December 31, 2013, other financial liabilities totaled 13.6 million euros and included (in million euros):

- the fair value of interest rate hedging instruments (swap), 7.9
- current accounts 5.7
  - *current account with the minority shareholder of the Giunchetto wind farm in Italy* *2.7*
  - *current account with THEOLIA Utilities Investment Company* *3.0*

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, during a certain number of years following the financing's implementation;
- **pledged cash** corresponds to cash that SPVs cannot, due to financing conditions, either transfer to their shareholder nor use freely for their current activities, generally corresponding to amounts pledged in favor of lending banks.

The Group has a policy to invest cash in secured SICAV mutual funds, with an immediate availability.

The Group's cash position, excluding bank overdrafts, broke down as follows on the specified dates:

Cash and cash equivalents *(thousand euros)*	**As at December 31**	
	2013	**2012**
Free cash	26,961	27,969
Cash reserved for SPVs	25,736	21,514
Pledged cash	32,025	19,688
TOTAL CASH AND CASH EQUIVALENTS	**84,722**	**69,171**
Current financial assets	205	4,569
TOTAL CASH (INCLUDING CURRENT FINANCIAL ASSETS)	**84,927**	**73,740**

The Group's total cash showed a net increase of 11.2 million euros between year-end 2012 and year-end 2013, mainly due to the integration of Breeze Two Energy's cash.

Further to the unwinding of the swap contract relating to the convertible bonds, the cash held to guarantee this mechanism, i.e. 5 million euros, and recognized as "Current financial assets", was reclassified as free cash.

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	
	2013	2012
Cash flow from operating activities	57,625	40,602
Net flow generated by investing activities	20,519	(23,104)
Net flow generated by financing activities	(62,574)	(36,150)
Impact of changes in cash flow	(41)	(8)
CHANGE IN CASH AND CASH EQUIVALENTS	**15,529**	**(18,661)**

Net cash flow from operating activities

In line with the strong growth of the consolidated EBITDA, the gross cash flow registered a strong increase in 2013, mainly due to the consolidation of Breeze Two Energy. The consolidated operating activities generated a gross cash flow of 49.4 million euro in 2013, compared to 29.0 million euros in 2012.

The change in the working capital requirement showed a cash inflow of 6.9 million euros for fiscal year 2013, mainly related to the reduction of receivables and inventories, compared to a cash inflow of 13.9 million euros for fiscal year 2012.

"Corporate tax paid" paradoxically result in a cash inflow of 2.0 million euros, as the Group received repayments for corporate tax advances in the amount of 3.1 million euros, compared to a cash outflow of 1.7 million euros for fiscal year 2012.

In total, operating activities generated cash inflows totaling 57.6 million euros in 2013, compared to 40.6 million euros in 2012.

Net cash flow related to investing activities

In 2013, net cash flow related to investing activities resulted in a cash inflow of 20.5 million euros, compared to a cash outflow of 23.1 million euros in 2012.

The integration of Breeze Two Energy in the Group's consolidated scope on February 1, 2013 had a net positive impact of 23.7 million euros, corresponding to the cash held by Breeze Two Energy as at February 1, 2013, excluding 1.5 million euros paid to control it.

In 2013, the Group continued investing at a slower pace than in 2012, corresponding to the progress of its project portfolio. In 2012, the Group had invested 21.2 million euros, mainly in the construction of the Bovino wind farm (10 MW in Italy) and the Magremont wind farm (6 net MW in France), both wind farms having been commissioned in late 2012. In 2013, the Group invested in its projects which did receive all required authorizations, in France and Morocco, with the aim of a future construction, and paid suppliers related to the construction of wind farms commissioned in 2012. In particular, it is reminded that the Group financed the construction of the Bovino wind farm entirely on equity. In total, the Group allocated 9.2 million euros to its investments in 2013.

Finally, the unwinding of the swap contract relating to the convertible bonds generated, in late 2013, a receipt of 5.5 million euros. The implementation of this mechanism had generated a 5 million euro disbursement in favor of the bank. These movements have an impact on the "Change in loans granted" item in the cash flow statement.

Net cash flow used by financing activities

Financing activities used 62.6 million euros in 2013, compared to 36.2 million euros in 2012, mainly corresponding to:

- the normal repayment of project financing related to THEOLIA's operating wind farms held for own account, in the amount of 20.8 million euros;
- repayments of Breeze Two Energy's Class A and B bonds, for installments of May and November 2013, for an aggregated amount of 15.6 million euros; and

- the payment of interests in the amount of 27.3 million euros, relating to project financing for THEOLIA's operating wind farms, Breeze Two Energy's Class A and B bonds and THEOLIA's convertible bonds.

In total, the Group's cash position increased by 15.5 million euros during fiscal year 2013, notably drawn by the positive effect of the integration of Breeze Two Energy in the consolidated scope. The cash generated in 2013 enabled to carry on investing in the ongoing wind projects and to face the financial deadlines of the fiscal year.

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 2013, the Seres Environnement company, specialized in designing and marketing water- and air-quality measurement instruments, capitalized 276 thousand euros in research and development expenses. As at December 31, 2013, this company belonged to THEOLIA's environmental division and was therefore recognized as a "Discontinued activity" in compliance with IFRS 5.

This company was sold in March 2014 (see section 4.7.1 hereof).

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 three 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 wind farm comprises 8 wind turbines with a nominal capacity of 2.3 MW, i.e. a total of 18.4 MW. 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 an aggregated 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, the Group commissioned this wind farm before the end of fiscal year 2012.

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 invested 32.1 million euros in 2011, 27.3 million euros in 2012 and 3.8 million euros in 2013. These amounts may significantly vary from one year to another depending on the pace of completion of projects in the portfolio. In 2012, the Group commissioned two wind farms. During the first quarter of 2014, the Group launched construction works for the Haute Borne wind farm, of a capacity of 21 MW in the Somme French department.

Detailed information on the Group's tangible and intangible assets can be found in notes 13 and 14 to the consolidated financial statements for the year ended on December 31, 2013, in section 5.1.6 hereof.

4.2.2 Main planned investments

As at December 31, 2013, the Group had 206 MW which had obtained a building permit or were under construction, including notably the Haute Borne 21 MW project in France and the first 100 MW phase of the Moroccan project.

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 any 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 July 12, 2012, a share purchase agreement under which all the shares THEOLIA France SAS held in Centrale Éolienne des Gargouilles SAS were transferred to THEOLIA Utilities Investment Company SA, effective as of July 24, 2012;
- on December 12, 2012, a settlement agreement between Ecoval Technology and the Town of Cabriès (13) which put an end to the legal action initiated by the Town in 2008;
- on January 31, 2013, an agreement under which THEOLIA took 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 ;
- on July 31 and September 16, 2013, several service agreements under which Eoliennes Suroit SNC, French 100% subsidiary of Breeze Two Energy, assigned to THEOLIA France the operational management of Breeze Two Energy's wind farms located in France (26 MW);
- on March 27, 2014, an agreement under which all the shares THEOLIA held in Seres Environnement SAS were transferred to a third party, that disposal being part of THEOLIA's strategy to withdraw from its non-wind activities; and
- on April 15, 2014, the financing agreement for the Haute Borne wind project in France (21 MW).

4.4 MAIN RISK FACTORS

The Group is operating in a demanding and constantly changing environment. As for any company, it faces risks which, should they arise, would be likely to have an adverse effect on the Group, its activities, its financial position, its income or the price of its securities. This section presents the main risks that may be faced by the Group: those specific to its wind activities, strategic risks related to its development, financial risks, as well as various risks specific to the Group. The reader's attention should particularly be drawn to the liquidity risk faced by the Company, presented in section 4.4.3.2 hereof.

The Group makes sure these risks are prevented and handled. The Report of the Chairman of the Board of Directors on Corporate Governance, Internal Control and Risk Management (see section 2.1 hereof) describes the risk management and internal control processes implemented within the Group.

As a wind power company, the Group's industrial and environmental risk exposure is extremely low. Section 3 hereof identifies the potential risks related to the impact of its activities on the people and the environment, outlines the management policy implemented and measures its efficiency using one or several numerical indicators.

Other risks which are not mentioned or not identified to date could have an adverse effect on the Group's business, its financial position, its income, its prospects and/or its market price.

4.4.1 Risks specific to wind activities

The development, construction and operation of wind farms are the result of a long-term, technical and complex process. Within the framework of its wind activities, the Group is facing several specific risks, in particular operational (related to the selection of the sites, construction and commissioning of wind farms, connection to the grids, weather conditions, etc.) and legal (difficulty to obtain the required permits and authorizations, risks of change in the regulations, etc.).

Those risks are notably reduced due to a strong contractualization of the activity, an appropriate supplier selection and purchase policy, the implementation of numerous measures to promote the acceptability of the projects developed by the Group, as well as a daily monitoring of the wind farms' performance.

4.4.1.1 Risk related to the difficulty to select proper sites for wind farm development

The selection of future sites to construct the Group's wind farms is subject to many criteria: the site must benefit from favorable wind conditions, it must meet 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, the availability of the land area considering the increased competition, etc. Consequently, the number of available sites for the Group's projects is inevitably limited. Moreover, the continuous increase of the global installed wind farm fleet tends to reduce the number of potential sites, notably in Germany.

Should the location restrictions be strengthened or should the Group not be in a position to find available sites for its organic development, this could have a significant adverse effect on the Group's capacity to develop new wind projects.

In order to reduce that risk, the Group may decide, notably in Germany and Italy, to co-develop some projects, in partnership with local developers, in particular during the early stages of the projects. For countries already strongly involved in the wind sector, such as Germany, the Group may also implement repowering operations, involving the replacement of the existing wind turbines by new generation turbines.

4.4.1.2 Risk related to the difficulty to obtain building permits and operating authorizations

Obtaining building permits and operating authorizations from various national and local authorities is necessary for the construction and operation of a wind farm. Due to the plurality of the authorities involved, the process to obtain building permits and operating authorizations is often long and complex and may lead to a rejection of the authorization request. In this case, the Group may decide to appeal this decision.

When building permits and operating authorizations are obtained, third parties may appeal these authorizations and, therefore, delay the definitive grant date or even cancel the authorization. In France and Italy in particular, a growing number of groups are actively opposed to wind farms, for reasons such as visual pollution of the landscape, noise, bird damage and more generally impairment to their environment. This may have implications on obtaining building permits and timeframes for 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.

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 Group’s ability to develop new wind farms, in particular in France and Italy. Failure to obtain building permits or operating authorizations or the introduction of third-party claims could lead to a depreciation of the Group’s assets and have a significant adverse effect on the Group’s ability to generate cash flows.

As at December 31, 2013, the Group had, in its project portfolio, 339 MW of projects under development, 107 MW of projects for which a permit or similar authorization had been filed and were under review, 185 MW having obtained a permit or similar authorization, as well as a 21 MW project in the construction phase. The Group cannot guarantee that building permits and operating authorizations will be granted for projects under development or which authorization is under review.

To limit the risk of third-party claim against its projects, 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; 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 relations with local and national politicians are maintained in order to encourage their acceptance of new wind projects on their territory, etc. All the actions made by the Group are described in section 3 hereof.

4.4.1.3 Risk related to the loss of building permits or operating authorizations

In the event that building permits and operating authorizations are definitively obtained, the beneficiary has a certain amount of time to carry out the construction works for the authorized wind farm and to commission the wind farm. In some cases, these deadlines may be extended.

However, any delay in obtaining financing, in signing the electricity buy-back contract, in the construction, delivery of equipment by the suppliers or in connecting to the grids, as well as any incapacity to obtain the extension of administrative authorizations in a timely manner, may potentially lead to expiry of the administrative authorization validity and could lead to a depreciation of the value of the Group’s assets and have a significant adverse effect on the Group’s ability to generate cash flows, in case the authorization expired.

For operating 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, with electricity sales contract provisions, or applicable regulations.

With its strong internal expertise, the Group takes all possible care to carry out its projects in a timely manner and to operate its wind farms while strictly complying with the regulations in force. In particular, the Group has cross-functional teams with expertise in the field of constructing and operating wind farms.

4.4.1.4 Risk related to the strengthening of national regulations

Considering the increasing importance of the renewable energy sector within the European Union, the legal and regulatory requirements for the development of wind farms could be strengthened. Also, the conditions for granting building permits and operating authorizations could become stricter and the costs for compliance with the legal or regulatory arrangements could increase.

In France, Act No. 2010-788 of July 12, 2010 regarding the national commitment to the environment, also known as “Grenelle 2”, provides for the creation of two new planning instruments for onshore wind development: the Regional Climate, Air and Energy Plan (Article 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 extend the development cycle of wind projects.

Moreover, since this act was adopted, wind turbines not only require a building 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 within 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 last restriction should have no impact on the Group’s projects, as its internal development practices recommend greater distances.

To the contrary, the “Brottes” Act, adopted in early 2013, simplified the conditions for wind farm development in France, as this legislation repeals the “wind energy development zone” (ZDE) procedure and the rule requiring a minimum of five wind turbines on each site.

Likewise, the implementation of a single authorization procedure, including notably the building permit and the operating authorization, is currently being considered in France. This experiment, should it be confirmed by a decree, would be at first limited in time and would only apply to some French regions, before being possibly spread out across the country. It would simplify the authorization process without reducing the level of environmental requirements and could enable a reduction of the authorization period.

If regulations were strengthened, new restrictions on the Group’s activities, likely to increase its investment expenses or its compliance costs, to extend the development timeframes for its projects or to reduce the Group’s future cash flows, could be implemented.

Any change in applicable regulations is likely to have an adverse effect on the Group 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 their legal 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.

The Group has very demanding internal practices, which may exceed the legal provisions for developing and operating its projects, in particular in terms of distance from dwellings, health, safety or biodiversity protection. All the actions made by the Group are described in section 3 hereof.

4.4.1.5 Risk related to the increase in prices of technical equipment

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 asset cost, which enables the Group to reduce its project financing debt, which affects favorably the Group’s business, financial position and income. In countries like France or Germany, in which the Group is bound by a system of fixed tariffs and purchase obligations for farms operated for own account, the Group is not required to impact the decrease in turbine prices on the price of the electricity it sells. Ultimately, the decrease in the price of technical equipment has a marked favorable impact on the Group’s operational costs, its level of debt, its capacity to maintain its supply and its development deadlines.

To the contrary, a price increase in turbine supplies might harm the profitability of the Group’s projects and could have a significant adverse effect on the business, financial position or income of the Group, or on its ability to develop.

Even though for several years, the price of the equipment required for the construction of a wind farm has remained at a low level, a risk of price inflation persists for these components, due to the volatility of the price of raw materials required to produce turbines. Nevertheless, as at the date of publication of this Registration Document, this risk has not led to an actual significant price increase.

As the Group has no framework agreement in force for its turbine supplies over several countries and/or projects, it is therefore entirely free to adapt its purchasing policy according to the commercial efforts of its suppliers.

4.4.1.6 Risk of dependency on suppliers of technical equipment

Constructing a wind farm requires the supply, delivery and assembly of many technical elements, such as wind turbines, which only a known number of suppliers are able to supply to the Group.

The Group is therefore subject to two major risks:

- the risk related to turbine availability: there has been no sign of shortage for several 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 restructuring schemes supposed to ensure their longevity.

The 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 the Group's wind projects and farms, might harm the profitability of a project and could have a significant 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 lead to an early repayment).

As regards the development of its wind projects, the Group favors a case-by-case approach. It selects the manufacturer according to the most appropriate turbine type to the specific features of the site 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 dependency on a supplier.

4.4.1.7 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 grids, construction defects, delayed deliveries or non-deliveries by suppliers, unexpected technical delays 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 significant adverse effect on the Group's cash flows, operating income and financial position.

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 implementing construction contracts and seeks to allocate each risk to the party most able to control it.

4.4.1.8 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 connection points, the Group cannot guarantee that it will obtain sufficient network connections, within the planned time limits and costs. Delays 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 flows and operating income.

The Group maintains close relations with grid operators. This enables the Group to accurately assess the technical requirements and timeframes for connecting to the grid each of its wind farms under construction.

4.4.1.9 Risk related to weather conditions

The Group operates, for own account and for third parties, wind farms that produce electricity. For fiscal year 2013, the revenue from the sales of electricity for own account represented 89.4% of the consolidated revenue and the revenue from the Operation activity represented 6.6% of the consolidated revenue.

A sustained drop in wind conditions at the Group's wind farms could lead to a reduction of the volume of electricity produced by the Group and a corresponding drop in value of wind farms, as well as a decrease in the revenue for the Operation activity. Such a decline in the production of electricity could have a significant adverse effect on the Group's cash flows.

The Group is particularly exposed to this risk due to the relative lack of geographical diversification of its wind farms and due to a greater dependency to the German wind market in particular.

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 resource survey is conducted at the proposed site and an independent 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 takes all possible care while performing the wind studies preliminary to the installation of a wind farm and has in-house wind experts. The Group has also set up daily monitoring and continuous reporting to measure the performance of its operating wind farms, which enable it to assess the evolution of operational conditions and to establish a tangible report for budget forecasts. This remote supervision of the operation of facilities also allows to limit the frequency and duration of incidents, and thus achieve the best levels of availability.

4.4.1.10 Risk related to the variation of the electricity sales price

The European Union and its founding member States have, for several years, been conducting active policies to support renewable energies. These policies include purchase obligations for electricity produced from wind energy with favorable feed-in tariffs, systems of green certificates which are marketable on organized or informal markets, as well as incentive fiscal measures to encourage investment in this sector. Depending on the country, electricity sales prices may be established, either in whole or in part, by regulatory authorities in the form of guaranteed tariffs. Sales of electricity are then governed by long-term agreements.

Therefore, in France and Germany, wind farms benefit from incentive feed-in tariffs. In Italy, wind farms commissioned before December 31, 2012 benefit from a green certificate system and wind farms commissioned after December 31, 2012 benefit from a system of fixed incentive tariffs granted through auctions.

The Group cannot guarantee that those policies 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 from other support measures or tax incentives for the production of electricity from renewable energies. No guarantee can be given by the Group that the regulated tariffs 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.

In France, further to an appeal, a procedure is currently ongoing, which could lead to the cancellation of the order establishing the conditions of purchase of the electricity produced by installations using wind energy (refer to section 1.4.5.2 hereof). As at the date of publication of this Registration Document, the French State Council did not give its final decision. The legal consequences of the cancellation of this tariff order by the State Council are uncertain and hard to anticipate. Such a cancellation may lead to the retroactive cancellation of purchase obligation agreements entered into under this tariff order regime and to the refund of State aids received under this regime or to the payment of interests for said aid period deemed illegal. However, the French government said that it would guarantee the support mechanisms in favor of the onshore wind sector. The new onshore wind support instrument, notified in October 2013 with the European Commission, was recognized, in March 2014, as compatible with the rules of the European Union relating to State aids.

Any unfavorable change in feed-in tariffs in the countries where the Group operates could have an adverse effect on the profitability of the projects under development and the future cash flows of the Group, although the risk of unilateral tariff change for already commissioned wind farms seems highly theoretical.

In order to limit that risk, the Group selects the countries where it operates notably according to their national policy to support renewable energies.

Therefore, the Group gives priority to the Member States of the European Union, which policy to support renewable energies has been steady for several years. The European Union regularly reminds its will to carry on and strengthen this policy, and maintains its binding national targets regarding the share of electricity produced through renewable energies in the final consumption to be reached by 2020.

The Group also operates in Morocco, a country with a clear policy in favor of the environment and renewable energies. Prices are set by the national operator, the *Office National de l'Électricité et de l'Eau potable*, which joins the Group in a partnership for its projects under development in Morocco.

Finally, the Group could consider spreading out to other markets with a strong wind potential, provided, among other things, that legal certainty is guaranteed.

4.4.1.11 Risk of non-compliance with legal or regulatory provisions in terms of environment, health and safety

The Group operates energy production facilities 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 result in 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 prejudice caused by its energy production facilities, which could have a significant adverse effect on the Group's cash flows, financial position, reputation and public image.

To limit this risk, the Group follows its quality-based approach to limit as much as possible its impact on the people and the environment, in accordance with the regulations in force, which are constantly evolving. All the actions made by the Group to that aim are described in section 3 hereof. Moreover, some of these risks, in particular damages, are handled by the subscription of insurance policies, notably the public liability insurance.

4.4.2 Strategic risks related to the Group's development

The future success of the Group is strongly dependent on its ability to develop in a highly competitive environment. Failing that, this could have a significant adverse effect on the Group's business, financial position, income, prospects, or its capacity to achieve its objectives. In order to expand, the Group could perform external growth operations, engage in partnerships or establish itself in new countries, notably emerging countries.

The proper implementation of such operations by the Group mainly depends on the skills, know-how and expertise of its staff members. The Group develops a performance-oriented professional environment, which intends to develop its staff members' skills.

4.4.2.1 Risk related to competition

The Group is dealing with competition from other wind sector players who may have greater financial, human and technical resources than its own resources, and more developed networks than the Group's 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. This situation could have a significant adverse effect on the Group's business, financial position, income, prospects, or its capacity to achieve its objectives.

Within this context, the Group chose to focus its expertise on a unique sector: onshore wind energy. Its ambition is to reach the best standards in this sector. The Group concentrates most of its efforts to continuously improve its performance. As an independent player and thanks to its internal expertise, the Group is flexible and agile and can adapt to a highly competitive environment.

4.4.2.2 Risk related to acquisitions

The Group may make acquisitions as part of its growth strategy, with the aim of establishing itself in a new country or reinforcing its existing positions. The implementation of said strategy would suggest that THEOLIA might find development opportunities at an acceptable cost and with satisfactory conditions. 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, the discovery of unexpected liabilities or costs, or the increase in the Group’s debt.

More generally, those risks, should they be effective, could have a significant 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 compensated in shares, which could have a dilution effect for the current holders of securities, in particular shareholders.

In 2010, the Group started its restructuring in the aim of optimizing its structure and rationalizing its operation. The Group is today organized as an integrated group, and became a performing industrial platform. It is organized through cross-management, which enables the Group to be ready to take-over installed or soon-to-be installed capacities, at controlled costs.

Besides, significant acquisition opportunities are reviewed by the Board of Directors.

4.4.2.3 Risk related to partnerships

Some projects, notably in Germany, Italy and India, were co-developed in partnership with local developers. The Group could also enter into other partnerships with local players who are familiar with the local wind energy market in order to establish itself in new countries. In such cases, the partner is responsible, among other things, for seeking out and completing new projects, in particular in terms of relations with local authorities.

The occurrence of disagreements with one or more of the Group’s partners, or a partnership entered into with a failing partner, 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.

However, this risk remains very limited as the Group is not favoring co-development in its development strategy. To the contrary, in 2011, the Group implemented a co-investment strategy through which it entered into a partnership with two significant players in the energy sector, which co-finance projects developed, built and operated by THEOLIA.

4.4.2.4 Risk related to expanding to emerging markets

The Group’s current operations are concentrated in Germany, France and Italy, which are heavily regulated. However, the Group is currently developing an ambitious project in Morocco and could consider establishing itself in other markets, notably emerging markets.

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.

As part of its existing operations, the Group has been able to manage its exposure to risks in Morocco. In order to increase its presence there, the Group is currently developing a 300 MW project, in partnership with the national operator, the *Office National de l’Électricité et de l’Eau potable*.

Finally, for its possible future developments in new countries, the Group will give priority to stability, growth and legal certainty criteria.

4.4.3 Financial risks

Working as a wind energy producer is highly capital-intensive. In order to guarantee its expansion, the Group therefore significantly uses debt financing.

In order to limit the risks related to its debt, the Group mainly uses financing without recourse or with limited recourse on the parent company, structures its project financing for each project's cash flows to be enough to service its debt, implements an interest rate hedging policy through swap contracts and pursues an active management policy for its existing debt.

However, in October 2007, the Company issued convertible bonds (OCEANEs), the terms of which were changed in June 2010. For additional information regarding the change in the bond terms, refer to the Securities note dated June 23, 2010 with visa No. 10-198 and available on the Company's website.

The reader's attention is notably drawn to the risk of request of an early refund of the bonds as at January 1, 2015 at the unit price of 15.29 euros, for a maximum aggregated amount of 125.8 million euros. The liquidity risk resulting from it is presented in section 4.4.3.2 hereunder.

By virtue of IFRS 7, market risks are presented in the note to the consolidated financial statements in section 5.1.6, note 24 hereof. It is specified that the Group is not subject to any equity risk or commodity price risk, that it does not consider being subject to a significant credit risk and that it is only faintly subject to a foreign exchange risk.

4.4.3.1 Risk related to the Group's debt

The Group's debt mainly includes:

- a convertible bond (OCEANEs);
- project financing related to THEOLIA's operating wind farms; and
- bonds related to Breeze Two Energy's operating wind farms.

As at December 31, 2013, the Group's net consolidated financial debt reached 424 million euros, compared to 225 million euros as at December 31, 2012. This strong increase results mainly from the consolidation of the net financial debt of Breeze Two Energy, an entity consolidated since February 1, 2013. The net financial debt breaks down as follows:

(in thousand euros)	2013/12/31	2012/12/31
Project financing	(152,695)	(172,647)
Bonds (including Breeze Two Energy)	(342,529)	(109,358)
Other financial liabilities	(13,635)	(16,445)
Cash and cash equivalents	84,722	69,171
Current financial assets	205	4,569
NET FINANCIAL DEBT	**(423,932)**	**(224,710)**

For additional information on the Group's financial debt, in particular for short/medium term disbursement expectations, refer to section 5.1.6, note 22 hereof.

Whereas the convertible bond is a corporate loan, the repayment of which being directly under the responsibility of THEOLIA SA, project financing is without recourse of with limited recourse on THEOLIA SA and Breeze Two Energy's bonds are without recourse on THEOLIA SA. Indeed:

- 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 resulting from the wind farm's operation;
- financing is designed so as not to exceed the guarantee period of the electricity feed-in tariffs or the issuance of green certificates from which the wind farms benefit under the national regulatory frameworks; and
- repayment of the bonds issued by Breeze Two Energy and their interests depends exclusively on the cash flows generated by the operation of Breeze Two Energy's wind farms.

The Group's substantial level of debt 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;
- 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 may have an adverse effect on the Group’s business, financial position and income.

4.4.3.2 Liquidity risk

The liquidity risk is the risk for the Group to be unable to face its obligations in due time or under normal conditions. The Group’s liquidity risk corresponds, in particular, to commitments to repay its convertible bond, which is not backed by any assets, and to financing its future needs, including the development of wind projects and the Group’s general needs.

In order to face its general needs, the Group implemented a flexible business model, which enables it to balance its cash through occasional disposals of wind projects and farms, notably by selling them to its investment vehicle created in 2011.

Moreover, in the summer of 2013, the MEIF4 AX Holdings SAS company (“the Offeror”), a company controlled by Macquarie European Infrastructure Fund 4, launched a friendly takeover offer on the THEOLIA Group. The offer aimed to give THEOLIA a long-term, majority shareholder that could provide stability in a difficult economic and regulatory environment. If this offer had succeeded, it would have enabled THEOLIA to anticipate the repayment of its convertible bond and to pursue its development plans.

After the publication of the offer’s results, the Offeror received 64.79% of the Company’s voting rights on a non-diluted basis. The conditional threshold of 2/3 of the voting rights on a non-diluted basis, set by the Offeror, had therefore not been reached. The takeover offer was given up.

THEOLIA is therefore still facing the risk of a request for early repayment of its convertible bonds as at January 1, 2015 at the unit price of 15.29 euros. The Company considers that it is highly likely that bondholders will choose to ask for the early repayment. In the event all outstanding bonds are subject to early repayment requests, the maximum amount to repay as at January 1, 2015 would reach 125.8 million euros. The Company considers that, in its current situation, it would not be capable of paying this entire amount. As a consequence, THEOLIA is currently working on several scenarios, of which:

- implementing a capital increase;
- issuing a new debt with an extended maturity date;
- renegotiating the terms of its convertible bond;
- disposing assets; and
- being subject to another takeover offer.

Performing one or a combination of several of these options before December 31, 2014, until when the Group continues as a going concern, is crucial for the Group’s durability and future development. In this respect, the Company is notably discussing with its main bondholders to implement a solution to enable it to continue as a going concern after January 1, 2015.

However, the Company cannot guarantee that it will be able to implement one or a combination of several of these options in a timely manner. In particular, due to the uncertainty related to market conditions and the approval of shareholders and/or bondholders, it is very difficult to predict if such an operation would succeed. The inability of the Company to implement one or a combination of several of these options could force the Company to consider all legal remedies available, notably those provided for in Book VI of the French Commercial Code, including safeguard procedures, judicial reorganization or judicial liquidation, which, as the case may be, could force it to stop operating. Any liquidation of assets that would result from it would cause a significant destruction of value. None of the adjustments which would be necessary in this case were recognized in the consolidated financial statements as at December 31, 2013.

The risk for the bondholders to request early repayment of their securities as at January 1, 2015 has or is likely to have the following significant consequences:

- limiting the Group’s capacity to obtain new financing to finance its working capital requirements, its investments in wind projects under development or its acquisitions;
- limiting the Group’s ability to obtain satisfactory financing conditions;

- limiting the Group's ability to obtain or renew the insurance required to cover the main risks related to its wind activities which may be insured;
- significantly diluting the existing shareholders of the Company in the event of a significant capital increase operation; and
- destroying the value of some assets should they be disposed of under unfavorable price conditions.

These and other factors may adversely affect the business, financial position and income of the Group. The Group makes its best efforts so as to be able to meet its commitments.

4.4.3.3 Risk related to obtaining financing

The European financial crisis contributed to the deterioration of the wind sector economic environment, made access to project financing more difficult and had adverse consequences on project financing conditions: credit contraction, decrease in the share of investment that is financed through debt, deterioration of financing conditions, extension of structuring deadlines for financing files and necessity of implementing club deal structures that take longer to secure. The situation of the financial markets is of particular concern in Italy, where political uncertainty is having repercussions on the Group's financing conditions for the development of new wind farms.

In the current global economic environment and considering its financial position, the Group cannot ensure that it will be in a position to raise the necessary funds that will allow it to grow and handle its commitments. In particular, the liquidity risk suffered by the Group (see section 4.4.3.2 hereof) may limit the Group's access to project financing and damage the financing conditions that could be offered to it.

The possible difficulty to obtain financing or the deterioration of financing conditions could force the Group to continue investing by means of equity, to suspend or discontinue the development or construction of its projects, or to sell them to third parties. This could have a significant adverse effect on the Group's business, financial position or operating income.

In order to reduce its exposure to this risk, the Group created a co-investment vehicle, which enables it to continue expanding with a reduced contribution of equity, while limiting the deterioration of loan terms. In addition, the Group organizes competition between different banking institutions before subscribing bank loans.

4.4.3.4 Risk related to conditions of the existing financing arrangements

Some financing commitments made in the Group's project financing agreements contain debt covenants that require the Group to retain financial ratios related, among other things, to the leverage and 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), the annual minimum value of which 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 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 on the Group's debt.

If the Group does not meet its financial commitments, it cannot guarantee that it will be able to renegotiate or obtain waivers for its defaults. Early repayment of financing granted to the Group would have a significant adverse effect on the Group's liquidity, financial position and income.

As at December 31, 2013, the Group had not met some financial commitments which were required for project financing of a wind farm located in Italy, due to the temporary stop of the wind turbines during the 2nd and 3rd quarters after the wind farm was put in escrow by a legal order. The lenders however did not notify the early repayment of the corresponding debt. Apart from this, the other main financial covenants were met as at the closing of the fiscal year. As at the date of publication of this Registration Document, no early repayment was requested for any of the financing arrangements of the entire THEOLIA Group.

Those financial ratios are calculated by the Group and are subject to certification from the Auditors when so required by the financial documents. The Group's policy is to constantly control that those covenants are met. Therefore, during the first half of 2012, the Group led, in France, the optimization of the debt structure for its main operating wind farms, in the aim of improving the financial ratios of these wind farms. No operating wind farm in France was breaching covenants as at December 31, 2013.

4.4.3.5 Interest rate risk

Financing for wind projects implemented by the Group involves a significant use of debt with a fixed or variable interest rate. The Group is subject to the risk of variation of interest rates for the share of its debt that is subject to variable rates. A significant increase in interest rates could have an impact on the productivity of the Group's future projects and/or the development of its wind portfolio.

In order to limit the interest rate risk on existing loan agreements, the Group implements 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 into fixed rate loans and hedging against fluctuation in the amount of interests due.

As at December 31, 2013, the Group had a debt of 508.9 million euros, of which 16% were made of variable rate loans excluding the effect of hedging instruments and 6% including the effect of hedging instruments. During fiscal year 2013, the Group paid 27.3 million euros in loan interests.

For additional information regarding the Group's financial debt, in particular the analysis of financial debt by interest rate type, refer to section 5.1.6, note 22 hereof.

4.4.3.6 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 and the corresponding payments made by the Group could have a significant adverse effect on its cash flows, financial position or income.

In order to quantify this risk, the Group performs a regular monitoring of the underlying documents in which off-balance-sheet commitments were granted. As far as the Company is aware, during fiscal year 2013, no creditor exercised securities or guarantees granted by the Group.

4.4.4 Other risks

4.4.4.1 Dilution risk for shareholders

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

	OCEANEs	Performance shares	Stock options	Stock warrants
Outstanding as at 2012/12/31	**8,228,470**	**1,900,000**	**2,310,000**	**276,916**
Cancelled, converted or definitively allocated during fiscal year 2013	2,090	66,430	135,000	176,916
Granted during fiscal year 2013	n/a	-	-	-
Outstanding as at 2013/12/31	**8,226,380**	**1,833,570**	**2,175,000**	**100,000** (1)
Maximum possible issue of new shares	28,463,275 (2)	1,833,570	1,087,500 (3)	67,200 (4)

(1) On December 31, 2013, 50,000 stock warrants matured without having been exercised and were therefore cancelled. The 50,000 outstanding stock warrants as at the date of publication of this Registration Document will mature by the end of 2014.

(2) Based on the allocation of 3.46 shares per bond converted.

(3) Considering an exchange ratio of 0.5.

(4) Considering an exchange ratio of 0.672.

As at December 31, 2013, a maximum of 31,451,545 new shares could be created.

As at December 31, 2013, 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 0.67% of THEOLIA's share capital after they were exercised.

Considering the average market price of its shares as at the date of publication of this Registration Document, the Group considers that the conversion of its outstanding convertible bonds into shares is unlikely. However, if a significant capital increase operation or the issue of a new convertible bond, whose exchange ratio would be less favorable to the shareholders than the current convertible bond, were to be performed to deal with the liquidity risk to which the Group is subject (see section 4.4.3.2 hereof), it could result in a significant dilution of the existing shareholders of the Company, to an extent which would depend on the amount and the conditions of this possible capital increase or new convertible bond issue.

4.4.4.2 Risk related to the variations 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 and acquisitions or takeovers performed over the period. It is stated that, as part of its co-investment strategy, the Group favors the sale of its wind projects to its 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 95.4 million euros in 2013, compared to 67.7 million euros in 2012 and 67.5 million euros in 2011.

Therefore, the Group's revenue and income 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 performance.

4.4.4.3 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 business could be slowed down or its financial position, income or 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 Company's business, financial position or income or on its capacity to achieve its objectives.

The Group develops an involving work environment and encourages the support of its values, including those of the Group's Charter of Ethics. The Group's human resource policy is described in section 3.3 hereof.

4.4.4.4 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 significant adverse effect on the Group's business, financial position and revenue. In the consolidated financial statements as at December 31, 2013, the Group set aside an overall amount of approximately 3.3 million euros for litigations.

In addition, the building permits and operating authorizations for the construction of 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 significant adverse effect on the development of its projects.

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

4.4.4.5 Risk related to the implementation of IFRSs

The Company applies IFRSs, 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.

These valuations are subject to monitoring from the Audit Committee, the Board of Directors and Auditors. Nevertheless, no guarantee can be given on the achievement of all profitability assumptions made.

In addition, any inability of the Company to manage the liquidity risk to which it is subject, notably by implementing one or a combination of several options presented in section 4.4.3.2 hereof, could force the Company to consider all legal remedies available, notably those provided for in Book VI of the French Commercial Code, including safeguard procedures, judicial reorganization or judicial liquidation, which, as the case may be, could force it to stop operating, and therefore implement, in compliance with IFRSs, an asset-based approach in order to establish the future financial statements of the Group.

4.4.4.6 Risk related to the former management of the Italian subsidiary

During fiscal year 2012, the Company became aware of events that could be qualified as misfeasance on the part of the former *Amministratore Delegato* of the Maestrale Green Energy subsidiary, stemming from conflicts between the individual’s obligations as a Corporate Officer and his private interests. These facts could have a significant adverse effect on the Group’s cash position, financial position and income. Following this discovery, the Company decided to dismiss this manager in June 2012.

Besides, the Company took 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.

4.4.5 Risks covered by insurance

The Group 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, with appropriate insurance policies subscribed with top-tier insurers. In this regard, during 2013, the Group paid 2,272 thousand euros in insurance premiums and brokerage fees, compared to 1,528 thousand euros in 2012.

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 by the companies covered by the insurance policy or on account of the people for whom they are responsible or objects over which they have custody. The other companies of the wind division (excluding France) directly 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 during 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 projects’ 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 loss;
- 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 public liability against any pecuniary consequences of its public liability that may be due as part of the construction phase.

Besides, the Group subscribes insurance policies that are in force as soon as the wind farms are commissioned. They cover machine breakdown due to accidents, 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 public 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 defective functioning of these turbines (including, in particular, operating loss related to malfunctioning of equipment and replacement costs for defective parts).

Nonetheless, these insurance policies 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. In addition, the Group's insurance policies are subject to annual revisions by the insurers and the Group might not be in a position to maintain them or, at least, to maintain them at an acceptable cost. In particular, the liquidity risk suffered by the Group (see section 4.4.3.2 hereof) may limit the Group's ability to obtain or renew the insurance required to cover the main risks related to its wind activities that may be insured.

Likewise, the contractual guarantees subscribed to by 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 significant adverse effect on its cash flows, financial position or income.

4.5 LEGAL AND ARBITRAL PROCEEDINGS

In the normal course of its operations, the Group is party to arbitration, judicial or administrative proceedings. These litigations are of various types and involve various Group subsidiaries. Risk provisions recorded with respect to all Group litigations totaled 3.3 million euros as at December 31, 2013.

The Group does not provide a breakdown of the provisions recorded with respect to all Group litigations in order to avoid disclosing any information that might be prejudicial to the Group in the course of their resolution.

4.5.1 France and Morocco

Litigations involving Jean-Marie Santander

The Company and its Moroccan subsidiary, THEOLIA Emerging Markets ("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 against Jean-Marie Santander, under the conditions described below.

Civil proceedings (France)

On March 13, 2009, THEOLIA (the "Company") filed a civil claim with the Commercial Court of Marseilles against Jean-Marie Santander (as well as the Athanor Equities and Global Ecopower companies). The Company claimed a total of 5.95 million euros from Jean-Marie Santander and the Athanor Equities and Global Ecopower companies, 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) committed acts resulting in a prejudice that led to a fine imposed on the Company by the AMF further to their decision of October 1, 2009. Jean-Marie Santander had filed a counterclaim in relation to these proceedings, in which he sought an allocation of 100,000 free shares of the Company.

On February 21, 2011, the Commercial Court of Marseilles ruled that Jean-Marie Santander was to pay the Company 450,000 euros for breaching the non-compete clause binding him to the Company. In addition, Jean-Marie Santander's counterclaim seeking an allocation of free shares was dismissed. All parties filed appeal against that ruling.

On November 15, 2012, the Court of Appeal of Aix-en-Provence confirmed the initial judgment handed down by the Commercial Court of Marseilles on February 21, 2011, in which Jean-Marie Santander was ordered to pay THEOLIA the sum of 450,000 euros (for the breach of a non-compete clause) and rejected the petition by Jean-Marie Santander for the allocation of free shares.

The Court of Appeal also partially overturned the judgment of the Commercial Court dated February 21, 2011 and ordered Jean-Marie Santander and the Global Ecopower company jointly and severally to pay THEOLIA the sum of 500,000 euros as compensation 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 20,000 euros on the grounds of Article 700 of the French Code of Civil Procedure. All other petitions by the parties were dismissed.

On January 23, 2013, Jean-Marie Santander and the Global Ecopower company gave notice of appeal to the Court of Cassation to have the order handed down by the Court of Appeal on November 15, 2012 invalidated. The orders made by the Court of Appeal against Jean-Marie Santander and the Global Ecopower company to pay damages to THEOLIA were duly enforced, the appeal with the Court of Cassation having no suspensory effect.

As at the date of publication of this Registration Document, the Court of Cassation has not yet ruled with respect to that matter.

Criminal proceedings (France)

On December 29, 2009, THEOLIA and TEM filed a criminal complaint with the Public Prosecutor of the Court of first instance of Marseilles 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.

On March 13, 2012, the Criminal Court of Aix-en-Provence found Jean-Marie Santander guilty of two counts of abuse of power, one count of misuse of company assets and two counts of breach of trust, and discharged him for the remainder. The Criminal 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 and TEM in their civil party and sentenced Jean-Marie Santander to pay (i) to THEOLIA the sum of 109,278.76 euros as damages in compensation for financial loss and 1 euro as moral damages, and (ii) to TEM the global amount of 299,753.74 euros as damages in compensation for financial loss. All parties filed appeal against that decision.

On May 7, 2013, the Court of Appeal of Aix-en-Provence acquitted Jean-Marie Santander of all the counts he was charged with by the Prosecutor. The Court considered that Jean-Marie Santander had not acted in his own interest but rather in that of THEOLIA and TEM, with more specific reference to the agreement with News Invest dated October 19, 2005, the sponsorship contract with the soccer club Cassis-Carnoux, contracts entered into between the Faracha company and both THEOLIA and TEM, the acquisition of the ecolutions company and the shareholders' agreement with regard to TEM.

On May 13, 2013, THEOLIA and TEM gave notice of appeal to the Court of Cassation.

As at the date of publication of this Registration Document, the Court of Cassation has not yet ruled with respect to that matter.

Civil proceedings (Morocco)

On May 22, 2010, TEM brought on its side a legal action against Jean-Marie Santander before the Commercial Court of Casablanca for mismanagement with the aim to have the latter sentenced to damages of MAD 1 million (as a provisional basis) pending the appointment of an expert who shall assess the effective damage on the basis of misconduct and of sums improperly received, namely:

- a compensation of MAD 1.3 million that TEM considers to have been improperly received by Jean-Marie Santander when he was serving as Chairman and CEO of the company;
- MAD 2 million excluding VAT paid to the Luxembourg-based Faracha company (of which Jean-Marie Santander is the sole director) in the framework of a promotion agreement, given the absence of tangible services provided by this company to TEM; and
- contracts entered into with companies in which Jean-Marie Santander has personal interests, without the prior consent of either the Board of Directors or the General Meeting of the company.

On October 23, 2010, the Commercial Court of Casablanca ruled that said court was competent.

On May 17, 2011, an order of the Appeal Court of Casablanca confirmed the aforementioned ruling.

Since March 22, 2012, various procedural hearings have been held before the Commercial Court of Casablanca, but as at the date of publication of this Registration Document, no date had yet been set for the plea hearing.

Other proceedings (Morocco)

On February 17, 2009, once Jean-Marie Santander had left the Group, TEM terminated the three-year lease agreement entered into between the company and JMZ Holding (a company owned by Jean-Marie Santander) in January 2008 for the rental of premises in Casablanca, for a monthly rent of MAD 151,970.

On June 26, 2009, JMZ Holding filed with the Commercial Court of Casablanca a motion to have TEM sentenced to pay an interim compensation of MAD 200,000 for wrongful breach of lease and deterioration of the leased premises, pending the appointment of an expert who shall assess the effective damage as a result of the termination of the contract. As part of this procedure, a counterclaim was filed by TEM to have JMZ Holding sentenced to pay back a total sum of MAD 1,219,924 corresponding to (i) MAD 339,940 for unreturned deposits and (ii) MAD 879,984 for the value of the movable assets abusively held back by JMZ Holding since March 31, 2009 (effective termination date of the lease).

On February 14, 2013, the Commercial Court of Casablanca (i) ordered TEM to pay JMZ Holding the sum of MAD 1,770,500 for the wrongful breach of the lease agreement and the sum of MAD 43,000 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 the counterclaim filed by TEM.

On July 16, 2013, TEM filed an appeal against that decision with the Court of Appeal of Casablanca.

As at the date of publication of this Registration Document, no date has yet been set for the plea hearing.

Announcements made by the ADAMT

In connection with the friendly takeover offer launched by the MEIF 4 AX HOLDINGS SAS company on the THEOLIA Group in July 2013 that finally lapsed, during the offer period, the ADAMT (*Association de Défense des Actionnaires Minotaires de THEOLIA*), rising up against the terms and conditions of the offer, indicated through various publications to have requested an AMF investigation and to have filed a complaint with the Public Prosecutor of Paris. The Company is not aware of the current status of these actions.

The Company has taken appropriate measures to ensure the protection of its interests and reserves the right to engage in any necessary legal proceedings to protect its corporate interest.

4.5.2 Italy

During fiscal year 2012, 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 this Manager left, the Company has carried out an in-depth investigation of contracts between its Italian subsidiaries and third parties.

Criminal proceedings related to the Martignano project

On May 23, 2007, a committee composed of 8 residents of Martignano filed a recourse with the Administrative Court (“TAR”) of Lecce against the Puglia region, WindService Srl, and NeoAnemos Srl (subsidiary of the Company), requesting the *Autorizzazione Unica* (“Single Authorization”) granted by the Puglia region to build the Martignano wind farm be pronounced null and void. In addition, the plaintiffs requested that the TAR issue a preliminary injunction to suspend construction works on the farm during the entire period of the legal proceedings. On February 5, 2008, the TAR ruled on the merits declaring the Single Authorization null and void, considering the recourse as admissible, but that decision was overturned on July 17, 2009 by the State Council, which consequently confirmed the validity and the effectiveness of the Unique Authorization.

As part of the aforementioned administrative proceedings, the Prosecutor of Lecce, approached by the plaintiffs, conducted an investigation against Carlo Durante, serving then as the legal representative of NeoAnemos Srl, for having built constructions with a view to establishing a wind farm in the municipality 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 should said civil servants be convicted, the Single Authorization would automatically become null and void.

In a ruling dated September 21, 2009, the investigating judge referred this case on the merits, thereby confirming the Prosecutor’s petition. The trial started in December, 2010.

On April 10, 2013, the Criminal Court of Lecce declared the Single Authorization as being illicit, sentenced the civil servants for abuse of office and acquitted Carlo Durante as a result of the prescription of the offense he was charged for. The convicted civil servants appealed that decision.

In June 2013, the liquidation process of the NeoAnemos Srl company has been opened.

Proceedings related to the Giuggianello project

On March 26, 2012, the sellers of the Wind Service Srl company, the special purpose vehicle of 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 Wind Service Srl company for the contractual price of 4,050 thousand euros and to pay damages, estimated to 50 thousand euros. Maestrale Green Energy Srl and Giuggianello Srl 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 thousand euros 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 requested that some assets of Maestrale Green Energy Srl and Giuggianello Srl be put in escrow as a preventive measure. Their request, which was granted on February 14, 2013 for a value of 4,300 thousand euros, was confirmed by the Court of Appeal.

On February 20, 2013, pursuant to the order so authorizing, some of the equity interests held by Maestrale Green Energy Srl in several of its subsidiaries were put in escrow as a preventive measure.

On November 14, 2013, further to that enforcement, Maestrale Green Energy Srl and Giuggianello Srl seized the Court of Milan in order to challenge the decision of the Civil Court of Lecce.

Proceedings related to the Pergola project

On January 9, 2013, the Administrative Court ("TAR") of the Marche region invalidated the Single Authorization for the Pergola project following proceedings brought by local residents in June 2010. This decision was based on a failure to assess the acoustic impact of the wind farm.

On July 9, 2013, Garbino Eolica Srl appealed that decision before the State Council which rejected the appeal on March 13, 2014, confirming therefore the decision of the TAR to invalidate the Single Authorization.

The purchase agreement of the special purpose vehicle includes an obligation on the sellers to refund the full purchase price if a definitive legal decision leads to the invalidation of the Single Authorization, following a legal challenge brought prior to July 5, 2010. In that respect, in December 2013, Maestrale Green Energy Srl initiated arbitration proceedings against the sellers of Garbino Eolica Srl, to seek reimbursement of the full purchase price on the following grounds: (i) failure of fulfillment of the condition precedent of the closing of the transaction relating to the publication of the Single Authorization which was performed under conditions that the TAR deemed as not correct, and in the alternative, (ii) the invalidation of the Unique Authorization by the TAR.

Arbitration related to the Bovino project

In April 2011, Maestrale Green Energy and Vibinum initiated arbitration proceedings against the sellers of the special purpose vehicle of the Bovino project, in order to have the contract terminated and accessory damages paid.

On February 26, 2013, the arbitration panel issued an order (i) rejecting the requests made by Maestrale Green Energy and Vibinum with respect to the resolution of the contract and the condemnation of sellers to punitive damages, (ii) allowing the application of Maestrale Green Energy and Vibinum that sellers are ordered to pay 600 thousand euros for the project development costs to be borne by the sellers under the terms of the contract and (iii) partially granting the counterclaim made by the sellers so that Maestrale Green Energy be sentenced to pay the balance of the project's purchase price, namely 6,900 thousand euros plus late payment interest.

On July 10, 2013, an action to invalidate that order was initiated by Maestrale Green Energy and Vibinum with the Court of Appeal of Milan. Ruling on the merits is not expected before 2015.

On February 27, 2014, pending a ruling on the merits, the Court of Appeal, however, decided to suspend the provisional enforcement of the arbitral decision, in consideration of the delivery by Maestrale Green Energy of a bank guarantee of 6,400 thousand euros.

Criminal proceedings related to the Giunchetto wind farm

Some former executives of Aerochetto Srl 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 peacefulness, and (iv) floods and landslips that were allegedly caused during wind farm construction.

In this context, the Public Prosecutor decided to put the wind farm in escrow which was partially released on August 8, 2013 and then totally on March 18, 2014, provided that the remedial works pertaining to two wind turbines be completed. As at the date of publication of this Registration Document, the investigation is still ongoing and is expected to close in the coming weeks. The decision to either refer the case to be ruled on the merits or to dismiss it should be made in the following weeks.

4.5.3 Germany

Litigations opposing the German subsidiary THEOLIA Naturenergien to some of its O&M clients

As part of its activity to operate wind farms 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 compensation 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 court 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 fraudulent dealings allegedly committed by the former exclusive partner and the former Managing Director, as well as a former associated 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 exclusive 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 clients.

Legal actions involving ecolutions GmbH & Co. KGaA, and its General Partner, Ecolutions Management GmbH

In order to better protect its interests as a shareholder of the ecolutions GmbH & Co. KGaA company 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 referred to as Altira ecolutions Management GmbH). On April 17, 2012 the *Landgericht* of Frankfurt rejected one of the two actions and the Company has not appealed 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. On May 28, 2013, the suit was partly declared as partially settled by the parties, apart from the part the *Oberlandesgericht* (Court of Appeal) of Frankfurt granted the appeal to.

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 of 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 ecolutions GmbH & Co. KGaA company, 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 under which the General Partner Ecolutions Management GmbH was removed from its role in the management and legal representation of ecolutions GmbH & Co. KGaA. The General Partner Ecolutions Management GmbH lodged an appeal against that decision which was granted by the *Oberlandesgericht* of Frankfurt on March 18, 2014, which did not admit any appeal. However, the parties can lodge a complaint relating to the non-admission of the appeal within one month of the notification of the decision.

Following the Extraordinary General Meeting of shareholders of 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 ecolutions GmbH & Co. KGaA company, in the legal proceedings brought by the General Partner 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 almost entirely the action brought by the General Partner 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. The General Partner Ecolutions Management GmbH and Impera Total Return AG lodged an appeal against this decision on April 12, 2013. The appeal was granted by the *Oberlandesgericht* of Frankfurt on March 18, 2014, which did not admit any appeal. However the Company decided to lodge a complaint relating to the non-admission of the appeal decided by the *Oberlandesgericht* of Frankfurt.

Following the aforementioned decisions by the *Oberlandesgericht* of Frankfurt, three members of the Supervisory Board of ecolutions GmbH & Co. KGaA resigned from their positions. As a reaction, the General Partner Ecolutions Management GmbH filed a motion to the Register Court of Frankfurt to amend the Supervisory Board by four new members and also made corresponding proposals. As a major shareholder, THEOLIA was involved in this proceeding to state its position. The Company rejected the candidates proposed by the General Partner Ecolutions Management GmbH and stated its own proposals. On March 26, 2014, the Register Court of Frankfurt followed the arguments of THEOLIA and appointed the candidates proposed by the Company as members of the Supervisory Board of ecolutions GmbH & Co. KGaA. On April 9, 2014, the General Partner Ecolutions Management GmbH filed an appeal against the decision.

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 during the last twelve months.

4.6 PARENT COMPANY ACTIVITY IN 2013

4.6.1 Comments on the parent company results

The financial statements of THEOLIA SA were approved by the Board of Directors at its meeting on April 22, 2014.

First, it should be noted that two events resulted in a number of transfers in the financial statements presented below, but without any impact on the Company's income:

- the liquidation of the Italian subsidiary NeoAnemos, which was in progress as at December 31, 2013: since this subsidiary held wind turbines it had acquired from THEOLIA in 2010, its liquidation resulted in the re-transfer of the wind turbines to THEOLIA, as at net value, i.e., taking impairment into account, resulting in a decrease in trade receivables, offset by an increase in inventories. In the income statement, the re-transfer resulted in the recognition of a credit as revenue, offset by a change in inventories for the same amount, and a reversal of an impairment on a receivable, offset by a depreciation of inventories by the same amount; and
- the global transfer of assets and liabilities of Ecoval Technology: since this subsidiary held a debt to its parent company THEOLIA SA, its dissolution resulted in the decrease in receivables from equity investments and the reversal of 100% of the related impairment. In the income statement, this transaction resulted in the recognition of a merger loss, offset by a reversal of impairment on a receivable.

4.6.1.1 Income statement

The table below presents excerpts from the income statement for THEOLIA SA for the years 2012 and 2013:

Income statement (selected information) *(in thousand euros)*	**Year ended December 31** 2013	2012
Revenue	(12,573)	6,368
Operating income	(4,620)	(5,709)
Financial income	(45,412)	(5,404)
Extraordinary income	(1,150)	147
NET INCOME	**(51,449)**	**(11,719)**

Revenue

THEOLIA SA's revenue for fiscal year 2013 was a loss by 12.6 million euros, compared to a gain of 6.4 million euros for fiscal year 2012. This essentially reflects rebilling of Group costs to the subsidiaries for 6.0 million euros and a credit of 18.8 million euros, following the re-transfer of the turbines owned by NeoAnemos.

Group costs re-invoiced to the subsidiaries remained stable between 2012 and 2013, in the amount of 6.0 million euros.

Operating income

The re-transfer of turbines from NeoAnemos to THEOLIA impacted the operating income as follows in 2013 (in million euros):

- reversal of impairment of the NeoAnemos receivable + 7.4
- change in inventories + 18.8
- impairment of inventories (6.8)

for a positive impact of 19.4 million euros, offsetting the credit of 18.8 million euros booked as revenue.

In addition to these accounting impacts, impairment tests on inventories, conducted in 2013 on the re-transferred wind turbines, showed a decrease in the recoverable value in the amount of 4.0 million euros, recognized as impairment of inventory. In 2012, impairment tests on current assets resulted in the recognition of an impairment on the same wind turbines for 7.4 million euros, recognized as an impairment on receivables.

In addition, in 2013, THEOLIA continued its policy to cut operating costs, with the reduction of recurring operating expenses recognized as external charges, and the reduction of personnel.

Finally, the operating result was a loss of 4.6 million euros for fiscal year 2013, compared to a loss of 5.7 million euros for 2012, a significant improvement, mainly due to the decline in impairment recognized over the year.

Financial income

The financial income for fiscal year 2013 was a loss of 45.4 million euros, compared to a loss of 5.4 million euros in 2012. It breaks down as follows for fiscal year 2013 (in million euros):

Financial income (net of reversals on impairment of financial assets)

• interests on advances to subsidiaries	+ 6.3
• dividends received from subsidiaries	+ 1.3
• reversal of impairment on receivables held against Ecoval Technology	+ 4.5
• other	+ 0.8

Financial expenses

• impairment of financial assets, net of reversals	(34.6)
• interests on convertible bond	(4.2)
• merger loss in the context of the dissolution of Ecoval Technology	(4.5)
• write-off of a financial receivable	(15.0)

As a holding company, THEOLIA SA makes advances to its subsidiaries. Interests on these advances amounted to 6.3 million euros in 2013. In addition, THEOLIA SA receives dividends from its subsidiaries that record a profit, including 1.3 million in 2013 from Compagnie Eolienne du Détroit, which operates a 50.4 MW wind farm in Morocco.

The reversal of impairment on receivables from Ecoval Technology offsets the merger loss recognized further to the dissolution, and the impact on financial income is zero.

Each year, the Company performs impairment tests on its financial assets, primarily to ensure that the securities and receivables held are correctly valued. In 2013, THEOLIA recorded impairment on financial assets, net of reversals, in the amount of 34.6 million euros, which breaks down as follows (in million euros):

• net impairment on Other non-current investments	(8.2)
• net impairment on Equity investments	(5.0)
• net impairment on Receivables from equity investments	(21.9)
• other net reversals	+ 0.5

Other net reversals include the reversal of the impairment on the swap related to the convertible bonds following its unwinding at the end of 2013, which generated a gain.

Finally, the interest expense on the convertible bond (OCEANEs) for the year 2013 amounted to 4.2 million euros.

Extraordinary income

The extraordinary income for fiscal year 2013 was a loss of 1.2 million euros, compared with an income of 0.1 million euros in 2012.

Net income

The net result for the period was a loss of 51.4 million euros, compared with a loss of 11.7 million euros in 2012 and a loss of 45.7 million euros in 2011.

Fiscal year 2013 was primarily penalized by the recognition of impairment on assets, including impairment of 4.0 million euros for inventories and impairment of financial assets (securities and receivables) of 34.6 million euros.

4.6.1.2 Balance sheet

Change in shareholders' equity

Shareholders' equity amounted to 148.4 million euros as at December 31, 2013, compared with 199.7 million euros as at December 31, 2012, reflecting the loss of 51.4 million euros recorded in 2013. The loss of 11.7 million euros recorded in 2012 was allocated to the "Retained earnings" item.

Financial debt

The indebtedness of the Company, consisting exclusively of the convertible bonds issued in October 2007, remained stable at 160.8 million euros between 2012 and 2013, with interests accrued as at December 31, 2013 offsetting the payment of interest accrued as at December 31, 2012, which occurred in January 2013.

Trade payables and related accounts

The breakdown of trade payables by due date at the end of the last two fiscal years is shown below:

Trade payables *(in thousand euros)*	December 31 2013	December 31 2012
Trade payables not yet due (invoices not yet received)	451	734
Total trade payables due	657	578
Of which:		
from 0 to 3 months	522	442
from 3 to 6 months	5	5
from 6 to 9 months	-	-
from 9 to 12 months	130	131
TOTAL TRADE PAYABLES AND RELATED ACCOUNTS	**1,108**	**1,312**

Inventories

Inventories, which were at zero as at December 31, 2012, increased in 2013, by the net value of the turbines re-transferred to THEOLIA, i.e., 8.0 million euros.

Trade receivables and related accounts

The net value of the "Trade receivables and related accounts" item went from 15.1 million euros as at December 31, 2012 to 2.2 million euros as at December 31, 2013. This decrease primarily reflects the cancellation of the receivable attached to the NeoAnemos subsidiary, following the re-transfer of the turbines.

4.6.1.3 Statement of cash flows

The table below presents excerpts of cash flows recorded by THEOLIA SA for the periods indicated:

Cash flows (excerpts) *(in thousand euros)*	Year ended December 31 2013	Year ended December 31 2012
Cash flow from operating activities	(321)	(1,123)
Cash flow from investing activities	1,576	(14,361)
Cash flow from financing activities	(4,237)	(4,429)
Change in cash and cash equivalents	**(2,982)**	**(19,913)**
Net cash and cash equivalents as at beginning of period	16,185	36,098
Net cash and cash equivalents as at end of period	13,203	16,185

Cash flow from operating activities

The Company's gross cash flow was a negative 5.6 million euros for fiscal year 2013. This is a structural position for a holding company.

The decrease in net trade receivables (due to the cancellation of the receivable attached to the NeoAnemos subsidiary) was greater than the net increase in inventories after the re-transfer of the turbines, showing a positive net change in working capital requirements related to operations, and cash inflow in the amount of 5.3 million euros.

Overall, operating activities consumed 0.3 million euros in cash in 2013, compared with 1.1 million euros in 2012.

Cash flow from investing activities

Cash flow from investing activities shows a cash inflow in the amount of 1.6 million euros in 2013.

The Company primarily collected 5.5 million euros following the unwinding of the swap contract relating to the convertible bonds, and 1.1 million euros in dividends paid by its Moroccan subsidiary, Compagnie Eolienne du Détroit, which operates a 50.4 MW wind farm in Morocco. Dividends paid by that subsidiary in 2012 showed an extraordinary amount of 6.9 million euros.

In return, the Company made new advances to its subsidiaries under the Group cash agreement, for a net amount of 5.0 million euros, primarily granted to its Italian and French subsidiaries. In 2012, these advances amounted to 21.2 million euros, essentially made to the Italian subsidiary for the construction of the Bovino wind farm, with a capacity of 10 MW for its own account.

Cash flow from financing activities

Financing activities required cash outflows of 4.2 million euros for 2013, due to the payment of the annual interests on the convertible bond, in line with 2012, due to the absence of conversion.

As at December 31, 2013, the Company's net cash amounted to 13.2 million euros, compared with 16.2 million euros as at December 31, 2012, with most of the cash used to make the annual interest payments on the convertible bond and new advances granted to subsidiaries.

4.6.2 Summary of results over the last five years

The following table covers THEOLIA SA, excluding its subsidiaries.

French GAAP *(in thousand euros, except income per share which is in euros)*	Fiscal year ended on December 31 2009	2010	2011	2012	2013
Total shareholders' equity	226,249	214,199	207,040	199,736	148,351
Balance sheet total	490,940	425,943	379,046	364,067	312,754
Share capital as at end of period					
Share capital	39,895	110,293	127,591	90,840	90,853
Number of ordinary shares	39,895,207	110,292,782	127,591,147	64,885,834	64,894,862
Number of preferred shares without voting right	-	-	-	-	-
Maximum number of shares to be created					
By allotment of shares	2,070,611	1,777,111	475,000	1,900,000	1,833,570
By conversion of bonds	11,538,462	90,170,427	72,916,468	35,546,990	28,463,275
By stock options	-	-	2,310,000	1,155,000	1,087,500
By subscription rights	3,997,450	4,053,504	2,355,504	167,336	67,200
Operations and results					
Revenue net of taxes	6,118	24,919	5,431	6,368	(12,573)
Income (loss) before taxes, employee profit-sharing, amortization and provisions	20,225	(6,004)	(5,916)	13,080	(16,643)
Income tax	(422)	(297)	(247)	753	267
Employee profit-sharing	-	-	-	-	-
Income (loss) after taxes, employee profit-sharing, amortization and provisions	36,668	(89,829)	(45,665)	(11,719)	(51,449)
Income distributed	-	-	-	-	-
Earnings per share (undiluted)					
Income (loss) before taxes, employee profit-sharing, amortization and provisions	0.51	(0.05)	(0.05)	0.20	(0.26)
Income (loss) after taxes, employee profit-sharing, amortization and provisions	0.92	(0.81)	(0.36)	(0.18)	(0.79)
Dividends paid	-	-	-	-	-
Earnings per share (diluted)					
Income (loss) before taxes, employee profit-sharing, amortization and provisions	0.36	(0.03)	(0.03)	0.13	(0.17)
Income (loss) after taxes, employee profit-sharing, amortization and provisions	0.64	(0.44)	(0.22)	(0.11)	(0.53)
Dividends paid	-	-	-	-	-
Employees					
Average number of employees	30	23	23	21	21
Total salary expenses	3,147	4,030	2,186	1,854	1,841
Employee benefits paid	1,607	1,292	1,052	947	1,096

4.7 EVENTS AFTER YEAR-END AND PROSPECTS

4.7.1 Events after year-end 2013

Beginning of the construction and financing of the Haute Borne project in France

In April 2014, THEOLIA entered into a financing agreement for the Haute Borne wind project. This non-recourse long term loan is secured by the future cash-flows that will be generated by the wind farm.

The Haute Borne wind project is located on the territory of the towns of Languevoisin-Quiquery, Breuil and Billancourt, in the Somme French department.

In order to carry out this project, THEOLIA selected wind turbines with a unit capacity of 3 MW, therefore bringing the total installed capacity of the future wind farm to 21 MW.

According to the planned schedule, construction works started during the first quarter of 2014.

The wind farm is planned to be commissioned during the second half of 2015.

In compliance with its strategy to maximize the use of its equity, THEOLIA started discussing the sale of this wind farm to the investment vehicle THEOLIA Utilities Investment Company.

Release of escrow of the Giunchetto wind farm in Italy

The escrow regarding 10 wind turbines of the Giunchetto wind farm (over the 35 wind turbines making up the wind farm) in effect as at the closing of the fiscal year (see section 4.1.1 hereof) was released on March 18, 2014.

As at the date of publication of this Registration Document, a management plan, limiting wind turbines under specific conditions, is implemented for some wind turbines, and two wind turbines will remain inactive until the end of the remedial works currently ongoing.

The Aerochetto S.r.l. company makes its best efforts to finalize the works in a timely manner and to obtain the release of the management plan for the remaining turbines.

Disposal of Seres Environnement

On March 27, 2014, THEOLIA announced that it sold Seres Environnement, a company operating in the field of designing and manufacturing instruments to measure and analyze air and water quality. This subsidiary was part of THEOLIA's environmental division, for which IFRS 5 relating to discontinued activities is enforceable.

This disposal is part of THEOLIA's strategy to withdraw from its non-wind activities.

After a restructuring initiated in 2010 in order to cope with a loss-making activity, Seres Environnement managed to significantly recover. The company is now ready to speed up its development.

Currently active in 80 countries, Seres Environnement aims to enhance its international footprint thanks to its expert teams and favorable regulations in the markets where it operates, notably emerging countries.

Convertible bond (OCEANEs)

It is reminded that on October 23, 2007, THEOLIA floated an issue of convertible bonds (OCEANEs) 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, modified on July 20, 2010, in accordance with the prospectus number 10-198 dated June 23, 2010, entitle notably the bondholders to ask for the early repayment of all or part of their bonds as at January 1, 2015 at the early repayment price of 15.29 euros per OCEANE.

THEOLIA is therefore still facing the risk of a request for early repayment of its convertible bonds as at January 1, 2015 (see section 4.4.3.2 hereof). The Company considers that it is highly likely that bondholders will choose to ask for the early repayment. In the event all outstanding bonds are subject to early repayment requests, the maximum amount to repay as at January 1, 2015 would reach 125.8 million euros. The Company considers that, in its current situation, it would not be capable of paying this entire amount.

As a consequence, THEOLIA is currently working on several scenarios, of which:

- implementing a capital increase;
- issuing a new debt with an extended maturity date;
- renegotiating the terms of its convertible bond;
- disposing assets; and
- being subject to another takeover offer.

Performing one or a combination of several of these options before December 31, 2014, until when the Group continues as a going concern, is crucial for the Group's durability and future development. In this respect, the Company reviews all possible options and is notably discussing with its main bondholders to implement a solution to enable it to continue as a going concern after January 1, 2015.

4.7.2 Future prospects

Since 2010, THEOLIA made significant restructuring efforts in the aim of maximizing its structure and rationalizing its operations. Today, the Group has become a cross-border performing industrial platform, whose internal expertise covers the entire value chain of the wind sector.

Simultaneously, THEOLIA reviewed its strategy and today implements a flexible and balanced business model, oriented towards the sales of electricity for own account and suited to its capacity as an independent electricity producer focused on onshore wind energy.

More specifically, THEOLIA created, in August 2011, the investment vehicle THEOLIA Utilities Investment Company with two major European partners in the energy sector, IWB in Switzerland and Badenova in Germany. This co-investment strategy enables the Group to expand with a reduced contribution of equity. The Group is willing to carry on this strategy and considers selling wind farms and projects to its investment vehicle in the short and medium term.

Today, the sales of electricity for own account, a secure activity relying on 15- to 20-year buy-back contracts, represents 89.4% of the consolidated revenue.

The Group has a solid ground for its future development, with notably 206 MW which already received all necessary authorizations as at December 31, 2013, including the first 100 MW phase of its great 300 MW project under development in Morocco (see section 4.1.1 hereof).

Finally, the Group remains 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.

However, the Group is still in a difficult financial situation with, in particular, the risk of a request for early repayment of its convertible bonds as at January 1, 2015 (see section 4.4.3.2 hereof) and a need of resources to finance its future development.

In order to implement its expansion plan, the Group will, in the short term, at least have to face the soon-to-be possible request for early repayment of its convertible bonds, then, in the meantime or later on, the need to find additional financial resources. The actions implemented by the Group to that end are described in section 4.4.3.2 hereof.

The overall objective pursued by the Group is to establish a solid base of operational assets to strengthen its profitability and create value.

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

(in thousand euros)	Notes	2013/12/31	2012/12/31
Revenue		**95,447**	**67,736**
Change in inventories of finished goods and work in progress		(5,941)	(11,276)
External expenses		(30,891)	(19,441)
Tax		(1,863)	(1,615)
Staff costs	9.1	(9,607)	(8,824)
Operating provisions	9.3	2,390	5,739
Other operating income and expenses	9.2	1,041	557
EBITDA		**50,575**	**32,877**
Amortization	9.3	(35,300)	(16,048)
Current provisions		341	1,934
Current operating income		**15,616**	**18,763**
Non-current provisions	9.4	(2,084)	945
Other non-current income and expenses	9.4	(1,982)	(573)
Share in income of associates		(4)	3,582
Operating income (before impairment)		**11,547**	**22,717**
Impairment	9.5	(16,004)	(23,262)
Operating income (after impairment)		**(4,458)**	**(545)**
Cost of net financial debt		(39,311)	(21,883)
Other financial income		7,851	3,206
Other financial expenses		(7,961)	(13,314)
Financial income	10	**(39,421)**	**(31,990)**
Corporate tax expenses	11	(2,519)	(1,140)
Net income from continuing operations		**(46,399)**	**(33,676)**
Net income for the year from discontinued activities	19	1,111	(562)
NET INCOME OF THE CONSOLIDATED GROUP		**(45,286)**	**(34,238)**
of which Group share		(41,210)	(34,206)
of which non-controlling interests		(4,076)	(32)
Earnings and diluted earnings per share of the consolidated Group (in euros)		(0.64)	(0.53)

5.1.2 Comprehensive income

(in thousand euros)	2013/12/31	2012/12/31
Net income of the consolidated Group	**(45,286)**	**(34,238)**
Fair value of derivative instruments	3,362	(1,351)
Currency translation adjustments	422	325
Deferred tax	(643)	13
Items reclassifiable to net income	**3,141**	**(1,013)**
Items not reclassifiable to net income	**-**	**-**
COMPREHENSIVE INCOME	**(42,145)**	**(35,251)**
Earnings and diluted earnings per share of the consolidated Group (in euros)	(0.65)	(0.54)

5.1.3 Balance sheet

(in thousand euros)	Notes	2013/12/31	2012/12/31
Goodwill	12	39,402	39,489
Intangible assets	13	66,008	66,209
Tangible assets	14	482,059	270,735
Investments in associates		11	-
Non-current financial assets	16	12,797	17,928
Deferred tax assets	25	1,343	2,787
Non-current assets		**601,620**	**397,148**
Inventories and work in progress	17.2	5,078	14,934
Trade and other receivables	17.3	26,170	21,221
Other current assets	17.4	15,186	19,671
Current financial assets	16	205	4,569
Cash and cash equivalents	18	84,722	69,171
Current assets		**131,361**	**129,566**
Assets classified as held for sale	19	11,630	11,404
TOTAL ASSETS		**744,611**	**538,118**

(in thousand euros)	Notes	2013/12/31	2012/12/31
Share capital	20	90,853	90,840
Share premiums		305,663	305,654
Retained earnings		(227,359)	(196,811)
Net income of the consolidated scope, Group share		(41,210)	(34,206)
Shareholders' equity, Group share		**127,947**	**165,477**
Non-controlling interests	20	(17,070)	66
Shareholders' equity		**110,877**	**165,543**
Non-current financial liabilities	22	445,791	250,868
Provisions - non-current share	27	21,531	13,006
Retirement benefit obligation	26	205	186
Deferred tax liabilities	25	54,245	14,126
Other non-current liabilities		6,969	2,833
Non-current liabilities		**528,741**	**281,019**
Current financial liabilities	22	63,068	47,581
Provisions - current share	27	374	39
Trade and other payables	17.5	29,389	31,872
Tax and social security liabilities	17.5	4,115	3,697
Current corporate tax liabilites		293	565
Current liabilities		**97,239**	**83,754**
Liabilities directly associated with assets classified as held for sale	19	7,754	7,802
TOTAL EQUITY AND LIABILITIES		**744,611**	**538,118**

5.1.4 Cash flow statement

(in thousand euros)	2013/12/31	2012/12/31
Net income of the consolidated Group	**(45,286)**	**(34,238)**
Net income from discontinued activities	1,111	562
Elimination of amortization, depreciation and provisions	56,708	43,858
Elimination of change in deferred tax	2,505	1,140
Elimination of capital gains/losses from disposals	(49)	(974)
Elimination of the share in income of associates	3	13
Financial expenses	38,428	22,468
Other income and expenses with no effect on cash	(3,991)	(3,824)
Gross cash flow	**49,428**	**29,005**
Change in working capital requirements	6,872	13,851
Corporate tax paid	2,047	(1,721)
Cash flows from discontinued activities	(722)	(532)
Net cash flow from operating activities	**57,625**	**40,602**
Acquisitions of fixed assets	(9,157)	(21,238)
Acquisitions of financial assets	(50)	-
Disposals of fixed assets	123	2,274
Change in loans granted	5,897	(4,424)
Net effect of change in scope of consolidation (acquisitions/disposals)	23,707	284
Net cash flow from investing activities	**20,519**	**(23,104)**
Treasury shares	(98)	-
Increase (decrease) in share capital	-	(77)
Increase in loans and other debt	1,152	12,873
Repayments of loans and other debt	(36,301)	(34,018)
Interest paid	(27,327)	(14,930)
Net cash flow from financing activities	**(62,574)**	**(36,150)**
Effect of change in exchange rates	(41)	(8)
CHANGE IN CASH AND CASH EQUIVALENTS	**15,529**	**(18,661)**
Net cash and cash equivalents – opening balance	69,171	87,831
Net cash and cash equivalents – closing balance	84,699	69,171
CHANGE IN CASH AND CASH EQUIVALENTS	**15,529**	**(18,661)**

5.1.5 Changes in shareholders' equity

(in thousand euros)	Share capital	Share premiums	Currency translation adjustments	Change in fair value and other	Consolidated reserves and income	Shareholders' equity - Group share	Non-controlling interests	Total Shareholders' equity
As 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)**
Increase in share capital						-		-
Decrease in share capital	(38,412)				38,412	-		-
Bond conversions	1,303	897			-	2,200		2,200
Share-based payments	442	(442)			167	167		167
Treasury shares	(83)	5			(107)	(185)		(185)
Transactions between shareholders					102	102	2,916	3,018
Other reclassifications					606	606	3	609
As at 2012/12/31	**90,840**	**305,655**	**744**	**(4,910)**	**(226,851)**	**165,477**	**66**	**165,543**
Expenses and income directly recorded under shareholders' equity			422	2,719		3,141		3,141
Net income of the consolidated scope, Group share					(41,210)	(41,210)	(4,076)	(45,286)
Comprehensive income	**-**	**-**	**422**	**2,719**	**(41,210)**	**(38,069)**	**(4,076)**	**(42,145)**
Bond conversions	13	9			-	22		22
Share-based payments					649	649		649
Treasury shares					(117)	(117)		(117)
Transactions between shareholders					(15)	(15)		(15)
Other reclassifications					(1)	0	(13,060)	(13,060)
AS AT 2013/12/31	**90,853**	**305,664**	**1,166**	**(2,191)**	**(267,544)**	**127,947**	**(17,070)**	**110,877**

The change in the "Non-controlling interests" item is detailed in note 6 "Business combination" and note 20.2 "Non-controlling interests".

5.1.6 Notes to the consolidated financial statements

Detailed summary of appended notes

NOTE 1 GENERAL INFORMATION

THEOLIA (the "Company") is a French Public Limited Company which 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's expertise covers 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, 2013 and ended on December 31, 2013. The Group's financial statements were approved by the Board of Directors on April 22, 2014.

NOTE 2 ACCOUNTING PRINCIPLES

2.1 General principles

Compliance statement

In compliance with regulation EC No. 1606/2002 dated July 19, 2002, the consolidated financial statements for the period from January 1, 2013 to December 31, 2013 are issued in accordance with IFRSs (International Financial Reporting Standards) published by the IASB (International Accounting Standards Board) as at December 31, 2013 and with adoption of regulations published in the Official Journal of the European Union as at the date the financial statements were closed. IFRS principles include both IFRSs and IASs (International Accounting 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 as at December 31, 2013 are similar to those for the preceding fiscal year.

New standards, amendments and interpretations applicable as of January 1, 2013

The standards, amendments or interpretations shown below were applied permanently to all of the periods shown in the financial statements, unless otherwise required by specific transitional provisions.

Standard number	Denomination	Possible impact on the Group's financial statements
Amendment IAS 1	Presentation of Items of Other Comprehensive Income	These amendments and interpretations have no impact on these financial statements
Amendment IAS 19	Employee Benefits	
Amendment IAS 12	Deferred Tax: Recovery of Underlying Assets	
Amendment IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	
Amendment IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities	
IFRS 13	Fair Value Measurement	
Annual Improvements 2009-2011	Annual Improvements of IFRSs published in May 2012	

New standards, amendments and interpretations applicable as of January 1, 2014 not anticipated by the Group:

- IAS 27 (2011) "Separate Financial Statements";
- IAS 28 (2011) "Investments in Associates and Joint Ventures";
- amendment IAS 32 "Offsetting Financial Assets and Financial Liabilities";
- amendment IAS 36 « Recoverable Amount Disclosures for Non-Financial Assets »;

- amendment IAS 39 et IFRS 9 “Novation of OTC Derivatives and Continuing Designation for Hedge Accounting”;
- IFRS 10 “Consolidated Financial Statements”;
- IFRS 11 “Joint Arrangements”;
- IFRS 12 “Disclosure of Interests in Other Entities”;
- amendment IFRSs 10, 11, 12 “Transition Guidance”; and
- amendment IFRSs 10, 12 and IAS 27 “Investment Entities”.

Standards, amendments and interpretations 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”;
- IFRIC 21 “Levies Charged by Public Authorities”;
- Annual Improvements 2010-2012; and
- Annual Improvements 2011-2013.

Information on the impact of IFRSs 10, 11 and 12

In the future, application of IFRS 11 will lead to accounting THEOLIA Utilities Investment Company using the equity method and its operational subsidiaries using the global integration method. These entities are accounted using the proportionate consolidation method in the 2013 financial statements.

Application of IFRSs 10 and 11 to the 2013 financial statements will mainly lead to a change in the consolidation method for three operating wind farms currently accounted using the proportionate consolidation method. Two out of the three wind farms will be accounted using the global integration method. The third wind farm will be accounted using the equity method.

Net impacts are assessed, at this stage, as follows:

(In thousand euros)	THEOLIA Group PUBLISHED 2013/12/31	Main identified impacts	THEOLIA Group RESTATED 2013/12/31
Revenue	95,447	331	95,779
EBITDA	50,575	1,331	51,906
Operating income	(4,458)	126	(4,331)
Financial income	(39,421)	(256)	(39,677)
Intangible and tangible assets	548,067	(3,371)	544,697
Financial assets	13,002	6,447	19,449
Cash and cash equivalents	84,722	100	84,822
Financial debt	508,859	(2,965)	505,895

Basis for preparing financial statements

The comparative information provided concerns the fiscal year ended December 31, 2012.

Financial statements are shown in thousand euros, unless otherwise indicated, rounded up to the nearest superior thousand euros.

In accordance with IFRS 3, the 2012 financial statements (opening and closing) presented comparatively are restated in the event of final allocation of goodwill. The same is true for application of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.

General evaluation principles

The Group's consolidated financial statements are issued according to the going concern principle and historical cost principle, with the exception of certain financial instruments and financial assets available for sale that are evaluated at fair value.

Going concern

THEOLIA is facing the risk of a request for early repayment of its convertible bonds as at January 1, 2015 at the unit price of 15.29 euros. The Company considers that it is highly likely that bondholders will choose to ask for the early repayment. In the event all outstanding bonds are subject to early repayment requests, the maximum amount to repay as at January 1, 2015 would reach 125.8 million euros. The Company considers that, in its current situation, it would not be capable of paying this entire amount. As a consequence, THEOLIA is currently working on several scenarios, of which:

- implementing a capital increase;
- issuing a new debt with an extended maturity date;
- renegotiating the terms of its convertible bond;
- disposing assets; and
- being subject to another takeover offer.

Performing one or a combination of several of these options before December 31, 2014, until when the Group continues as a going concern, is crucial for the Group's durability and future development. In this respect, the Company is notably discussing with its main bondholders to implement a solution to enable it to continue as a going concern after January 1, 2015.

However, the Company cannot guarantee that it will be able to implement one or a combination of several of these options in a timely manner. In particular, due to the uncertainty related to market conditions and the approval of shareholders and/or bondholders, it is very difficult to predict if such an operation would succeed. The inability of the Company to implement one or a combination of several of these options could force the Company to consider all legal remedies available, notably those provided for in Book VI of the French Commercial Code, including safeguard procedures, judicial reorganization or judicial liquidation, which, as the case may be, could force it to stop operating. Any liquidation of assets that would result from it would cause a significant destruction of value. None of the adjustments which would be necessary in this case were recognized in the consolidated financial statements as at December 31, 2013.

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 accounted using the global integration method as of the date when effective control is transferred to the Group. They are deconsolidated as at the date when this control ends.

Profit or loss from subsidiaries acquired or sold during the fiscal year is included in the consolidated income 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 significant influence over operational and financial policies 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 companies 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 significant influence started and until the date when significant influence is lost.

The balance sheet value of investment in associates includes the cost of purchasing the securities (including goodwill) plus or minus variations in the Group's share of net assets in the associated company as of the purchase date. The income statement reflects the Group's share in income of the associate.

Profit or loss from associated companies is included in operating income when the activities carried out by these companies are considered close to those of the Group (renewable energy).

Business combinations

Business combinations subsequent to January 1, 2010 are recorded according to the purchase method defined by revised IFRS 3. The cost of a purchase corresponds to the fair value of the assets remitted, company treasury instruments issued and liabilities incurred or taken on as 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, liabilities and any liabilities due to past events corresponding to existing obligations as at the purchase date, except for exceptions specifically indicated in revised IFRS 3.

The goodwill entered on the consolidated balance sheet represents the difference between:

- the sum of the following elements:
    - purchase price for transfer of control;
    - amount of minority interests 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, 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 identifiable liabilities taken on, 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 difference is recorded directly on the income statement.

Price supplements are evaluated at 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 a business combination are recorded as expenses in the consolidated profit or loss for the period.

After its original entry, goodwill undergoes an annual impairment 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 12 months following the purchase date. When the original entry is modified within 12 months, this modification is recorded retrospectively, as if the definitive values had been recorded directly on the purchase date. The impact of the change in value noted after expiration of the allocation period compared to the values attributed to the assets acquired and liabilities taken on at the time of the first consolidation is noted in a forward-looking manner, in the income 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 purchases of additional interests in a subsidiary made since January 1, 2010, which do not change control exercised over the entity, the difference 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 share of these purchases paid in cash, net of the associated purchase costs, is classified under cash flow from financing activities in the consolidated cash flow statement.

For assignments of interests made since January 1, 2010, which do not change control exercised over the entity, the difference 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 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 share of these transfers, received as cash, net of the associated transfer costs, is classified under cash flow from financing activities in the consolidated cash flow statement.

Assignments of interests 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 income statement, calculated based on the entire stake as at the date of the transaction. Any residual stake retained is thus evaluated at its fair value in the income 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 income 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, when it is neither participating in management nor in active control of the assigned assets, when it is likely that the economic benefits resulting from the sale will benefit the Group, and when 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 wind farms held and controlled by the Group are recognized based on quantities produced and delivered during the period.

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 transaction 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

Development and 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 inventories when the client is identified (signature of a sales contract) to dispose 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 potential impairment.

Costs related to projects can be generated internally or acquired through business combinations.

Projects are valuated at their production or purchase cost. An identifiable intangible asset generated internally resulting from the development of a project is recorded on the balance sheet if, and only if, the following conditions are met:

- technical feasibility of the project;
- intention to complete the intangible asset and to commission it or sell it;
- capacity to commission or sell the intangible asset;
- probability of generating future economic benefits;
- availability of technical and financial resources to complete project development; and
- capacity to evaluate in a reliable manner the expenses attributable to the fixed asset during its development.

When the conditions for recording a fixed asset generated internally are not met, development expenses are recorded under expenses or inventories for the fiscal year during which they are incurred.

When the Group acquires wind projects developed by companies which were taken over, those wind projects 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.

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 price and the estimated resale value, with the duration of amortization depending on the disposal agenda. The residual operating period projected by the Group before disposal to a third party is currently of approximately 5 years. Intangible assets related to wind farms which will not be sold before the end of the electricity buy-back contract are amortized over the duration of said contract (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 fixed assets.

The amortization, calculated as of the date the fixed asset is commissioned, is recorded under expenses to reduce the book value of the assets over their estimated useful lifetime, according to the straight-line method and considering the residual value of the assets.

For contracts and licenses, amortization periods used are 2 to 4 years.

The amortization expense for fixed assets is recorded under “Amortization” in the income statement.

Intangible assets mainly consist of wind projects under 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

Tangible assets are recorded at their purchase cost after deduction of amortization and potential impairment.

Fixed 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 potential impairment.

The amortization, calculated as of the date the fixed asset is commissioned, is recorded under expenses to reduce the book value of the assets over their estimated useful lifetime, according to the straight-line method and on the following basis:

• construction	20 years
• wind farms	5-20 years
• equipment and tools	4-10 years
• fixtures and facilities	5-10 years
• office equipment and computer hardware	3-5 years
• office furniture	5-10 years

Wind farm amortization depends on the disposal agenda. The residual operating period projected by the Group before disposal to a third party is currently of approximately 5 years. The amortizable basis corresponds to the difference between the cost price and the residual resale value as 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 “Amortization” in the income statement.

2.7 Lease agreements

The Group has no significant assets being subject to lease-financing agreements.

2.8 Impairment

An impairment test is conducted:

- at least once a year, for assets with an indefinite lifetime, mainly goodwill, non-amortizable intangible assets and work in progress;
- each year, for assets with a definite lifetime;
- 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 segments are classified in the following categories:

- the Sales of electricity for own account activity corresponds to the sales of electricity produced by the wind farms held and controlled by the Group;
- the Development, construction, sale activity includes the development, construction and the sale of wind projects and farms;
- the Operation activity includes the management of wind farms, as well as the sales of electricity produced by some wind farms managed but not held by the Group;

- Non-wind activity is not strategic and the environmental activities are currently being disposed of;
- the Corporate activity mainly includes the holding company THEOLIA SA.

The **Development, construction, sale** 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.

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 based on the business plans issued by the Group's Management. All non-amortizable and amortizable assets of each IGU were tested on December 31, 2013.

The rate used to discount the associated cash flows is based on the activities that can be attached to the assets or groups of assets and takes into account the risks and the activities, as well as their geographical location. The rate is determined, according to the assets withheld, from the weighted average cost of capital (WACC) for the Sales of electricity for own account activity, and from the cost of capital for the Development, construction, sale activity.

As in 2012, discount rates used by the Group are between 5.8 % and 8.5% and break down as follows:

- Sales of electricity for own account IGU: 5.8% to 8.5%;
- Development, construction, sale IGU: 6.1% to 7.5%.

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 sale and management activity;
- France: the business plans reflect the capacity of these entities to develop and then build wind farms for operation over an average duration of 5 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 allocated on goodwill is irreversible. It is recorded directly as expenses in the operating income in the "Impairment" item.

Data on sensitivity to impairment calculation assumptions appear in note 15 "Impairment on goodwill, intangible and tangible assets".

2.9 Inventories and work in progress

Inventories are evaluated at the lowest amount between the cost and the net realizable value.

The cost for inventories 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 (transport, expenses for unloading, customs charges, commissions on purchases, etc.). Inventories are evaluated according to the “first in/first out” method.

Inventories recorded by the Group represent wind projects under development:

- intended for resale;
- intended for integration in the “development, construction, operation, sale” process.

Their net realizable value is determined by their level of progress and the latest transactions made in the business sector. 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. Projects involved are therefore subject to reclassification from the “Inventories and work in progress” item to the “Intangible assets” item.

Wind farms (previously recorded as intangible and tangible assets) intended to be sold are reclassified as inventory 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 equity investments and other securities), loans and financial receivables, as well as derivative financial instrument assets.

Financial liabilities include loans and financial debt, bank overdrafts and derivative instrument liabilities.

Financial assets and liabilities 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. Derivative instruments are classified as non-current items as long as the underlying asset has a maturity higher than 12 months.

Current financial liabilities may include, where applicable, non-current financial debt, but:

- 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).

Financial assets and liabilities at fair value with variation through the income statement

Financial assets and liabilities evaluated at fair value with variation in income are designated as such when the operation is initiated.

These assets are recorded at their fair value, and are evaluated as at the closing of each accounting period. The variation in this fair value is recorded in the income statement as “Other financial income” or “Other financial expenses”.

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 in the income statement as “Other financial expenses.”

Financial loans and receivables

Financial loans and receivables are evaluated at amortized cost minus depreciation, where applicable. The interest, evaluated at the effective interest rate, is recorded in the income statement as “Other financial income.”

Financial assets available for sale

Financial assets available for sale include all other financial assets not classified in the other categories, including the securities of non-consolidated entities. They are evaluated at each closing of the fiscal year, at fair value. Potential capital gains or losses are recorded under shareholders’ equity. Impairments are subject to a depreciation recorded in the income statement.

Financial debt and trade payables

Financial debt and trade payables are evaluated at amortized cost. The interest calculated at the effective interest rate method is recorded under the item “Cost of gross financial debt” in the income statement.

Derivative financial instruments

Nature

The Group may use derivative financial instruments (swaps) to hedge against interest rate risk resulting from its variable rate financing policy.

Evaluation and recording

Derivative financial instruments are initially recorded at fair value. They are subsequently evaluated at their fair value. The variation in fair value of derivative instruments is recorded in the income 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 income (loss).

2.11 Trade receivables and other receivables

Trade receivables come from sales of goods, wind farms and services performed by the Group within the framework of its activity of 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 made if there seems to be a risk of non-recovery.

2.12 Cash and cash equivalents

The “Cash and cash equivalents” item 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

Ordinary shares are classified as shareholders' equity instruments.

Costs directly attributable to the issuance of new options or shares are deducted from the income from the issue, net of tax, in shareholders' equity.

THEOLIA's shares held by the Group are deducted from shareholders' equity, until cancellation or 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 Group 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, stock options and free shares

Stock warrants and stock options

Prior to 2010, the Group had allocated stock warrants to members of the Board of Directors. During the Board of Directors' meetings of December 1, 2010 and July 29, 2011, the Group respectively allocated stock options to the General Management (1,500,000 options) and to some employees (810,000 options).

These transactions for which payment is based on shares and which are settled using 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 an expense using the straight-line method over the right acquisition period, based on the number of shares that the Group expects to have to issue, adjusted with the effects of right acquisition conditions other than market conditions (presence, performance).

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.

Free shares

At the Board Meeting of December 10, 2012, the Group allocated performance shares to the General Management (900,000 shares maximum) and to some employees (1,000,000 shares maximum).

These transactions, whose payment is share-based and which are settled using equity instruments, are evaluated at their fair value on the date of allocation (stock price on the date of allocation). The fair value determined on the date of acquisition is recorded as an expense using the straight-line method over the right acquisition period, based on the number of shares that the Group expects to have to issue, adjusted with the effects of the right acquisition conditions other than market conditions (presence, performance).

Recognition

The benefit corresponding to the rights allocated in the form of stock warrants, stock options or free shares is recognized depending on the beneficiary:

- under "Staff costs";
- under "Other operating income and 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 defined contribution plans, the Group has no obligation other than to pay contributions. Contributions paid are recorded under expenses 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 corporate officers.

Evaluation of commitments

Contributions to defined contribution plans are entered as expenses 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 changes in 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 in income for the period. For defined benefit plans, the expense recorded in the income 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 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 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 as at the closing. The provision is evaluated according to the best estimate of expenses that can be projected.

According to the type of risk provisioned, provisions recognized are classified in the following items:

- "Operating provisions/depreciations";
- "Current provisions"; or
- "Non-current provisions".

Any potential dismantling costs are not subject to a provision for wind farms which are part of the disposal strategy. When wind farms should not be sold prior to the end of the electricity buy-back contract (15 to 20 years), a provision for dismantling is recognized, with an amortizable dismantling asset as counterpart.

Any liabilities corresponding to potential obligations resulting from past events whose existence will only be confirmed by the occurrence of uncertain future events that are not under the control of the entity or to current obligations for which an outflow is not likely. Outside of those resulting from a business combination, they are not recorded but are addressed in appended information.

2.17 Loans

Loans are recorded at the original fair value, minus associated transaction costs. These costs (issue expenses and 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 discounted contractual payment cash flows, using the rate for a comparable instrument without the conversion option (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, including the effect of deferred tax.

Loans subject to a listing on the stock exchange are recognized at their initial fair value. At each closing, value changes are recognized in the income statement.

2.18 Deferred tax

The item “Corporate tax expenses” includes tax payable for the fiscal year and deferred tax included in the income for the period.

Deferred tax is posted, using the variable carry-forward method, for timing differences existing as 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 at 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 the 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 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 are fast-approaching.

Deferred and payable tax is recorded as income or expense in the income statement unless it pertains to a transaction or an event that is recorded directly in shareholders’ equity.

Deferred tax is presented in specific items on the balance sheet and included in non-current assets and liabilities.

2.19 Determination of the current operating income

The income statement is presented by type of expense.

Current operating income corresponds to the operating income before any income and expenses resulting from any isolated, clearly identified, non-recurring and significant events, namely:

- income of associates;
- impairment on goodwill and assets recorded following impairment tests;
- substantial restructuring costs or expenses related to downsizing plans in light of major events or decisions;
- expenses, income and provisions resulting from a substantial or unusual litigation, from major deployment or capital operations (costs for integrating a new business segment, etc.).

2.20 EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)

EBITDA corresponds to the current operating income before amortization and non-operational risk provisions.

2.21 Sector information

The Group defines its business segments as follows:

- the Sales of electricity for own account activity corresponds to sales of the electricity produced by wind farms held and controlled by the Group;
- the Development, construction, sale activity includes development, construction and sale of wind farms and projects;
- the Operation activity includes the management of wind farms, as well as sales of the electricity produced by some wind farms that are managed but not owned by the Group;
- the Non-wind activity;
- the Corporate activity includes mainly the holding company THEOLIA SA.

The "Sector information" note presents information by business segment on income and earnings as well as certain information about assets, liabilities and investments.

NOTE 3 JUDGMENTS AND ESTIMATES

Drafting financial statements according to IFRSs leads the Group's Management to make estimates and formulate assumptions that affect the book value of certain items of assets and liabilities, income and expenses, as well as information given in certain notes in the appendix.

The key assumptions are:

- likelihood of success and commissioning of wind projects;
- discounting assumptions used in valuation models; and
- capacity to obtain financing for the wind projects.

The accounts and information subject to significant estimates primarily concern intangible assets, tangible assets, goodwill, other non-current assets, derivative financial instruments, provisions for risks and expenses 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 integrate those factors deemed relevant in light of economic conditions.

Certain principles used call for the judgment of 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 as the most reasonable and likely.

In the following sections, Management presents those accounting principles used by the Group to prepare the consolidated financial statements, which had a significant impact on the consolidated financial statements and which required Management to exercise judgment and use estimates.

Without revisiting the foregoing, 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 could lead to significantly challenge 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) record, where applicable, a depreciation on the balance sheet value of any asset.

The estimates used to determine expected fixed 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 the determination of 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 discounted rate are shown in note 15;
- 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 the future periods in question.

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, sale IGU. For assets belonging to the Sales of electricity for own account IGU, the value in use for THEOLIA is representative of the future cash flows from each farm over its operating life. 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 as at 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 as at the closing of the fiscal year.

NOTE 4 MAIN EVENTS OF THE FISCAL YEAR

THEOLIA took control of Breeze Two Energy

At the end of January, 2013, THEOLIA took control of Breeze Two Energy GmbH & 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, through its 100% subsidiary SNC Éoliennes Suroit, 26 MW in France. By convention, the entity composed of these three companies is called "Breeze Two Energy".

Almost all of those farms were commissioned between 2005 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.

Breeze Two Energy GmbH & Co. KG 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 into 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.

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 various rights including 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 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. 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 Manager at Christofferson, Robb & Company, LLP. In order to prevent any conflict of interests from happening in the scope of this transaction, it is specified that David Fitoussi did not participate in any deliberations of the Board of Directors relating to Breeze Two Energy.

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.

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. Breeze Two Energy has therefore been consolidated in THEOLIA's financial statements using the global integration method since February 1, 2013.

THEOLIA took control of Breeze Two Energy in order to create significant operational synergies between THEOLIA and Breeze Two Energy, in particular with THEOLIA's teams taking over the future management of Breeze Two Energy's wind farms, which used to be subcontracted to third parties.

In 2013, measures were taken to optimize the management of Breeze Two Energy. In particular, the agreement with the service provider performing the company's administrative management was terminated. As from March 2014, these duties are performed by THEOLIA. Likewise, the operational management of Breeze Two Energy's wind farms located in France was taken over by THEOLIA's operating teams in France. The operational management of Breeze Two Energy's wind farms located in Germany will be gradually taken over by THEOLIA's German teams as from 2014.

Three new building permits obtained in France

Having obtained a building permit without recourse since November 2012, the Chemin Perré project was still on hold pending the creation of a wind power development zone ("Zone de développement éolien", ZDE), in order to benefit from the regulatory feed-in tariff. Adopted in April 2013, the Brottes Act cancelled the ZDE procedure and therefore removed the last administrative obstacle to the implementation of this project.

The Chemin Perré project is located on the Nogentais community of communes, on the territory of the towns of Montpothier and Villenauxe-la-Grande, in the Aube French department. It will include 9 wind turbines, for a total estimated capacity of 22.5 MW.

Also in the Aube French department, THEOLIA obtained a second building permit to install 4 wind turbines on the territory of the towns of Mergey, Saint-Benoît-sur-Seine and Sainte-Maure. Pending the choice of the turbine type, the total capacity for the future wind farm is estimated to 13.2 MW.

Finally, THEOLIA obtained a third building permit to install 3 wind turbines in the Moselle French department, on the territory of the town of Coume. The total capacity for the wind farm is estimated to 7.5 MW.

These building permits are free from any recourse from third parties.

As at December 31, 2013, THEOLIA holds 206 MW in its pipeline which already received all necessary authorizations.

Escrow of the Giunchetto wind farm in Italy

The Nicosia Italian public prosecutor led investigations against some executives of the Aerochetto S.r.l. company, a 51% subsidiary of THEOLIA, for infringements related to the acoustic impact and to the construction of the Giunchetto wind farm in 2009. The decision to preventively put the wind farm in escrow was made on April 24, 2013 and implemented on May 3, 2013.

On August 8, 2013, the Aerochetto S.r.l. company obtained the release of escrow of 25 wind turbines (over the 35 wind turbines composing the wind farm).

On November 3, 2013, the public prosecutor authorized 8 additional wind turbines to operate partially again.

On March 18, 2014, the public prosecutor released of escrow the remaining 10 wind turbines (see note 30).

NOTE 5 CHANGES IN THE SCOPE OF CONSOLIDATION

Scope of consolidation

For fiscal year 2013, the scope of consolidation includes, in addition to the parent company:

- 108 companies in which it holds direct or indirect exclusive control (compared to 109 as at December 31, 2012);
- 6 companies in which it has joint control (similar to the previous fiscal year);
- 3 companies in which it exercises significant influence (compared to 5 as at December 31, 2012).

The full list of these companies is shown in note 31 "Consolidation scope".

Creations

Entities	% interest	% control	Method of consolidation	Country	Business segment
Windpark Weilerswirst Infra GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Operation
Marklohe Infra GmbH & Co.KG	100.00%	100.00%	Global integration	Germany	Operation
Boho Infra GmbH & Co.KG	100.00%	100.00%	Global integration	Germany	Operation

Other changes: mergers/liquidations

In the scope of the simplification of the legal organizational chart, the Group performed, in 2013, merger or liquidation operations. The entities involved are stated below:

Entities	% interest	% control	Method of consolidation	Country	Business segment
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 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
ZWANZIGSTE (20) UPEG GmbH & Co. KG (LADBERGEN II)	100.00%	100.00%	Global integration	Germany	Sales of electricity for own account
NEUNZEHNTE (19) UPEG GmbH & Co. KG (LADBERGEN III)	100.00%	100.00%	Global integration	Germany	Sales of electricity for own account
ECOVAL TECHNOLOGY SAS	100.00%	100.00%	Global integration	France	Non-wind activity
CENT EOL BOIS DES PLAINES (CEBDP)	100.00%	100.00%	Global integration	France	Development, construction, sale
THEOLIA MAROC SA	100.00%	100.00%	Global integration	Morocco	Development, construction, sale

It is specified that these operations have no effect on the consolidated figures.

Other changes: newly-consolidated companies

Entities	% interest	% control	Method of consolidation	Country	Business segment
BREEZE TWO GmbH	0.00%	100.00%	Global integration	Germany	Corporate
BREEZE TWO ENERGY GmbH & CoKG	0.00%	100.00%	Global integration	Germany	Sales of electricity for own account
SNC EOLIENNES SUROIT	0.00%	100.00%	Global integration	France	Sales of electricity for own account

Note 6 “Business combination” details these newly-consolidated companies.

NOTE 6 BUSINESS COMBINATION

On January 31, 2013, the Group took control of Breeze Two Energy GmbH & Co. KG, 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, through its 100% subsidiary SNC Éoliennes Suroit, 26 MW in France. Breeze Two Energy GmbH and Co. KG is a limited partnership controlled by its General Partner, Breeze Two GmbH.

By convention, the entity composed of these three companies is called “Breeze Two Energy”.

The Group purchased 70% of the Class C bonds of Breeze Two Energy, as well as the right to indirectly appoint Breeze Two GmbH’s Managing Director. 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.

It is IAS 27 that should be applied to determine control of an entity.

In this case, the Group does not hold rights in the capital of Breeze Two Energy, which however has to be considered as a special purpose entity in compliance with 2013 regulations (IAS 27 and SIC 12).

This last standard requires that a special purpose entity be consolidated when, in substance, the relationship between that entity and the Group indicates that the special purpose entity is controlled by the Group. Since February 1, 2013, the Group has wielded decision-making powers and has been able to direct the relevant activities of Breeze Two Energy (notably operational management). Therefore, that entity has to be accounted using the global integration method.

Assets and liabilities included in the scope of consolidation are shown in the table below:

(in thousand euros)	Breeze Two Energy (local GAAP)	Asset fair value adjustment	Financial debt revaluation	Fair value of consolidated assets and liabilities
Intangible assets	7,997	7,663		15,660
Tangible assets	194,410	41,345		235,755
Financial assets	2,861			2,861
Trade and other receivables	7,023			7,023
Other current assets	5,606			5,606
Cash and cash equivalents	25,227			25,227
Provisions	(1,924)	(6,481)		(8,405)
Deferred taxes - Liabilities		21,193	(60,717)	(39,524)
Financial liabilities	(472,019)		223,593	(248,426)
Other non-current liabilities	(2,022)			(2,022)
Trade and other payables	(6,375)			(6,375)
Tax and social security liabilities	(409)			(409)
TOTAL NET CONSOLIDATED ASSETS	**(239,626)**	**63,720**	**162,877**	**(13,029)**
Non-controlling interests				**(13,029)**

Final determination of entry fair values of Breeze Two Energy's assets and liabilities was performed in compliance with the provisions of IFRS 3R. The works involved:

- non-current assets (tangible and intangible assets);
- provisions for dismantling;
- financial liabilities; and
- deferred taxes.

Non-current assets were valued through assessment techniques based on the revenue. Indeed, based on the future cash flows of each of the consolidated wind farms, the Group calculated an enterprise value which was used as a basis for reassessment of tangible and intangible assets. As far as IFRS 13 is concerned, these data are level 3 data.

Provisions for dismantling were recalculated and updated as at the acquisition date, with the parameters used by the Group.

Financial debt relating to Class A and B bonds is subject to a valuation based on future discounted cash flows (use of level 3 observable data). The Class C bond financial debt is valued based on the basis of the transaction performed by the Group.

The contribution of Breeze Two Energy to the main items in the income statement is as follows:

(in thousand euros)	2013/12/31
Revenue	**38,507**
Operating income	10,683
Financial income	(11,377)
NET INCOME	**(3,959)**

NOTE 7 PRO FORMA INFORMATION

Description of the transaction

Elements relating to the business combination between the Group and Breeze Two Energy are described in note 4 "Main events of the fiscal year" hereof.

Establishment assumptions

Consolidated pro forma financial information is established in thousand euros and reflects the combination of THEOLIA and Breeze Two Energy using the acquisition method.

The summarized consolidated pro forma income statement for the year 2013 was drafted as if control over Breeze Two Energy had been taken on January 1.

Pro forma financial information is only shown for information purposes and does not constitute a presentation of the results of the Group's operational activity or its financial position, resulting from the operation, had it been performed on January 1, 2013. They are neither presenting the results of the Group's future operational activity or financial position.

Only the pro forma adjustments directly related to the combination operation and which may be documented and assessed in a reliable manner are taken into account. Pro forma financial information does not integrate any cost savings or other synergies which could result from the integration of Breeze Two Energy in the consolidation scope.

Pro forma financial information was prepared based on the Group's audited IFRS consolidated financial statements as at December 31, 2013, Breeze Two Energy's audited financial statements as at December 31, 2013 and Breeze Two Energy's financial statements as at January 31, 2013. They must be interpreted in connection with these financial statements.

The pro forma information as at December 31, 2013 shown hereunder was established according to the following work assumptions:

- income statement for the THEOLIA Group (history data) integrating:
  - income statement (12 months) for the THEOLIA Group excluding Breeze Two Energy;
  - income statement (11 months) for Breeze Two Energy consolidated according to the Group's accounting principles;
- income statement (1 month) for Breeze Two Energy restated according to the Group's accounting principles;

(in thousand euros)	THEOLIA Group (published)	Breeze Two Energy adjusted	THEOLIA Group pro forma
Revenue	**95,447**	**4,280**	**99,727**
Change in inventories of finished goods and work in progress	(5,941)	(15)	(5,956)
External expenses	(30,891)	(932)	(31,823)
Tax	(1,863)	(22)	(1,885)
Staff costs	(9,607)	(9)	(9,616)
Operating provisions	2,390	-	2,390
Other operating income and expenses	1,040	4	1,045
EBITDA	**50,575**	**3,306**	**53,882**
Amortization	(35,300)	(1,393)	(36,693)
Current provisions	341	-	341
Current operating income	**15,616**	**1,913**	**17,529**
Non-current provisions	(2,084)	-	(2,084)
Other non-current income and expenses	(1,982)	0	(1,982)
Share in income of associates	(4)	-	(4)
Operating income (before impairment)	**11,547**	**1,913**	**13,460**
Impairment	(16,004)	-	(16,004)
Operating income (after impairment)	**(4,458)**	**1,913**	**(2,545)**
Cost of net financial debt	(39,311)	(1,550)	(40,861)
Other financial income	7,851	360	8,211
Other financial expenses	(7,961)	(732)	(8,693)
Financial income	**(39,421)**	**(1,922)**	**(41,343)**
Corporate tax expenses	(2,519)	(77)	(2,596)
Net income from continuing operations	**(46,399)**	**(86)**	**(46,484)**
Net income for the year from discontinued activities	1,111	-	1,111
NET INCOME OF THE CONSOLIDATED GROUP	**(45,286)**	**(86)**	**(45,373)**
of which Group share	(41,210)	-	(41,210)
of which non-controlling interests	(4,076)	(86)	(4,161)

NOTE 8 SECTOR INFORMATION

Sector information shown is based on the internal reporting to the main operational decision-maker.

As at December 31, 2013

Income statement (in thousand euros)	Wind activities: Sales of electricity for own account	Wind activities: Development, construction, sale	Wind activities: Operation	Non-wind activity	Corporate	TOTAL
Revenue						
France	19,302	1,022	695			21,018
Germany	54,055	1,079	5,495	1,110		61,739
Italy	5,020		130			5,150
Morocco	6,964					6,964
Other countries		576				576
TOTAL	85,340	2,677	6,320	1,110		95,447
EBITDA	58,148	(9,339)	1,957	1,377	(1,568)	50,575
Current operating income	24,621	(9,598)	1,671	614	(1,691)	15,616
Impairment	(1,384)	(14,084)		(536)		(16,004)
Non-current provisions	(71)	(2,518)	585		(81)	(2,084)
Other non-current income and expenses	250	37	(1,276)		(993)	(1,982)
OPERATING INCOME	23,417	(26,164)	980	78	(2,769)	(4,458)

As at December 31, 2012

Income statement (in thousand euros)	Wind activities: Sales of electricity for own account	Wind activities: Development, construction, sale	Wind activities: Operation	Non-wind activity	Corporate	TOTAL
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
EBITDA	35,374	(5,927)	3,368	1,248	(1,185)	32,877
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)

INFORMATION ON THE INCOME STATEMENT

NOTE 9 OPERATING INCOME

9.1 Staff costs

(in thousand euros)	2013/12/31	2012/12/31
Employee compensation	(6,431)	(6,122)
Social security and insurance expenses	(2,439)	(2,254)
Other staff costs	(87)	(280)
Other employee benefits and share-based payments (IFRS 2)	(650)	(168)
TOTAL STAFF COSTS	(9,607)	(8,824)

The increase in staff costs in the amount of 783 thousand euros is due to several reasons:

• the change in workforce	€(594) K
• the reduction of expenses capitalized on projects under development	€896 K
• the full-year effect of the expense related to performance shares allocated in 2012	€481 K

Workforce as at the end of the period was as follows:

Workforce as at the end of the period (continuing activities)	2013/12/31	2012/12/31
Managers, employees, contributors and corporate officers	128	144
TOTAL	128	144

9.2 Other operating income and expenses

(in thousand euros)	2013/12/31	2012/12/31
Other income	2,513	5,158
Other expenses	(1,472)	(4,601)
TOTAL	1,041	557

Other income includes, in the amount of 1,033 thousand euros, compensation to be received in order to offset the loss related to hazards occurred during wind farm operation.

In the scope of the collection of old trade receivables for the Operation activity, the Group is forced to recognize receivable write-offs. This loss (covered by depreciations registered during the previous fiscal years) is recognized in « Other operational expenses ». They represent approximately 30% of this item.

9.3 Amortization and provisions

Amortization

(in thousand euros)	2013/12/31	2012/12/31
Germany	(23,721)	(8,690)
France	(7,073)	(3,125)
Italy	(1,347)	(997)
Morocco	(2,755)	(2,782)
Rest of the world	(294)	(302)
Holding company	(111)	(153)
TOTAL	(35,300)	(16,048)

Amortization recognized as at the end of the period is, for the most part, associated with the Group's operating wind farms.

Change in operating provisions

(in thousand euros)	2013/12/31	2012/12/31
Germany	2,446	5,387
France	567	394
Italy	2	(29)
Holding company	(623)	(12)
TOTAL	2,390	5,739

The "Operating provisions" item mainly includes reversals related to depreciations previously recognized on trade receivables in Germany for the Operation and Development, construction, sale activities.

9.4 Non-current provisions and other non-current income and expenses

(in thousand euros)	2013/12/31	2012/12/31
Germany	667	751
France	(24)	34
Italy	(2,485)	130
Morocco	(81)	72
Rest of the world	(162)	(43)
TOTAL NON-CURRENT PROVISIONS	(2,084)	945

(in thousand euros)	2013/12/31	2012/12/31
Other non-current income and expenses	(1,982)	(573)
TOTAL OTHER NON-CURRENT INCOME AND EXPENSES	(1,982)	(573)

The "Non-current provisions" and "Other non-current income and expenses" items, representing a total of (4,066) thousand euros, should be considered globally. They combine the following costs:

• Occasional operations over the consolidated scope	€(812) K
• Litigations related to the Italian scope	€(2,485) K
• Loss on loss-making contracts	€(678) K

9.5 Impairment

Details

Impairment recognized as at the end of the period is presented in the table below:

(in thousand euros)	2013/12/31	2012/12/31
Impairment on intangible assets	(15,393)	(11,130)
Impairment on tangible assets	(519)	(11,035)
Impairment on goodwill	(93)	(1,098)
TOTAL	(16,004)	(23,263)

Breakdown by geographic area and Income Generating Unit (IGU)

(in thousand euros)	Asset depreciation	Goodwill depreciation	2013/12/31	2012/12/31
Development, construction, sale of wind farms	17	(93)	(75)	44
Sales of electricity for own account activity	(859)	-	(859)	-
Impairment – France	**(842)**	**(93)**	**(934)**	**44**
Sales of electricity for own account activity	(525)	-	(525)	-
Non-wind activity	(536)	-	(536)	-
Impairment – Germany	**(1,061)**	**-**	**(1,061)**	**-**
Development, construction, sale of wind farms	(14,009)	-	(14,009)	(22,206)
Sales of electricity for own account activity	-	-	-	(1,102)
Impairment – Italy	**(14,009)**	**-**	**(14,009)**	**(23,308)**
TOTAL	**(15,912)**	**(93)**	**(16,004)**	**(23,263)**

Every year, the Group carries out impairment tests, primarily to ensure that the value of the non-amortizable assets is correctly recognized.

Impairment on the “Sales of electricity for own account activity” and “Non-wind activity” IGUs results from changes in some operational assumptions.

In Italy, two main factors forced the Group to recognize new impairments. Indeed, the Group reviewed the value of turbines purchased in 2008 and depreciated a project currently under litigation with the initial developer.

The sensitivity analyses on the main assumptions used, as well as the impairment for each IGU, are presented in note 15.

NOTE 10 FINANCIAL INCOME

10.1 Analysis

(in thousand euros)	2013/12/31	2012/12/31
Interest income generated by cash and cash equivalents	41	105
Change in fair value of cash equivalents	190	501
Other income	168	28
INCOME FROM CASH AND CASH EQUIVALENTS	**400**	**634**
Interest cost on financing operations	(39,711)	(22,516)
COST OF GROSS FINANCIAL DEBT	**(39,711)**	**(22,516)**
COST OF NET FINANCIAL DEBT	**(39,311)**	**(21,883)**

The cost of net financial debt breaks down as follows:

(in thousand euros)	2013/12/31	2012/12/31
Convertible bond (OCEANEs)	(13,903)	(12,504)
Wind farms in operation in Germany	(17,898)	(3,320)
Wind farms in operation in France	(4,707)	(3,828)
Wind farm in operation in Italy	(1,384)	(1,553)
Wind farm in operation in Morocco	125	129
Solar park in operation	(370)	(407)
Other	(1,175)	(399)
TOTAL	**(39,311)**	**(21,883)**

The interest cost related to the convertible bond in the amount of (13,903) thousand euros includes accrued interests for 2013 and paid in January 2014 in the amount of (4,227) thousand euros. The remaining balance is related to the recognition of additional interest due to the convertible nature of the bond.

10.2 Details of other financial income

Other financial income

(in thousand euros)	2013/12/31	2012/12/31
Change in the fair value of debt and hedging derivatives (ineffective portion)	99	40
Restatement of interests of Breeze Two Energy's bond debt	5,232	-
Reversals of provisions	953	184
Foreign exchange gains	73	35
Profit on financial asset disposals	0	2,086
Other financial income	1,494	861
TOTAL OTHER FINANCIAL INCOME	**7,851**	**3,206**

The impact on the income statement of the unwinding of the swap contract relating to the OCEANEs is recognized in the “Other financial income” item.

Breeze Two Energy’s bond debt is recognized at amortized cost. As at the closing of the fiscal year, the restatement of interests resulted in a decrease in the amount of this debt with, as a counterpart, a positive impact on financial income recognized in the “Restatement of interests of Breeze Two Energy’s bond debt” item.

10.3 Details of other financial expenses

Other financial expenses

(in thousand euros)	2013/12/31	2012/12/31
Change in the fair value of debt and hedging derivatives (ineffective portion)	(187)	(742)
Negative change in the fair value of short-term securities and other speculative instruments	-	(38)
Foreign exchange losses	(642)	(480)
Impact of debt restructuring of French operating wind farms	-	(1,987)
Financial asset depreciations	(6,411)	(7,777)
Net book value on financial asset disposals	-	(2,128)
Desactualisation expenses	(255)	-
Other financial expenses	(466)	(163)
TOTAL OTHER FINANCIAL EXPENSES	**(7,961)**	**(13,314)**

NOTE 11 INCOME TAX

(in thousand euros)	2013/12/31	2012/12/31
Corporate tax owed	(1,129)	(880)
Deferred tax	(1,390)	(260)
TOTAL	**(2,519)**	**(1,140)**

The analysis of the tax expense is shown in note 25.

INFORMATION ON THE BALANCE SHEET

NOTE 12 GOODWILL

12.1 Change in the item

(in thousand euros)	Gross amount	Impairment	Net amount
Amounts as at 2013/01/01	199,095	(159,607)	39,489
Impairment	-	(93)	(93)
Disposals	(1)	2	1
Other changes	6	-	6
Reclassification of discontinued activities	(109)	109	-
AMOUNTS AS AT 2013/12/31	198,991	(159,589)	39,402

(in thousand euros)	Gross amount	Impairment	Net amount
Amounts as at 2012/01/01	199,108	(158,517)	40,591
Impairment	-	(1,098)	(1,098)
Disposals	(13)	8	(5)
AMOUNTS AS AT 2012/12/31	199,095	(159,607)	39,489

Impairment recognized as at the end of 2012 involved goodwill on a wind farm in Italy.

12.2 Allocation of goodwill by IGU

	2013/12/31			2012/12/31
(in thousand euros)	Gross amount	Impairment	Net amount	Net amount
DCS* of wind projects/farms in France	11,309	(93)	11,217	11,306
DCS* of wind projects/farms in Germany	76,000	(55,654)	20,348	20,328
DCS* of wind projects/farms in Italy	10,004	(10,004)	-	-
DCS* of wind projects/farms in Spain	1,645	(1,645)	-	-
Sales of electricity for own account activity	98,323	(90,485)	7,838	7,855
Corporate activity	1,709	(1,709)	-	-
TOTAL	198,991	(159,589)	39,402	39,489

** Development, construction, sale.*

The Sales of electricity for own account activity is made up of as many IGUs as the number of wind farms in operation.

NOTE 13 INTANGIBLE ASSETS

(in thousand euros)	Projects under development	Development costs	Software and similar rights	Other intangible assets	TOTAL
Gross amounts as at 2013/01/01	**48,538**	**12,959**	**853**	**72,417**	**134,767**
Acquisitions and internally generated fixed assets	(3,729)	4,213	16	-	500
Business combinations	-	17,187	30	-	17,217
Decrease	(10)	-	-	-	(10)
Currency translation adjustments	(4)	-	(3)	(358)	(365)
Other changes	(2,061)	1,798	-	-	(263)
GROSS AMOUNTS AS AT 2013/12/31	**42,734**	**36,157**	**896**	**72,059**	**151,846**
Total depreciation and amortization as at 2013/01/01	**(25,635)**	**(2,710)**	**(759)**	**(39,454)**	**(68,558)**
Amortization	(32)	(1,602)	(59)	(4,086)	(5,779)
Depreciations/Reversals on impairment	(9,991)	(1,384)	-	-	(11,375)
Business combinations	-	(1,548)	(9)	-	(1,557)
Currency translation adjustments		-	1	251	252
Other changes	1,180	(84)	-	84	1,180
TOTAL DEPRECIATION AND AMORTIZATION AS AT 2013/12/31	**(34,478)**	**(7,328)**	**(826)**	**(43,205)**	**(85,837)**
NET AMOUNTS AS AT 2013/01/01	**22,903**	**10,249**	**94**	**32,963**	**66,209**
NET AMOUNTS AS AT 2013/12/31	**8,256**	**28,829**	**70**	**28,854**	**66,008**

Intangible assets mainly include:

- development costs incurred to obtain all authorizations necessary for the construction and operation of wind projects currently under development (“Projects under development” item);
- development costs incurred to obtain all authorizations necessary for the construction and operation of wind farms currently in operation (“Development costs” item); and
- the rights to operate the wind farm located in Morocco through a concession granted by the Moroccan administration (“Other intangible assets” item).

The increase in development costs comes from the reclassification of the net value of the development cost of a 10 MW Italian wind farm further to its commissioning.

Business combinations correspond to the integration, in the consolidated scope, of Breeze Two Energy’s French and German wind farms.

NOTE 14 TANGIBLE ASSETS

(in thousand euros)	Land	Fittings & fixtures	Projects under construction	Technical facilities (1)	Other tangible assets	TOTAL
Gross amounts as at 2013/01/01	**6,328**	**4,150**	**41,209**	**338,767**	**2,866**	**393,320**
Acquisitions and internally generated fixed assets	-	2	(15,697)	18,392	578	3,275
Business combinations	-	-	-	436,168	14	436,182
Disposals	-	-	(578)	(102)	(61)	(741)
Currency translation adjustments	-	(1)	-	(2)	(20)	(23)
Other changes	-	(1)	-	6,270	(2)	6,267
GROSS AMOUNTS AS AT 2013/12/31	**6,328**	**4,150**	**24,934**	**799,493**	**3,375**	**838,280**
Total depreciation and amortization as at 2013/01/01	**(1,177)**	**(2,072)**	**(13,094)**	**(103,542)**	**(2,700)**	**(122,585)**
Amortization	-	(306)	-	(29,067)	(149)	(29,522)
Depreciations for impairment	-	-	(3,446)	(536)	-	(3,982)
Business combinations	-	-	-	(200,413)	(14)	(200,427)
Reversals on disposals	-	-	-	66	57	123
Currency translation adjustments	-	-	-	1	15	16
Other changes	-	-	-	6	149	155
TOTAL DEPRECIATION AND AMORTIZATION AS AT 2013/12/31	**(1,177)**	**(2,378)**	**(16,540)**	**(333,485)**	**(2,642)**	**(356,222)**
NET AMOUNTS AS AT 2013/01/01	**5,151**	**2,078**	**28,115**	**235,225**	**166**	**270,735**
NET AMOUNTS AS AT 2013/12/31	**5,151**	**1,772**	**8,394**	**466,008**	**733**	**482,059**

The change in the “Acquisitions and internally generated fixed assets” item mainly corresponds to the commissioning of a 10 MW wind farm in Italy.

Business combinations correspond to the integration, in the consolidated scope, of Breeze Two Energy’s French and German wind farms (see note 6 “Business combination”).

The “Other changes” item includes 6,382 thousand euros related to the reclassification from inventories to fixed assets of some operating wind farms in Germany for a total capacity of 5 MW.

The (29,067) thousand euro amortization of technical facilities mainly involves the following:

• wind farms in France (including Breeze Two Energy)	€(6,184) K
• wind farms in Germany (including Breeze Two Energy)	€(21,704) K
• wind farms in Italy	€(1,164) K

NOTE 15 IMPAIRMENT ON GOODWILL, INTANGIBLE AND TANGIBLE ASSETS

The methodology used for impairment tests, as well as assumptions, are described in note 2.8 “Impairment”. A summary of provisions/reversals by IGU is shown in note 9.5.

Due to the absence of an indication of impairment, as well as the recent assessment of Breeze Two Energy’s wind farms (see note 6 “Business combination”), those wind farms were not subject to an impairment test as at December 31, 2013, nor to a sensitivity analysis.

Sensitivity analysis

The sensitivity analysis was done by intersecting two axes:

- one for the Group’s activity: change in wind hours (P90 to P50) used for each farm in operation;
- one outside the Group: change by ± 1 point in the discount rates used.

The amount highlighted below represents the depreciation recorded as at December 31, 2013 following the impairment tests.

The other amounts indicate the net depreciations that the Group would have recorded if the discount rate and/or wind hour assumptions had varied.

Sales of electricity for own account IGU – France

	Change in wind hours		
Change in discount rate	P90	P75	P50
1%	(4,068)	(1,787)	(944)
0%	(1,809)	(859)	(496)
-1%	(739)	(387)	(6)

The threshold for switching from an impairment to a reversal would be reached if the discount rate was reduced by 176 basis points.

Sales of electricity for own account IGU – Germany

	Change in wind hours		
Change in discount rate	P90	P75	P50
1%	(7,050)	(3,240)	(322)
0%	(4,272)	(525)	-
-1%	(2,574)	-	-

The threshold for switching from an impairment to a reversal would be reached:

- if the discount rate was reduced by 96 basis points, or
- if the wind hours were at an intermediate level between P75 and P50.

Sales of electricity for own account IGU – Italy

	Change in wind hours		
Change in discount rate	P90	P75	P50
1%	(6,507)	(2,517)	(487)
0%	(3,820)	-	-
-1%	(1,290)	-	-

The threshold for triggering an impairment would be reached:

- if the discount rate was increased by 9 basis points, or
- if the wind hours were at an intermediate level between P90 and P75.

Sales of electricity for own account IGU – Morocco

	Change in wind hours		
Change in discount rate	P90	P75	P50
1%	(324)	-	-
0%	-	-	-
-1%	-	-	-

The threshold for triggering an impairment would be reached if the discount rate was increased by 388 basis points.

Non-wind activity IGU - Germany

	Change in wind hours		
Change in discount rate	P90	P75	P50
1%	(2,098)	(1,002)	(572)
0%	(1,681)	(536)	(86)
-1%	(1,223)	(26)	446

The threshold for switching from an impairment to a reversal would be reached:

- if the discount rate was reduced by 105 basis points, or
- if the sun exposure was at an intermediate level between P75 and P50.

Development, construction, sale IGU - France

For this IGU, the threshold for triggering an impairment is an increase of more than 610 basis points in the discount rate used for the sensitivity test.

Development, construction, sale IGU – Germany

For this IGU, the threshold for triggering an impairment is an increase of more than 9 basis points in the discount rate used for the sensitivity test. A variation of 100 basis points would lead to recognition of goodwill impairment in the amount of (5,831) thousand euros.

Development, construction, sale IGU - Italy

The IGU was partially subject to an impairment test based on its future cash flows. Sensitivity to the assumptions selected is as follows:

	Change in wind hours		
Change in discount rate	P90	P75	P50
1%	(8,602)	(7,469)	(6,133)
0%	(7,404)	(6,109)	(4,685)
-1%	(5,939)	(4,562)	(3,038)

The threshold for switching from an impairment to a reversal would be reached if the discount rate was reduced by 216 basis points.

As at the end of the period, after the impairment test, the net book value of assets in this IGU was 6,374 thousand euros.

NOTE 16 FINANCIAL ASSETS

Schedule of financial assets as at December 31, 2013

(in thousand euros)	Less than 1 year	1 to 5 years	More than 5 years	TOTAL
Securities available for sale	-	2,868	318	3,186
Other financial assets				
Receivables from equity investments	-	-	4,411	4,411
Loans	-	90	3,183	3,273
Other non-current receivables	186	1,000	-	1,186
Deposits and guarantees	18	120	807	945
FINANCIAL ASSETS	**204**	**4,078**	**8,719**	**13,002**

Schedule of financial assets as at December 31, 2012

(in thousand euros)	Less than 1 year	1 to 5 years	More than 5 years	TOTAL
Securities available for sale	8	6,480	658	7,146
Other financial assets				
Receivables from equity investments	-	-	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**

Securities available for sale came to 3,186 thousand euros as at December 31, 2013, compared to 7,146 thousand euros as at December 31, 2012. As at the closing of the fiscal year, the Group adjusted the amount of these equity investments in compliance with their fair value.

Receivables from equity investments and loans mainly concern advances made to the companies consolidated using the proportionate consolidation method:

• wind farm in Italy	€4,297 K
• investment vehicle (TUIC)	€2,625 K

The "Loans" item includes in particular loans granted to clients of THEOLIA Naturenergien as part of the "sale of wind farms" business segment. As at the closing of the fiscal year, the net value of these loans came to 429 thousand euros compared to 592 thousand euros at the previous closing.

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. A part of the Group's cash, i.e. 5,000 thousand euros, was allocated as a guarantee of this mechanism and registered in the “Deposits and guarantees” item of current financial assets. As at the end of fiscal year 2012, this asset showed an unrealized loss of 495 thousand euros, i.e. a net value of 4,505 thousand euros.

In November 2013, the Group ended the contract, asking Credit Suisse to unwind its positions. Cash released was classified under the “Cash and cash equivalents” item.

NOTE 17 WORKING CAPITAL REQUIREMENTS

17.1 Change in WCR

(in thousand euros)	Balance sheet as at 2012/12/31	Balance sheet as at 2013/12/31	Change in working capital requirements (Balance sheet)	Presentation reclassifications	Change in consolidated scope	Currency translation adjustments	Other reclassifications	Change in working capital requirements (Cash flow statement)
Inventories and work in progress (net)	14,934	5,078	9,857	(6,110)		(57)		3,690
Trade receivables (net)	21,221	26,170	(4,948)	415	7,023	(13)		2,478
Trade payables and other operating payables	(17,703)	(19,153)	1,450	(297)	(6,375)	8	(388)	(5,603)
Other receivables	13,579	10,562	3,017	(153)	118	(7)	(132)	2,843
Other liabilities	(4,384)	(5,298)	915	(415)	(407)	9	36	137
Assets - adjustment accounts	1,767	3,752	(1,985)		5,464	(3)	13	3,489
Liabilities - adjustment accounts	(223)	(53)	(171)		4		5	(162)
TOTAL	**29,192**	**21,058**	**8,136**	**(6,561)**	**5,827**	**(63)**	**(466)**	**6,872**

Working capital requirements, like for like, were reduced by 6,872 thousand euros over 2013. This change can be explained primarily by the following elements:

- the reduction in inventories, in the amount of 3,690 thousand euro, is the result of the recognition of significant impairments on some Italian projects; and
- excluding the scope effect, the positive change in trade receivables between the beginning and the closing of the fiscal year mainly results from payments received on long-outstanding receivables from the Operation and Development, construction, sale activities.

17.2 Inventories

(in thousand euros)	2013/12/31	2012/12/31
Wind projects and farms	15,674	23,900
Turbine components and other parts	602	1,483
Depreciation	(11,198)	(10,449)
NET AMOUNT	**5,078**	**14,934**

Inventories mainly include:

- development costs incurred prior to applying for building permits; and
- components and parts.

Inventories are listed below by geographical zone:

(in thousand euros)			2013/12/31	2012/12/31
	Gross amount	Depreciation	Net amount	Net amount
Germany	367	(98)	269	7,282
France	9,336	(5,656)	3,680	4,256
Italy	3,591	(3,342)	250	2,284
Morocco	594	-	594	695
Rest of the world	999	(713)	286	418
Corporate	1,390	(1,391)	(1)	-
TOTAL	**16,276**	**(11,199)**	**5,078**	**14,934**

In Germany and France, the fall in the net amount of inventories is due to the reclassification from inventories to fixed assets of some operating wind farms, for a total capacity of 5 MW in Germany and 30 MW in France. Two projects under development were sold in Germany.

In Italy, the decrease in the value of inventories is mainly due to the recognition of a depreciation on inventories of projects considered as not feasible.

Net inventories for the rest of the world involve primarily projects developed in Brazil.

17.3 Trade receivables

	2013/12/31			2012/12/31
(in thousand euros)	Gross amount	Depreciation	Net amount	Net amount
France	2,927	(77)	2,850	2,868
Germany	22,577	(3,779)	18,799	13,031
Italy	2,374	(12)	2,362	2,738
Morocco	1,724	-	1,724	1,739
Other countries	1,068	(634)	434	846
TOTAL TRADE RECEIVABLES	**30,671**	**(4,502)**	**26,170**	**21,221**

The recorded depreciation primarily concerns receivables related to the Operation activity in Germany. Depreciation is calculated receivable by receivable according to seniority and the level of risk estimated by the Group's Management.

Receivables for the "Sales of electricity for own account" activity amounted to 17,006 thousand euros, i.e. 65% of the entire item. They are distributed as follows: 11,110 thousand euros in Germany, 2,425 thousand euros in France, 1,721 thousand euros in Morocco and 1,750 thousand euros in Italy.

Receivables for the "Development, construction, sale" activity amounted to 8,350 thousand euros, i.e. 32% of the entire item. They are distributed as follows: 7,312 thousand euros in Germany, 425 thousand euros in France and 612 thousand euros in Italy.

Schedule as at December 31, 2013

	Not accrued outstanding receivables	Accrued outstanding receivables			
(in thousand euros)		0 to 6 months	6 to 12 months	> 12 months	TOTAL
Trade and other receivables	24,416	1,364	343	4,548	**30,671**
Provisions on trade and other receivables	-	(535)	(50)	(3,917)	**(4,502)**
TOTAL TRADE AND OTHER RECEIVABLES	**24,416**	**829**	**293**	**631**	**26,170**

Receivables considered as not accrued mainly comprise amounts not yet billed as at the closing of the fiscal year. They break down as follows:

• Sales of electricity for own account activity	€15,390 K
• Development, construction, sale activity in France	€412 K
• Operation activity in Germany	€7,466 K

17.4 Other current assets

	2013/12/31			2012/12/31	
(in thousand euros)	Gross amount	Depreciation	Net amount	Net amount	Variation
Supplier advances and installments	4,363		4,363	4,706	(343)
Tax receivables (excluding corporate tax)	4,912		4,912	7,068	(2,156)
Corporate tax receivables	872		872	4,321	(3,449)
Social security receivables	21		21	34	(13)
Current accounts	14	-	14	-	14
Miscellaneous receivables	2,841	(1,588)	1,253	1,772	(519)
Prepaid expenses	3,745		3,745	1,760	1,985
Unrealized foreign exchange gains/losses	7		7	10	(3)
TOTAL	16,775	(1,588)	15,187	19,671	(4,484)

Advances and installments are mainly payments made for reserving turbines by THEOLIA SA for a wind project.

Tax receivables of 4,912 thousand euros are mainly the deductible VAT not yet settled, related to purchases and/or progress on wind projects or equipment, in particular:

• progress of wind projects in Italy (mainly farm under operation)	€2,340 K
• progress of wind farms under construction in France	€612 K
• other perimeter entities	€1,960 K

The (2,156) thousand euro change in these receivables between 2012 and 2013 is chiefly due to a refund by the tax authorities of input tax (VAT) generated through the construction of wind farms.

Prepaid expenses are mostly related to the sales of electricity for own account activity in the amount of 3,091 thousand euros (maintenance, rent, etc.) and 538 thousand euros for the Development, construction, sale activity.

17.5 Suppliers and other creditors

(in thousand euros)	2013/12/31	2012/12/31
Advances and installments received	485	422
Suppliers	19,153	17,703
Non-current asset suppliers	8,995	13,236
Other	755	511
TOTAL	29,389	31,872

Non-current asset suppliers mainly concern services not yet paid related to the Development, construction, sale activity in France and Italy.

(in thousand euros)	2013/12/31	2012/12/31
Social security liabilities	1,497	1,518
Tax liabilities	2,618	2,179
TOTAL	4,115	3,697

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	2012/12/31
Trade and related payables	7,170	8,353	682	658	2,290	19,153	17,703
Social security and employee-related debt	95	1,095	275	-	33	1,497	1,518
Tax payables excluding corporate tax	221	1,586	118	110	583	2,618	2,179
TOTAL TRADE AND OTHER PAYABLES	**7,486**	**11,034**	**1,075**	**768**	**2,906**	**23,269**	**21,400**

Invoices not received mainly involve Germany.

Suppliers with deadlines of less than 3 months are directly related to the Group's operational activity.

Old supplier payables (9-12 months) are basically in Germany. This debt 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)	2013/12/31	2012/12/31
Marketable securities	20,167	17,498
Cash	64,555	51,673
Total cash and cash equivalents	**84,722**	**69,171**
Bank overdrafts	(23)	-
NET CASH	**84,699**	**69,171**

Details of free/restricted cash

(in thousand euros)	2013/12/31	2012/12/31
Free cash	26,961	27,969
Cash reserved for SPVs *	25,736	21,514
Pledged cash	32,025	19,688
Bank overdrafts	(23)	-
NET CASH	**84,699**	**69,171**

* Special purpose vehicle.

The Group's cash position comprises a free portion (32%), a reserved portion (30%) and a pledged portion (38%).

- Free cash may be used at any time by the Group.
- Reserved 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.
- Pledged cash cannot be used freely for current operations. It corresponds mainly to commitments granted to financial institutions to guarantee obligations or constitute a reserve for project funding.

As at December 31, 2013, the total cash of the Group amounted to 84,699 thousand euros. Cash is subject to a day-to-day investment policy in secured SICAV mutual funds (euro), as well as in capital guaranteed deposits. All investments have immediate availability.

NOTE 19 ASSETS AND LIABILITIES HELD FOR SALE

As at December 31, 2013, particularly in light of the economic context, the Group had not finalized divestment of all its non-wind activities, previously presented in compliance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

In March 2014, the Seres Environnement company (and its subsidiaries) were sold. The Board of Directors, in its meeting dated April 22, 2014, confirmed the Group's will to dispose of the Ecoval 30 company.

In 2012, and 2013, the assets and liabilities involved, representing the environmental division, are recorded in the Seres Environnement (and its subsidiaries) and Ecoval 30 companies.

All transactions for the fiscal year pertaining to the environmental division were grouped on the income statement line entitled "Net income for the year from discontinued activities". Assets and liabilities were grouped together in a line on the balance sheet "Assets classified as held for sale/liabilities directly associated with assets classified as held for sale".

Asset values were depreciated based on the probable sales prices. A depreciation of (3,602) thousand euros appeared in this respect as at the closing of fiscal year 2012. As at December 31, 2013, this provision was readjusted to take into account changes in net assets: a reversal of 675 thousand euros was recorded.

19.1 Information on the income statement

As at December 31, 2013

(in thousand euros)	THEOLIA Group pre-IFRS 5 2013/12/31	IFRS 5 restatments	THEOLIA Group restated for IFRS 5 2013/12/31
Revenue	**104,587**	**(9,140)**	**95,447**
EBITDA	**51,210**	**(635)**	**50,575**
Current operating income	16,133	(517)	15,616
Impairment	(16,004)		(16,004)
Operating income	**(3,955)**	**(502)**	**(4,457)**
Financial income	(39,594)	172	(39,421)
Net income from continuing operations	**(45,961)**	**(436)**	**(46,397)**
Net income for the y ear from discontinued activ ities		1,111	1,111
NET INCOME OF THE CONSOLIDATED GROUP	**(45,961)**	**675**	**(45,286)**
of w hich Group share	(41,885)	675	(41,210)
of w hich non-controlling interests	(4,076)		(4,076)

As 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**
EBITDA	**32,409**	**468**	**32,877**
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 y ear from discontinued activ ities		(562)	(562)
NET INCOME OF THE CONSOLIDATED GROUP	**(33,914)**	**(324)**	**(34,238)**
of w hich Group share	(33,882)	(324)	(34,206)
of w hich non-controlling interests	(32)		(32)

19.2 Information on the balance sheet

As at December 31, 2013

(in thousand euros)	THEOLIA Group pre-IFRS 5 2013/12/31	IFRS 5 restatments	THEOLIA Group restated for IFRS 5 2013/12/31
Non-current assets	608,817	(7,196)	601,620
Current assets	135,809	(4,450)	131,361
Assets classified as held for sale		11,630	11,630
TOTAL ASSETS	**744,627**	**(16)**	**744,611**
Shareholders' equity	110,877		110,877
Non-current liabilities	529,555	(815)	528,741
Current liabilities	101,267	(4,029)	97,238
Liabilities directly associated with assets classified as held for sale		7,754	7,754
TOTAL EQUITY AND LIABILITIES	**744,627**	**(16)**	**744,611**

As 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 associated with assets classified as held for sale		7,802	7,802
TOTAL EQUITY AND LIABILITIES	**538,136**	**(17)**	**538,118**

NOTE 20 SHAREHOLDERS' EQUITY

20.1 Number of outstanding shares

	2012/12/31	Creation of shares by conversion of OCEANEs	2013/12/31
Number of shares	64,885,834	9,028	64,894,862
Number of securities	**64,885,834**	**9,028**	**64,894,862**
SHARE CAPITAL (IN EUROS)	**90,840,168**	**12,639**	**90,852,807**

(THEOLIA SA holds 295,959 treasury shares)

As at December 31, 2013, the share capital comprised 64,894,862 shares with a par value of 1.40 euro. As at that date, the Company held 295,959 treasury shares.

No dividend was paid before or after year-end.

20.2 Non-controlling interests

Non-controlling interests amount to (17,070) thousand euros.

As THEOLIA holds no share in Breeze Two Energy's share capital, the entire shareholders' equity from this entity, i.e. (19,038) thousand euros, was registered in the "Non-controlling interests" item and broke down as follows:

• reserves	€(13,029) K
• income	€(3,959) K

NOTE 21 SHARE-BASED PAYMENTS

21.1 Summary of stock warrant activity

Stock warrants exercisable as at December 31, 2012	**276,916**
Stock warrants cancelled during the year	(176,916)
STOCK WARRANTS EXERCISABLE AS AT DECEMBER 31, 2013	**100,000**

During the fiscal year, 176,916 stock warrants matured before being exercised. They were therefore cancelled. Besides, the Group did not grant stock warrants in 2013.

The remaining stock warrants still outstanding, i.e. 100,000 stock warrants entitling to 67,200 shares, will mature on 2013/12/31 (50,000) and 2014/12/31 (50,000), with an exercise price of 4.85 euros.

Stock warrant beneficiaries are former directors of the Company.

21.2 Free shares

On December 10, 2012, the Board of Directors decided to allocate 1,900,000 performance shares (of which 900,000 to the CEO and 1,000,000 to Group employees). These shares are subject to an attendance condition.

As at the closing of the fiscal year, 1,833,570 performance shares were still outstanding. The expense recognized for this fiscal year was (545) thousand euros.

21.3 Stock options

After notice from the Nomination and Remuneration Committee, the Board of Directors decided on December 1, 2010 to allocate 1,500,000 stock options to Fady Khallouf as CEO under performance conditions.

These options may be exercised at the lower of the following two amounts: 1.40 euro or the arithmetic average of the volume-weighted average market price calculated over the 20 trading days preceding the Board of Directors' meeting having allocated these options. Since the share consolidation plan implemented on July 20, 2012, one stock option entitles to 0.50 share.

The performance conditions depend on changes in the THEOLIA share stock price, namely:

- 100,000 options (or approximately 6.67%) may be exercised if the arithmetic average of the volume-weighted average market price calculated over 20 consecutive trading days is greater than or equal to 3.60 euro;
- 300,000 options (or 20%) may be exercised if the arithmetic average of the volume-weighted average market price calculated over 20 consecutive trading days is greater than or equal to 5.00 euros;
- 200,000 options (or approximately 13.33%) may be exercised if the arithmetic average of the volume-weighted average market price calculated over 20 consecutive trading days is greater than or equal to 6.00 euros;
- 400,000 options (or approximately 26.67%) may be exercised if the arithmetic average of the volume-weighted average market price calculated over 20 consecutive trading days is greater than or equal to 7.00 euros; and

- 500,000 options (or approximately 33.33%) may be exercised if the arithmetic average of the volume-weighted average market price calculated over 20 consecutive trading days is greater than or equal to 10.00 euros.

The main characteristics of this plan are shown below:

• allocation date	December 1, 2010
• end of acquisition period	December 1, 2014
• 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 K
• fair value of the plan (including the cost of restriction)	€359.1 K

The expense corresponding to the plan's fair value is distributed *prorata temporis*. The expense recorded in the financial statements closed as at December 31, 2013 is (72) thousand euros.

On July 29, 2011, the Board of Directors, on the basis of the new delegation approved by the General Meeting of Shareholders of June 17, 2011 in its fifteenth resolution, allocated 810,000 stock options to certain employees of the Group, subject to attendance and stock performance conditions. As at the closing of the fiscal year, the maximum number of options to be allocated was 675,000.

The performance conditions depend on changes in the THEOLIA share stock price. Thresholds are similar to the plan benefitting to the CEO.

These options were valuated according to the same methodology as for the options allocated to the CEO. The plan value is 226.6 thousand euros.

The expense recognized for fiscal year 2013 for all of the plans in effect is (104) thousand euros.

NOTE 22 FINANCIAL LIABILITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

22.1 Change in financial liabilities

(in thousand euros)	Bank loans	Bonds	Bank overdrafts and equivalents	Other financial liabilities	TOTAL
Amounts as at 2013/01/01	**172,647**	**109,358**	**-**	**16,445**	**298,450**
Increase	854	19,753	-	457	**21,064**
Repayments	(20,806)	(23,022)	23	(3,290)	**(47,095)**
Change in consolidated scope - Business combinations	-	241,673	-	-	**241,673**
Other changes	-	(5,233)	-	-	**(5,233)**
AMOUNTS AS AT 2013/12/31	**152,695**	**342,529**	**23**	**13,612**	**508,859**

As at December 31, 2013, financial debt represented 508,859 thousand euros, an increase of (210,409) thousand euros compared to December 31, 2012.

This variation is related to the following events:

Bank loans decreased by a net amount of (19,952) thousand euros, mainly due to:

• normal project financing repayments	€(19,035) K
• total repayment of the line of tax credit (VAT) for a wind farm in Italy	€(1,617) K
• recognition of non-mature accrued interests	€854 K

Bonds include:

- the convertible bond,
- bonds related to the operation of Breeze Two Energy's wind farms.

On January 31, 2013, the Group took control of Breeze Two Energy, a company operating 337 MW financed by bonds. Breeze Two Energy is guaranteeing this entire debt by security interests.

Change in this type of financing, i.e. an increase of 233,171 thousand euros, are mainly as follows:

• value when integrated in the consolidation scope of Breeze Two Energy's bonds	€241,673 K
• repayment of Breeze Two Energy's bonds	€(18,772) K
• payment of the 2012 convertible bond interests	€(4,228) K
• 2013 accrued interests on Breeze Two Energy's bonds	€5,850 K
• restatement of interests of Breeze Two Energy's bonds	€(5,233) K
• 2013 accrued interests on the convertible bond	€4,227 K
• recognition of additional interests related to the convertible bond (IFRSs)	€9,681 K

As at December 31, 2013, the Group did not have corporate lines of credit opened and not drawn down.

Other financial liabilities include interest rate hedging instruments, as well as financing granted by the shareholders of the investment vehicle THEOLIA Utilities Investment Company and the wind farm located in Italy and held at 51%.

Valuation of the derivative financial instruments (liabilities) as at December 31, 2013 amounted to 7,925 thousand euros, decreasing by 3,266 thousand euros compared to December 31, 2012.

The change in other financial liabilities, i.e. a decrease of (2,833) thousand euros, is due to:

• change in valuation of interest rate hedging instruments	€(3,266) K
• change in current accounts	€433 K

Convertible bond

Modifications of the terms of the OCEANEs took effect on July 20, 2010. The change in the share allocation ratio took effect on July 21, 2010.

As at the closing date, the main characteristics of the bond are:

• type of financial instrument	OCEANEs
• number of outstanding bonds	8,226,380
• original par value	€240,000 K
• new par value since July 21, 2010	€219,577 K
• maximum amount to repay if early repayment is requested on January 1, 2015	€125,781 K
• loan maturity	January 1, 2041
• annual interest up to December 31, 2014	2.70%
• annual interest as of January 1, 2015	0.10%
• conversion ratio up to the 7th business day prior to December 31, 2014	3.46 shares per OCEANE
• purchase price for OCEANEs as at January 1, 2015	€15.29 per OCEANE
• purchase price for OCEANEs as 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 debt.

The definitive assumptions used in the "*split accounting"* calculations are the following:

• rate spread	1,134 bps
• bond rate	€10.43

The table below shows the analysis of the interest cost for 2013 and 2014:

Year	Interest at rate of 2.70%	Interest at EIR	Additional interests
2013	4,227	13,907	9,681
2014	4,227	15,224	10,998
	8,454	**29,132**	**20,679**

22.2 Covenants

Project financing linked to operating wind farms in France, Germany and Italy is accompanied by financial covenants relating particularly to compliance with cash flow ratios of special purpose vehicles (cash generated by the activity/debt service) and financial structure ratios (financial debt/shareholders' equity).

As at December 31, 2013, the Group did not comply with some financial commitments required, in the context of project financing of a wind farm located in Italy. Indeed, the debt service coverage ratio required in the scope of the project financing was not complied with due to the temporary stoppage of the wind turbines during the 2nd and 3rd quarters after the wind farm was put in escrow by a legal order. However, the lenders did not notify the early repayment request of the corresponding debt.

This wind farm is operated in compliance with forecasts (maintenance cost, availability of the turbines).

The non-current part of the debt on this farm and the associated swap were reclassified under current financial debt of the relevant liabilities in the amount of 19,874 thousand euros.

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 2013/12/31	TOTAL 2012/12/31
Bonds	**4,227**	**11,036**	**-**	**8,947**	**24,210**	**197,313**	**121,007**	**342,529**	**109,358**
France		943	-	764	1,707	7,043	10,326	19,076	-
Germany	-	10,093	-	8,182	18,275	75,487	110,681	204,443	-
OCEANEs	4,227	-	-	-	4,227	114,783	-	119,010	109,358
Project financing	**24,842**	**3,272**	**5,456**	**3,342**	**36,912**	**62,302**	**53,482**	**152,695**	**172,648**
France	931	1,973	930	2,030	5,864	25,743	26,756	58,363	64,062
Germany	4,674	1,299	4,526	1,311	11,810	36,558	20,085	68,454	80,621
Italy	19,238	-	-	-	19,238	-	6,641	25,878	27,965
Derivative financial instruments (interest rate swap)	**1,785**	**-**	**-**	**-**	**1,785**	**-**	**6,139**	**7,925**	**11,192**
France	-	-	-	-	-	-	6,139	6,139	8,689
Italy	1,785	-	-	-	1,785	-	-	1,785	2,503
Bank overdrafts	**23**	**-**	**-**	**-**	**23**	**-**	**-**	**23**	**-**
France	23				23			23	
Other financial debt	**139**	**-**	**-**	**-**	**139**	**5,548**	**-**	**5,687**	**5,253**
Holding company	139	-	-	-	139	2,811	-	2,950	2,672
Italy	-	-	-	-	-	2,738	-	2,738	2,581
TOTAL FINANCIAL DEBT	**31,016**	**14,307**	**5,456**	**12,289**	**63,068**	**265,163**	**180,628**	**508,859**	**298,451**

The total Group debt as at December 31, 2013 was 508,859 thousand euros, up by 210,409 thousand euros compared to December 31, 2012. This increase takes into account the business combination due to the Company's control over Breeze Two Energy, whose debt as at the closing was 223,519 thousand euros.

The current part of the debt amounted to 63,068 thousand euros as at December 31, 2013 and broke down as follows:

- 19,874 thousand euros of non-current project financing reclassified as short-term debt (including 1,785 thousand euros of associated swap) for the Italian wind farm that did not comply with some financial covenants as at December 31, 2013. This reclassification was carried out under IAS 1R.69,

- 18,823 thousand euros corresponding to the current portion of long-term project financing,
- 4,227 thousand euros of interests on the convertible bond payable in January 2014,
- 19,983 thousand euros corresponding to the current part of the bond financing wind farms held by Breeze Two Energy; and
- 139 thousand euros of other financial debt.

22.4 Analysis of loan disbursements by maturity date (capital + interests)

The table below shows financial debt according to projected disbursements (capital and interests) in the short and medium/long term. The convertible bond is shown here according to the projected disbursements under the OCEANE terms, assuming no conversion occurred.

Future interests were projected using the interest rate curve as at December 31, 2013. 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 2013/12/31	Total payment 2012/12/31
Bonds	**41,115**	**284,548**	**174,727**	**500,390**	**138,497**
France	3,148	13,187	14,910	31,245	-
Germany	33,740	141,353	159,817	334,910	-
OCEANEs	4,227	130,008	-	134,235	138,497
Project financing	**24,426**	**85,904**	**76,146**	**186,477**	**210,417**
France	7,081	31,027	30,854	68,963	75,362
Germany	14,464	42,971	22,248	79,683	95,134
Italy	2,881	11,907	23,043	37,831	39,921
Derivative financial instruments (interest rate swap)	**2,285**	**5,060**	**792**	**8,137**	**11,439**
France	1,807	3,926	567	6,301	8,870
Italy	478	1,134	224	1,836	2,569
Bank overdrafts	**23**	**-**	**-**	**23**	**-**
Other financial debt	**139**	**5,549**	**-**	**5,688**	**5,253**
Holding company	139	2,811	-	2,950	2,672
Italy	-	2,738	-	2,738	2,581
TOTAL FINANCIAL DEBT	**67,988**	**381,062**	**251,665**	**700,714**	**365,606**

22.5 Analysis by type of rate

	Excluding the effect of financial instruments		Including the effect of financial instruments		
(in thousand euros)	Fixed rate	Variable rate	Fixed rate	Variable rate	Remaining capital
Project financing	77,107	75,588	132,235	20,460	152,695
Convertible bond	119,010	-	119,010	-	119,010
Breeze Two Energy's bonds	223,519	-	223,519	-	223,519
Bank overdrafts	23	-	23	-	23
Other financial debt, of which:	5,687	7,925	5,687	7,925	13,612
Derivative financial instruments (interest rate swap)	*-*	*7,925*	*-*	*7,925*	*7,925*
Other (current accounts)	*5,687*	*-*	*5,687*	*-*	*5,687*
FINANCIAL DEBT BY TYPE OF RATE	**425,346**	**83,513**	**480,474**	**28,385**	**508,859**
PERCENTAGE OF FINANCIAL DEBT	**83.59%**	**16.41%**	**94.42%**	**5.58%**	

Analysis by type of rate excluding the effect of hedging instruments:

As at December 31, 2013, the fixed rate part of the debt was 425,346 thousand euros, or 83.6% of total debt. The “Project financing” item, i.e. 77,107 thousand euros, broke down as follows:

- project financing in France €2,013 K
- project financing in Germany €68,454 K
- project financing in Italy €6,641 K

Variable rate debt (including the associated swaps) amounted to 83,513 thousand euros, or 16.4% of total debt and involved:

- project financing in France €62,490 K
- project financing in Italy €21,023 K

Analysis by type of rate including the effect of hedging instruments:

Including the effect of derivative hedging instruments, debt as at December 31, 2013 broke down as follows:

- fixed rate debt of 480,474 thousand euros, or 94.4% of total debt;
- variable rate debt of 28,385 thousand euros, or 5.6% of total debt.

22.6 Swaps

The Group’s derivative financial instruments presented in the financial liabilities only involve interest rate risk hedging instruments (swap); the underlying debt is made up of variable rate loans. These derivative instruments are recorded at their fair value as at December 31, 2013. 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 income statement.

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:

2013/12/31	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 net book value on the balance sheet	Listed price	Internal model with measurable parameters	Liabilities at amortized cost
Securities available for sale		3,186			3,186			
Other non-current financial assets			8,684		8,684			
Deposits and guarantees			927		927			
Non-current financial assets	-	3,186	9,611	-	12,797	-	-	-
Derivative instruments - positive								
Trade receivables			26,170		26,170			
Cash equivalents	20,167				20,167	20,167		
Cash			64,555		64,555			
Current portion of financial assets			204		204			
Current financial assets	20,167	-	90,929	-	111,096	20,167	-	-
TOTAL ASSETS	20,167	3,186	100,540	-	123,893	20,167	-	-
Bonds				318,320	318,320			
Other bank loans and financial debt				121,332	121,332			
Derivative financial instruments (interest rate swap)	6,139			-	6,139		6,139	
Non-current financial debt	6,139	-	-	439,652	445,791	-	6,139	-
Derivative instruments - negative	1,785				1,785		1,785	
Bonds				24,209	24,209			
Other bank loans and financial debt				36,919	36,919			
Trade payables				19,153	19,153			
Other current financial liabilities				10,235	10,235			
Current accounts - liabilities				131	131			
Bank overdrafts				23	23			
Current financial liabilities	1,785	-	-	90,648	92,456	-	1,785	-
TOTAL LIABILITIES	7,924	-	-	530,300	538,247	-	7,924	-

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 net book value on the balance sheet	Listed price	Internal model with measurable parameters	Liabilities at amortized cost
Securities 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	-	-	-
Trade receivables			21,222		21,222			
Cash equivalents	17,498				17,498	17,498		
Cash			51,673		51,673			
Current portion 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		
Bonds				105,130	105,130			
Other bank loans and financial debt				145,739	145,739			
Non-current financial debt	-	-	-	250,869	250,869	-	-	-
Derivative instruments - negative	11,192				11,192		11,192	
Bonds				4,228	4,228			
Other bank loans and financial debt				43,313	43,313			
Trade payables				17,703	17,703			
Other current financial liabilities				14,169	14,169			
Current accounts - liabilities				40	40			
Current financial liabilities	11,192	-	-	79,453	90,645	-	11,192	-
TOTAL LIABILITIES	11,192	-	-	330,322	341,514	-	11,192	-

NOTE 24 MARKET RISKS

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 historical distributors have been solidly established, if such an event occurred, it could have a significant negative impact on the Group's business, financial position or income, or even its ability to achieve its objectives.

Within the framework of its activity of sale of operating wind farms, the Group has a broad client base, consisting of private or public buyers, who are individuals, industrial or financial players. 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 liquidity risk is the risk for the Group to be unable to face its obligations in due time or under normal conditions. The Group's liquidity risk corresponds, in particular, to commitments to repay its convertible bond, which is not backed by any assets, and to financing its future needs, including the development of wind projects and the Group's general needs.

In order to face its general needs, the Group implemented a flexible business model, which enables it to balance its cash through occasional disposals of wind projects and farms, notably by selling them to its investment vehicle created in 2011.

Moreover, in the summer of 2013, the MEIF4 AX Holdings SAS company ("the Offeror"), a company controlled by Macquarie European Infrastructure Fund 4, launched a friendly takeover offer on the THEOLIA Group. The offer aimed to give THEOLIA a long-term, majority shareholder that could provide stability in a difficult economic and regulatory environment. If this offer had succeeded, it would have enabled THEOLIA to anticipate the repayment of its convertible bond and to pursue its development plans.

After the publication of the offer's results, the Offeror received 64.79% of the Company's voting rights on a non-diluted basis. The conditional threshold of 2/3 of the voting rights on a non-diluted basis, set by the Offeror, had therefore not been reached. The takeover offer was given up.

THEOLIA is therefore still facing the risk of a request for early repayment of its convertible bonds as at January 1, 2015 at the unit price of 15.29 euros. The Company considers that it is highly likely that bondholders will choose to ask for the early repayment. In the event all outstanding bonds are subject to early repayment requests, the maximum amount to repay as at January 1, 2015 would reach 125.8 million euros. The Company considers that, in its current situation, it would not be capable of paying this entire amount. As a consequence, THEOLIA is currently working on several scenarios, of which:

- implementing a capital increase;
- issuing a new debt with an extended maturity date;
- renegotiating the terms of its convertible bond;
- disposing assets; and
- being subject to another takeover offer.

Performing one or a combination of several of these options before December 31, 2014, until when the Group continues as a going concern, is crucial for the Group's durability and future development. In this respect, the Company is notably discussing with its main bondholders to implement a solution to enable it to continue as a going concern after January 1, 2015.

However, the Company cannot guarantee that it will be able to implement one or a combination of several of these options in a timely manner. In particular, due to the uncertainty related to market conditions and the approval of shareholders and/or bondholders, it is very difficult to predict if such an operation would succeed. The inability of the Company to implement one or a combination of several of these options could force the Company to consider all legal remedies available, notably those provided for in Book VI of the French Commercial Code, including safeguard procedures, judicial reorganization or judicial liquidation, which, as the case may be, could force it to stop operating. Any liquidation of assets that would result from it would cause a significant destruction of value. None of the adjustments which would be necessary in this case were recognized in the consolidated financial statements as at December 31, 2013.

The risk for the bondholders to request early repayment of their securities as at January 1, 2015 has or is likely to have the following significant consequences:

- limiting the Group's capacity to obtain new financing to finance its working capital requirements, its investments in wind projects under development or its acquisitions;
- limiting the Group's ability to obtain satisfactory financing conditions;
- limiting the Group's ability to obtain or renew the insurance required to cover the main risks related to its wind activities which may be insured;
- significantly diluting the existing shareholders of the Company in the event of a significant capital increase operation; and
- destroying the value of some assets should they be disposed of under unfavorable price conditions.

These and other factors may adversely affect the business, financial position and income of the Group. The Group makes its best efforts so as to be able to meet its commitments.

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 3 types of Group financing:

- Corporate Group debt: this corresponds to the convertible bond which specifically provides for maintenance of control and the listing of THEOLIA SA's stock (on Euronext's Eurolist market) ;
- project financing: financing linked to wind farm construction (France, Germany, Italy, Morocco) includes financial covenants relating particularly to compliance with cash flow ratios (cash generated by the activity/debt service) and financial structure ratios (financial debt/shareholders' equity);
- bond project debt: wind farms held by Breeze Two Energy were financed by a bond issue made up of three classes of bonds. Maturity for two of these classes is based on the forecast operating life of the wind farms.

The information on compliance with bank covenants as at December 31, 2013 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 Euro zone (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).

As at December 31, 2013, this risk remains very low. It is partly handled by management of expenses and receipts in the currency of the entity in question.

To date, the Group's sensitivity to the exchange risk is insignificant and does not require hedging instruments for this risk.

As at December 31, 2013:

- 4.77% of the assets were denominated in a currency other than the euro;
- all financial debt was in euros;
- 7.64% 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 debt (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 productivity of the Group's future projects and/or the development of its wind portfolio.

In order to limit the interest rate risk on existing loan agreements, the Group implements 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 into fixed rate loans and hedging against fluctuation in the amount of interest due. In general, banking institutions are asking for a hedge of 70% to 100% of financing amount throughout its duration.

In the event of a positive 1% change in interest rates, the financial expense for loans not covered would increase by 673 thousand euros and would break down as follows:

• loans - France	+ €362 K
• loans - Italy	+ €311 K

It should be noted that a positive 1% change in interest rates would reduce the hedging cost by 3,084 thousand euros.

In order to limit the risk linked to bank margins, the Group has an active policy of managing its existing debt and, to introduce new financing, it organizes competition between different banking institutions.

NOTE 25 DEFERRED TAX

25.1 Proof of tax

(in thousand euros)	2013/12/31	2012/12/31
Net income of the consolidated Group	**(45,286)**	**(34,238)**
Tax expense recognized	2,519	1,140
Share in income of associates	4	(3,582)
Taxes related to discontinued activities	(120)	(176)
Net income of the consolidated Group before tax	**(42,884)**	**(36,856)**
Applicable theoretical tax rate	33.33%	33.33%
Theoretical tax income (expense)	14,293	12,284
Tax expense recognized (including discontinued activities)	(2,399)	(965)
Tax difference	**(16,692)**	**(13,249)**
Reconciling items		
Permanent differences	(697)	(2,236)
Adjustements of deferred tax on non-current assets	1,315	-
Other tax without basis		(365)
Rate difference France/foreign	(1,543)	(1,784)
Impairment	(1,680)	(302)
Deferred tax asset impairment and non-activated tax losses	(13,861)	(8,898)
Other	(226)	336
TOTAL	**(16,692)**	**(13,249)**

The Group tax expense for the fiscal year was 2,519 thousand euros as at December 31, 2013 compared with 1,140 thousand euros as at December 31, 2012, and the pre-tax loss for the consolidated Group was 42,884 thousand euros, compared with 36,856 thousand euros as at December 31, 2012.

The theoretical tax rate 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 euros is not applicable to the THEOLIA Group.

The calculation of the effective tax rate for the Group would not be relevant. The difference with the theoretical rate of 33.33% applicable to the Group can be explained by the following elements:

- permanent differences, chiefly comprising provisions on non-deductible securities available for sale,
- other tax without basis, 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),
- impairment on non-current assets,
- deferred tax assets not recognized on tax loss carry-forwards.

25.2 Variation in deferred taxes by type

(In thousand euros)	2013/12/31	2012/12/31
Deferred tax assets	1,343	2,787
Deferred tax liabilities	(54,245)	(14,126)
TOTAL NET DEFERRED TAX	**(52,902)**	**(11,339)**

(In thousand euros)	2012/12/31	Profit & loss	Acquisitions / Disposals	DT recognized in reserves	Other	2013/12/31
Deferred tax assets / liabilities						
DT on temporary differences on non-current assets	(35,040)	2,390	(13,388)			(46,038)
DT on temporary differences on non-current liabilities	100	(1,433)	(58,957)			(60,290)
DT on temporary differences on derivative instruments	(13,439)	3,294		(1,080)		(11,225)
DT on tax losses and temporary differences	89,409	9,830	32,821			132,060
DT on other temporary differences	1,272	(530)			(5)	737
Deferred tax depreciation	(53,641)	(14,941)		437		(68,145)
TOTAL NET DEFERRED TAX	**(11,339)**	**(1,390)**	**(39,524)**	**(643)**	**(5)**	**(52,902)**

NOTE 26 PROVISIONS FOR EMPLOYEE BENEFITS

26.1 Main actuarial assumptions

	2013/12/31	2012/12/31
Discount rate	3.17%	3.25%
Change in executive salaries	1.00%	1.00%
Change in non-executive salaries	1.00%	1.00%
Mortality table	INSEE 2013	INSEE 2012
Age of departure	65 years old	65 years old

It should be noted that actuarial variances are not significant.

26.2 Components of expenses for the fiscal year

(in thousand euros)	2013/12/31	2012/12/31
RETIREMENT EXPENSES	**42**	**129**

26.3 Change in provision

(in thousand euros)	2013/12/31	2012/12/31
Provision as at beginning of period	**186**	**150**
Annual expenses	42	129
Reversals for the year	(23)	(93)
PROVISION AS AT END OF PERIOD	**205**	**186**

NOTE 27 OTHER PROVISIONS

(in thousand euros)	Provisions for litigation	Provisions for subsidiary risks	Other provisions	TOTAL
Amounts as at 2013/01/01	**4,180**	**4,373**	**4,492**	**13,045**
Increases	555	180	2,360	3,095
Reversals	(926)	(675)	(682)	(2,283)
Change in scope of consolidation	-	-	8,405	8,405
Currency translation adjustments	(3)	-	-	(3)
Other changes	(480)	-	127	(353)
AMOUNTS AS AT 2013/12/31	**3,326**	**3,878**	**14,702**	**21,906**
of which current part	194	180	-	374
of which non-current part	3,132	3,698	14,702	21,532

Litigation in which the Group is involved comes in great part from operations concluded in the past years, half due to the development activity and half due to the purchase-sale activity in Germany. These disputes were provisioned in the amount of 4,180 thousand euros in the financial statements closed as at December 31, 2012.

During fiscal year 2013, provision reversals were performed on the non-wind activity (solar park located in Germany).

The provisions for subsidiary risks varied during the fiscal year, due to:

- the integration of costs for closing down a project company in Italy, and
- the 675 thousand euro adjustment for risks on current assets related to discontinued activities. This 2,927 thousand euro 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 14,702 thousand euros 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 3,066 thousand euros as at the end of 2013, will be partially reversed every year until the end of the contracts in question, in order to compensate for the negative margin. A net reversal of 388 thousand euros was carried out for the fiscal year;
- provisions for dismantling Breeze Two Energy's wind farms, i.e. 8,405 thousand euros, constitute the entire "Change in scope of consolidation" item;
- increases for the fiscal year also include risk provisions on Italian projects.

OTHER INFORMATION

NOTE 28 RELATED PARTIES

Operations between the Group and its subsidiaries accounted using the global integration method, which are related parties, were fully cancelled and are not shown in this note.

28.1 Transactions with joint ventures

Transactions with joint ventures concern operations with companies over which the Group exercises joint control and which are consolidated using the proportionate consolidation method.

Transactions with these companies are based on the market price.

Balances and operations performed with joint ventures not cancelled further to this consolidation process are shown hereunder.

Joint ventures mainly involve operating wind farms. Balances (gross) and operations for the fiscal year are shown hereunder:

(in thousand euros)	2013/12/31	2012/12/31
Operating income	493	988
Income from loans granted to joint ventures	600	508
Expenses from loans granted by joint ventures	-	(66)
Trade receivables	528	489
Trade payables	(117)	(199)
Loans	9,682	8,816

The investment vehicle, THEOLIA Utilities Investment Company, created in August 2011, is consolidated using the proportionate consolidation method. THEOLIA, which holds 40% of its capital, is the operating shareholder in this partnership: it sells wind projects that it has previously developed to THEOLIA Utilities Investment Company, then builds and operates these farms for the vehicle.

In July 2012, THEOLIA sold the Gargouilles wind farm to TUIC. This wind farm is located in the Eure-et-Loir French department, on the territory of the towns of Gommerville and Oysonville. The farm comprises 8 wind turbines with a unit capacity of 2.3 MW, i.e. 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.

Due to the existence of a confidentiality clause with its partners, the amount of the transaction may not be disclosed.

28.2 Transactions with associated companies

Transactions with associated companies involve operations with companies over which the Group exercises significant influence and which are accounted using the equity method.

Transactions with these companies are based on the market price. These operations are not cancelled further to the consolidation process.

During fiscal year 2013, no significant operations occurred between the Group and its associated companies.

28.3 Transactions between the Group and directors

Apart from directors' fees, there were no transactions between the Group and its directors in 2013 and 2012.

28.4 Corporate officers' compensation

Compensation for corporate officers having an executive position is shown below.

(in thousand euros)	2013/12/31	2012/12/31
Salaries and bonuses	(450)	(450)
Share-based payments	(263)	(90)
Directors' fees	(140)	(181)
TOTAL	**(853)**	**(721)**

NOTE 29 COMMITMENTS

Within the scope of its wind farm development/construction activities, the Group generally creates a subsidiary in each country where it is present. When the Group develops a wind project in a country, the corresponding subsidiary creates a special purpose vehicle (SPV) holding the assets and liabilities specific to this project. 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 income and expenses – from these subsidiaries in its consolidated financial statements if it finds that it lacks control over them as understood through IFRSs.

However, as a Group holding company, the Company can be required by its lenders, suppliers and clients to contribute with 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 financial statements 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 with credits, liquid assets or other types of support for the market risk, that also are off-balance-sheet commitments.

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, undrawn lines of credit and project financing that has been signed but still undrawn.

Finally, conditional guarantees and commitments present guarantees and commitments that the Group has made, which depend on the occurrence of uncertain future events.

The tables below show a breakdown of off-balance-sheet commitments related to the scope of the consolidated Group, financing and operational activities of the Company and its subsidiaries as at December 31, 2013.

29.1. Off-balance-sheet commitments distributed by country

(in thousand euros)	FY 2013	FY 2012
France [(1)]	103,077	44,151
Germany	124,115	36,053
Italy	45,731	65,482
THEOLIA SA	9,704	11,526
TOTAL	**282,627**	**157,212**

(1) *Excluding THEOLIA SA and the non-wind activity.*

(in thousand euros)	Less than 1 year	From 1 to 5 years	More than 5 years	TOTAL
France [(1)]	11,825	39,500	51,752	103,077
Germany	10,887	37,318	75,909	124,115
Italy	9,582	12,827	23,322	45,731
THEOLIA SA	3,814	5,890	-	9,704
TOTAL	**36,109**	**95,535**	**150,984**	**282,627**

(1) *Excluding THEOLIA SA and the non-wind activity.*

29.2 Off-balance-sheet commitments detailed by country

Off-balance-sheet commitments related to commitments in the scope of the French business [(1)]

(in thousand euros)	Less than 1 year	From 1 to 5 years	More than 5 years	TOTAL
Endorsements, pledges and guarantees given	3,669	6,481	15,404	25,554
Turbine orders	5,414	19,731	-	25,145
Contractual commitments	2,357	11,443	19,652	33,452
Simple leases	461	1,846	7,689	9,995
Financial assets	-	-	9,007	9,007
Endorsements, pledges and guarantees received	(76)	-	-	(76)
TOTAL	**11,825**	**39,500**	**51,752**	**103,077**

(1) *Excluding THEOLIA SA and the non-wind activity.*

Off-balance-sheet commitments related to commitments in the scope of the German business

(in thousand euros)	Less than 1 year	From 1 to 5 years	More than 5 years	TOTAL
Endorsements, pledges and guarantees given	-	-	20,308	20,308
Contractual commitments	7,766	25,172	17,835	50,772
Simple leases	3,121	12,147	38,221	53,489
Endorsements, pledges and guarantees received	-	-	(455)	(455)
TOTAL	10,887	37,318	75,909	124,115

Off-balance-sheet commitments related to commitments in the scope of the Italian business

(in thousand euros)	Less than 1 year	From 1 to 5 years	More than 5 years	TOTAL
Endorsements, pledges and guarantees given	1,352	9,080	13,830	24,263
Stock purchase options awarded	1,650	-	-	1,650
Contractual commitments	418	2,795	675	3,889
Simple leases	240	951	3,898	5,089
Financial assets	8,064	-	4,919	12,983
Endorsements, pledges and guarantees received	(2,002)	-	-	(2,002)
Other commitments received	(140)	-	-	(140)
TOTAL	9,582	12,827	23,322	45,731

NOTE 30 EVENTS AFTER YEAR-END

Beginning of the construction and financing of the Haute Borne project in France

In April 2014, THEOLIA entered into a financing agreement for the Haute Borne wind project. This non-recourse long term loan is secured by the future cash-flows that will be generated by the wind farm.

The Haute Borne wind project is located on the territory of the towns of Languevoisin-Quiquery, Breuil and Billancourt, in the Somme French department.

In order to carry out this project, THEOLIA selected wind turbines with a unit capacity of 3 MW, therefore bringing the total installed capacity of the future wind farm to 21 MW.

According to the planned schedule, construction works started during the first quarter of 2014.

The wind farm is planned to be commissioned during the second half of 2015.

In compliance with its strategy to maximize the use of its equity, THEOLIA started discussing the sale of this wind farm to the investment vehicle THEOLIA Utilities Investment Company.

Release of escrow of the Giunchetto wind farm in Italy

The escrow regarding 10 wind turbines of the Giunchetto wind farm (over the 35 wind turbines making up the wind farm) in effect as at the closing of the fiscal year was released on March 18, 2014.

As at the date of publication of this Registration Document, a management plan, limiting wind turbines under specific conditions, is implemented for some wind turbines, and two wind turbines will remain inactive until the end of the remedial works currently ongoing.

The Aerochetto S.r.l. company makes its best efforts to finalize the works in a timely manner and to obtain the release of the management plan for the remaining turbines.

Disposal of Seres Environnement

On March 27, 2014, THEOLIA announced that it sold Seres Environnement, a company operating in the field of designing and manufacturing instruments to measure and analyze air and water quality. This subsidiary was part of THEOLIA's environmental division, for which IFRS 5 relating to discontinued activities is enforceable.

This disposal is part of THEOLIA's strategy to withdraw from its non-wind activities.

After a restructuring initiated in 2010 in order to cope with a loss-making activity, Seres Environnement managed to significantly recover. The company is now ready to speed up its development.

Currently active in 80 countries, Seres Environnement aims to enhance its international footprint thanks to its expert teams and favorable regulations in the markets where it operates, notably emerging countries.

NOTE 31 CONSOLIDATION SCOPE

Entities	% interest	% control	Method of consolidation	Country	Business segment
THEOLIA SA	100.00%	100.00%	Mother company	Mother company	Holding
SOLARKRAFTWERK MERZIG Gmbh & Co. KG	100.00%	100.00%	Global integration	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
BREEZE TWO GmbH	0.00%	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
WINDENERGIE COESFELD-LETTE GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Development, construction, sale
WF HOXBERG 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
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
Windpark Weilerswirst Infra GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Operation
Marklohe Infra GmbH & Co.KG	100.00%	100.00%	Global integration	Germany	Operation
Boho Infra GmbH & Co.KG	100.00%	100.00%	Global integration	Germany	Operation
Windpark Ladbergen GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Sales of electricity for own account
ZWANZIGSTE (20) UPEG GmbH & Co. KG (LADBERGEN II)	100.00%	100.00%	Global integration	Germany	Sales of electricity for own account
NEUNZEHNTE (19) UPEG GmbH & Co. KG (LADBERGEN III)	100.00%	100.00%	Global integration	Germany	Sales of electricity for own account
WP SAERBECK GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Sales of electricity for own account
WP WOLGAST INVESTITIONS GmbH & Co. OHG	100.00%	100.00%	Global integration	Germany	Sales of electricity for own account
ERNEUERBARE ENERGIE ERNTE ZWEI GmbH & Co. KG	89.60%	80.00%	Global integration	Germany	Sales of electricity for own account
WP FALKENWALDE Gmbh & Co. KG	100.00%	100.00%	Global integration	Germany	Sales of electricity for own account
WP ZABELSDORF GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Sales of electricity for own account
WP KRIBBE-PREMSLIN GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Sales of electricity for own account
WP GROSSVARGULA GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Sales of electricity for own account
WP KLOCKOW & SWP GmbH & Co.KG	100.00%	100.00%	Global integration	Germany	Sales of electricity for own account
NATURSTROMNETZ FRAUENPRIESSNITZ Gmbh & Co. KG	43.81%	43.81%	Equity method	Germany	Sales of electricity for own account
WINDHAGEN PROJEKT WALTROP Gmbh & Co.KG	100.00%	100.00%	Global integration	Germany	Sales of electricity for own account
WINDHAGEN PROJEKT KLEIN STEIMKE GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Sales of electricity for own account
CWP GmbH	52.00%	52.00%	Global integration	Germany	Sales of electricity for own account
WINDKRAFT KRUSEMARK GmbH & Co.KG	100.00%	100.00%	Global integration	Germany	Sales of electricity for own account
WINDPARK WOTAN VIERZEHNTE BETRIEBS GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Sales of electricity for own account
WINDKRAFT DIETLAS GmbH & Co. KG	100.00%	100.00%	Global integration	Germany	Sales of electricity for own account
WINDPARK RABENAU Gmbh	100.00%	100.00%	Global integration	Germany	Sales of electricity for own account
BREEZE TWO ENERGY GmbH & CoKG	0.00%	100.00%	Global integration	Germany	Sales of electricity for own account
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
SERES ENVIRONNEMENT TECHNOLOGY (beijing) Co Ltd	51.00%	51.00%	Equity method	China	Non-wind activity
THEOLIA IBERICA	100.00%	100.00%	Global integration	Spain	Corporate
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
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

Entities	% interest	% control	Method of consolidation	Country	Business segment
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 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
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. DE JONCELS (CEJON)	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 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 VESAIGNES - CEVES (ex SNC VESAIGNES)	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 for own account
CENT EOL DE SEGLIEN AR TRI MILIN (CESAM)	100.00%	100.00%	Global integration	France	Sales of electricity for own account
CENT EOL DES PLOS (CEPLO)	100.00%	100.00%	Global integration	France	Sales of electricity for own account
CENT EOL DU MOULIN DE FROIDURE (CEMDF)	100.00%	100.00%	Global integration	France	Sales of electricity for own account
CENT EOL DES SABLONS (CESA)	100.00%	100.00%	Global integration	France	Sales of electricity for own account
CENT EOL DE SALLEN (CESAL)	100.00%	100.00%	Global integration	France	Sales of electricity for own account
CENT EOL DES GARGOUILLES (CEGAR)	40.00%	40.00%	Proportionate consolidation	France	Sales of electricity for own account
CENT EOL DU MAGREMONT (CEMAG)	40.00%	40.00%	Proportionate consolidation	France	Sales of electricity for own account
CORSEOL SA	99.88%	99.88%	Global integration	France	Sales of electricity for own account
SAS LES EOLIENNES DU PLATEAU (LEPLA)	100.00%	100.00%	Global integration	France	Sales of electricity for own account
SNC EOLIENNES SUROIT	0.00%	100.00%	Global integration	France	Sales of electricity for own account
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
NEOANEMOS Srl (Martignano 21 MW)	47.88%	47.88%	Proportionate consolidation	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
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%	Proportionate consolidation	Italy	Sales of electricity for own account
THEOLIA UTILITIES INVESTMENT COMPANY	40.00%	40.00%	Proportionate consolidation	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
MAESTRALE PROJECT HOLDING SA	50.32%	50.32%	Proportionate consolidation	Luxembourg	Development, construction, sale
MGE GIUNCHETTO WIND PARK SA	100.00%	100.00%	Global integration	Luxembourg	Development, construction, sale
THEOLIA EMERGING MARKETS	100.00%	100.00%	Global integration	Morocco	Corporate
THEOLIA MAROC 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 for own account
SERES ENVIRONNEMENT MAGHREB SA	99.87%	99.87%	Global integration	Morocco	Non-wind activity

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, 2013 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. These 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, 2013 and of the results of its operations for the year then ended in accordance with IFRSs as adopted in the European Union.

Without qualifying the above opinion, we would draw your attention to the going concern uncertainty outlined in paragraph 2.1 of note 2 to the consolidated financial statements, "Accounting principles".

II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code relating to the justification of our assessments, we inform you that our assessments focused on the appropriateness of the accounting policies used and, where applicable, the reasonableness of the accounting estimates made as well as the overall financial statement presentation, particularly concerning:

- As indicated in note 2.5 to the consolidated financial statements, "Intangible assets", 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 provides appropriate disclosure.
- At each year-end, the Group systematically conducts tests on its goodwill and assets with an indefinite life for impairment and also determines whether there is an indication of long-term asset impairment loss, under the methods described in note 2.8 to the consolidated financial statements, "Impairment". 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 provides appropriate disclosure.
- As mentioned in the first section of this report, note 2.1 "Accounting principles" refers to the uncertainties regarding the going concern principle. We were required to examine the measures taken into consideration in this respect. Based on our work and the information made available to us to date, and as part of our assessment of the accounting policies adopted by your Company, we believe that the notes provide appropriate disclosure as to the Company's position with regard to the aforementioned going concern uncertainty.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of our opinion in the first part of this report.

III. Specific verification

In accordance with professional standards applicable in France and as required by law, we also verified the information presented in the Group management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

In Marseilles and Paris, on April 22, 2014

The Statutory Auditors

Deloitte & Associés	Cabinet Didier Kling & Associés	
Christophe PERRAU	Didier KLING	Christophe BONTE

5.3 PARENT COMPANY FINANCIAL STATEMENTS AND NOTES

5.3.1 Balance sheet

ASSETS

French GAAP *(in thousand euros)*	Notes	Gross	Depreciation, amortization	Net as at 2013/12/31	Net as at 2012/12/31
Intangible assets					
Concessions, patents, licenses, trademarks, software, rights and equivalents	3.1	696	(195)	502	507
Other intangible assets	3.1	3,832	(3,832)	-	-
Tangible assets					
Buildings and fixtures	3.2	517	(316)	202	259
Other property, plant and equipment	3.2	588	(566)	22	56
Financial assets					
Equity investments	3.3	316,756	(186,230)	130,526	142,358
Receivables from equity investments	3.3	213,653	(69,862)	143,791	172,410
Other non-current investments	3.3	26,250	(23,383)	2,868	-
Loans	3.3	5,805	(1,121)	4,684	6,524
Other financial assets	3.3	39,912	(38,466)	1,446	4,854
Total fixed assets (I)		**608,009**	**(323,969)**	**284,040**	**326,967**
Inventories					
Turbines	3.4	18,825	(10,825)	8,000	-
Receivables					
Trade and other receivables	3.5	3,255	(1,055)	2,201	15,060
Other receivables	3.6	5,671	(466)	5,206	5,715
Marketable securities					
Cash instruments	3.8	12,813	-	12,813	12,955
Cash and cash equivalents					
In bank		390		390	3,230
At hand		1		1	1
Total current assets (II)		**40,955**	**(12,345)**	**28,609**	**36,960**
Prepaid expenses (III)		99		99	136
Currency translation adjustments - assets (IV)		6		6	3
GRAND TOTAL (I + II + III + IV)		**649,069**	**(336,315)**	**312,754**	**364,067**

LIABILITIES AND SHAREHOLDERS' EQUITY

French GAAP

(in thousand euros)	Notes	Net as at 2013/12/31	Net as at 2012/12/31
Share capital	3.9	90,853	90,840
Additional paid-in capital		344,708	344,681
Retained earnings		(238,274)	(226,555)
Profit (loss) for the period		(51,449)	(11,719)
Subtotal: net position		**145,838**	**197,247**
Statutory reserves		2,513	2,489
Total shareholders' equity (I)		**148,351**	**199,736**
Provisions for litigation	3.11	123	123
Provisions for risks	3.11	370	384
Total provisions (II)	**3.11**	**494**	**508**
Financial debt			
Convertible bond	3.12	160,775	160,816
Miscellaneous borrowings and financial debt		578	374
Operating liabilities			
Trade and related payables	3.13	1,108	1,312
Tax and social security liabilities	3.13	774	753
Other miscellaneous liabilities	3.13	674	568
Deferred income		-	-
Total (III)		**163,909**	**163,822**
Currency translation adjustments - liabilities (IV)		1	2
GRAND TOTAL (I + II + III + IV)		**312,754**	**364,067**

5.3.2 Income statement

French GAAP *(in thousand euros)*	Notes	2013	2012
Sales of goods		(18,825)	-
Production sold		6,252	6,368
Net revenue	4.1	**(12,573)**	**6,368**
Reversals of provisions (and amortization), expense transfers	4.2	7,531	1,879
Other income		(9)	39
Total operating income (I)		**(5,051)**	**8,286**
Purchases and change in inventories	4.3	18,795	(26)
External expenses	4.4	(2,474)	(3,025)
Taxes and other similar contributions		(208)	(197)
Salaries and wages	4.5	(1,903)	(1,854)
Social security contributions and other staff costs	4.5	(1,023)	(947)
Amortization and provisions:			
for fixed assets : amortization		*(111)*	*(153)*
for inventories and current assets : provisions	4.7	*(11,868)*	*(7,392)*
for risks : provisions		*-*	*(132)*
Other expenses		(777)	(268)
Total operating expenses (II)		**432**	**(13,995)**
Operating income (I - II)		**(4,620)**	**(5,709)**
Financial income (III)	4.8	36,574	58,561
Financial expenses (IV)	4.8	(81,986)	(63,966)
Net financial income (III - IV)		**(45,412)**	**(5,404)**
Current income before tax (I - II + III - IV)		**(50,031)**	**(11,114)**
Extraordinary income (V)		4	1,059
Extraordinary expenses (VI)		(1,154)	(911)
Net extraordinary income (V - VI)		**(1,150)**	**147**
Corporate tax (VII)		**(267)**	**(753)**
TOTAL INCOME (I + III + V)		**31,527**	**67,906**
TOTAL EXPENSES (II + IV + VI + VII)		**(82,975)**	**(79,625)**
PROFIT (LOSS)		**(51,449)**	**(11,719)**

5.3.3 Cash flow statement

French GAAP (in thousand euros)	2013/12/31	2012/12/31
Net income	**(51,449)**	**(11,719)**
Elimination of amortization, depreciation and provisions	30,050	16,654
Elimination of change in taxes	267	753
Elimination of capital gains / losses from disposals	110	12
Other income and expenses (including dividends received)	15,414	(12,097)
Gross cash flow (A)	**(5,608)**	**(6,398)**
Effect of change in WCR related to operations (B)	5,287	5,275
Cash flow from operating activities (a) = (A+B)	**(321)**	**(1,123)**
Acquisitions of fixed assets	(62)	(69)
Disposals of fixed assets	-	-
Dividends received	1,116	6,865
Change in loans	522	(21,157)
Cash flow from investing activities (b)	**1,576**	**(14,361)**
Increase in share capital	(0)	(77)
Increase in loans	-	-
Repayments of loans	-	-
Interests paid	(4,237)	(4,352)
Cash flow from financing activities (c)	**(4,237)**	**(4,429)**
Change in cash and cash equivalents (d) = (a) + (b) + (c)	**(2,982)**	**(19,913)**
Net cash and cash equivalents as at beginning of period	16,185	36,098
Net cash and cash equivalents as at end of period	13,203	16,185
CHANGE IN CASH AND CASH EQUIVALENTS	**(2,982)**	**(19,913)**

5.3.4 Change in shareholders' equity

French GAAP (in thousand euros)	Capital	Premiums	Profit/loss	Retained earnings	Provisions	Total shareholders' equity
As at 2011/12/31	**127,591**	**342,405**	**(45,665)**	**(219,304)**	**2,011**	**207,040**
Change in share capital, of which:	(36,751)	2,276	-	38,412	-	3,937
Free shares	*442*	*(442)*				-
Conversion of OCEANE bonds	*1,303*	*2,711*				*4,014*
Share cancellations	*(84)*	*7*				*(77)*
Due to losses	*(38,412)*			*38,412*		-
Accelerated tax depreciation					478	478
Allocation of earnings			45,665	(45,665)		-
Profit / loss for the period			(11,719)			(11,719)
As at 2012/12/31	**90,840**	**344,681**	**(11,719)**	**(226,556)**	**2,489**	**199,736**
Change in share capital, of which:	13	27				40
Free shares		-				-
Conversion of OCEANE bonds	*13*	*27*				*40*
Share cancellations						-
Due to losses						-
Accelerated tax depreciation					24	24
Allocation of earnings			11,719	(11,719)		-
Profit / loss for the period			(51,449)			(51,449)
AS AT 2013/12/31	**90,853**	**344,708**	**(51,449)**	**(238,275)**	**2,513**	**148,351**

5.3.5 Notes to the parent company financial statements

Notes to the balance sheet, before allocation of the income for the fiscal year closed as at December 31, 2013, the total of which amounts to 312,754 thousand euros, and to the income statement for the year, presented in list form and showing a loss of (51,449) thousand euros.

The fiscal year closed had a 12-month duration, starting January 1, 2013 and ending December 31, 2013. The notes below are an integral part of the annual financial statements.

These financial statements were approved on April 22, 2014 by the Company's Board of Directors.

Going concern

THEOLIA is facing the risk of a request for early repayment of its convertible bonds as at January 1, 2015 at the unit price of 15.29 euros. The Company considers that it is highly likely that bondholders will choose to ask for the early repayment. In the event all outstanding bonds are subject to early repayment requests, the maximum amount to repay as at January 1, 2015 would reach 125.8 million euros. The Company considers that, in its current situation, it would not be capable of paying this entire amount. As a consequence, THEOLIA is currently working on several scenarios, of which:

- implementing a capital increase;
- issuing a new debt with an extended maturity date;
- renegotiating the terms of its convertible bond;
- disposing of assets; and
- being subject to another takeover offer.

Performing one or a combination of several of these options before December 31, 2014, until when the Group continues as a going concern, is crucial for the Group's durability and future development. In this respect, the Company is notably discussing with its main bondholders to implement a solution to enable it to continue as a going concern after January 1, 2015.

However, the Company cannot guarantee that it will be able to implement one or a combination of several of these options in a timely manner. In particular, due to the uncertainty related to market conditions and the approval of shareholders and/or bondholders, it is very difficult to predict if such an operation would succeed. The inability of the Company to implement one or a combination of several of these options could force the Company to consider all legal remedies available, notably those provided for in Book VI of the French Commercial Code, including safeguard procedures, judicial reorganization or judicial liquidation, which, as the case may be, could force it to stop operating. Any liquidation of assets that would result from it would cause a significant destruction of value. None of the adjustments which would be necessary in this case were recognized in the consolidated financial statements as at December 31, 2013.

The risk for the bondholders to request early repayment of their securities as at January 1, 2015 has or is likely to have the following significant consequences:

- limiting the Group's capacity to obtain new financing to finance its working capital requirements, its investments in wind projects under development or its acquisitions;
- limiting the Group's ability to obtain satisfactory financing conditions;
- limiting the Group's ability to obtain or renew the insurance required to cover the main risks related to its wind activities which may be insured;
- significantly diluting the existing shareholders of the Company in the event of a significant capital increase operation; and
- destroying the value of some assets should they be disposed of under unfavorable price conditions.

These and other factors may adversely affect the business, financial position and income of the Group. The Group makes its best efforts so as to be able to meet its commitments.

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
- going concern.

The main accounting principles used were the following:

1.1 Intangible assets

Intangible assets are valued at acquisition cost (purchase price and ancillary expenses). 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 ancillary expenses) or production cost. Depreciation is calculated using the straight-line method according to the expected use life:

- building furnishings and fixtures 10 years
- general facilities 5 years
- office equipment and computer hardware 3 and 4 years

1.3 Financial assets

Gross value of financial assets corresponds to the purchase price plus acquisition expenses. These expenses are subject to accelerated tax depreciation over 5 years.

The current value of equity investments is determined as follows:

- listed securities: net asset value based on stock price as at December 31; and
- non-listed securities: valuation 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.

Equity investments, treasury shares and investment securities are valued according to the “first in, first out” (FIFO) method.

1.4 Inventories

Equipment inventories are valued at their purchase cost, increased by the acquisition cost. Depreciation is applied if the estimated sale value is lower than the book value.

1.5 Receivables

Receivables are recognized at par value. Depreciation is applied if the recoverable value is lower than the net book value.

1.6 Marketable securities

Marketable 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.

1.7 Stock warrants

Stock warrants giving access to the share capital are recognized upon subscription, at subscription price.

1.8 Regulated provisions

Acquisition expenses of equity investments included in the cost price of these equities are depreciated for tax purposes over five years, starting from the date of acquisition.

Accelerated tax depreciation is posted each year in the amount of $1/5^{th}$ of total expenses. This method is applied to all off-book withdrawals.

The regulated provision will only be reversed upon disposal of the shares.

1.9 Recognition of revenue

Total revenue earned by the Company corresponds largely to services related to management of the Group for which it is the parent company.

NOTE 2 KEY HIGHLIGHTS OF THE YEAR

Global transfer of assets and liabilities of Ecoval Technology SAS

On July 22, 2013, the Ecoval Technology subsidiary was dissolved via global transfer of assets and liabilities under the common law tax regime. Its assets, as well as receivables held against that same subsidiary, were transferred to THEOLIA.

The merger loss recognized in financial expenses from this operation was 4,484 thousand euros.

Ongoing liquidation of the NeoAnemos subsidiary

The NeoAnemos subsidiary being under liquidation as at the date of closing of fiscal year 2013, the wind turbines previously bought from THEOLIA in 2010 were re-transferred to THEOLIA.

Transactions on securities

During fiscal year 2013, THEOLIA received several requests for bond conversions. 2,090 OCEANEs were thus converted, resulting in the creation of 9,028 new shares.

NOTE 3 ANALYSIS OF MAIN BALANCE SHEET ITEMS

3.1 Intangible assets

French GAAP *(in thousand euros)*	Amounts as at beginning of period 2013/01/01	Increases	Decreases	Amounts as at end of period 2013/12/31
Gross intangible assets				
Software	694	2	-	696
Assets - Business assets	-	109	(109)	-
Other intangible assets	3,832	-	-	3,832
Advances related to intangible assets	-	-	-	-
Total gross amounts	**4,526**	**111**	**(109)**	**4,528**
Depreciation and amortization / Impairment of tangible assets				
Software	187	7	-	195
Assets - Business assets	-	-	-	-
Other intangible assets	3,832	-	-	3,832
Total amortization	**4,019**	**7**	**-**	**4,026**
Net intangible assets				
Software	507	(5)	-	502
Assets - Business assets	-	109	(109)	-
Other intangible assets	-	-	-	-
Advances related to intangible assets	-	-	-	-
TOTAL NET AMOUNTS	**507**	**104**	**(109)**	**502**

3.2 Tangible assets

French GAAP *(in thousand euros)*	Amounts as at beginning of period 2013/01/01	Increases	Decreases	Amounts as at end of period 2013/12/31
Gross tangible assets				
Buildings and fixtures	517	-	-	517
Other property, plant and equipment	576	11	-	588
Total gross amounts	**1,094**	**11**	**-**	**1,105**
Depreciation and amortization / Impairment of tangible assets				
Buildings and fixtures	258	58	-	316
Other property, plant and equipment	521	45	-	566
Total amortization	**779**	**103**	**-**	**882**
Net tangible assets				
Buildings and fixtures	259	-	(58)	202
Other property, plant and equipment	56	-	(34)	22
TOTAL NET AMOUNTS	**315**	**-**	**(92)**	**223**

3.3 Financial assets

French GAAP *(in thousand euros)*	Amounts as at beginning of period 2013/01/01	Increases	Decreases	Amounts as at end of period 2013/12/31
Gross financial assets				
Equity investments	342,996	-	(26,241)	316,756
Receivables from equity investments	247,020	20,572	(53,939)	213,653
Other non-current investments	-	26,250	-	26,250
Loans	7,546	330	(2,070)	5,805
Treasury shares	273	1,573	(1,474)	371
Other financial assets	17,375	27,183	(5,017)	39,541
TOTAL GROSS AMOUNTS	**615,209**	**75,908**	**(88,741)**	**602,376**

French GAAP (in thousand euros)	Amounts as at beginning of period 2013/01/01	Increases	Decreases	Amounts as at end of period 2013/12/31
Depreciation and amortization / Impairment of financial assets				
Equity investments	200,639	5,990	(20,399)	186,230
Receivables from equity investments	74,610	21,900	(26,648)	69,862
Other non-current investments	-	23,383	-	23,383
Loans	1,022	99	-	1,121
Treasury shares	8	16	(8)	16
Other financial assets	12,786	26,160	(495)	38,450
TOTAL AMORTIZATION	**289,064**	**77,547**	**(47,550)**	**319,061**

French GAAP (in thousand euros)	Amounts as at beginning of period 2013/01/01	Increases	Decreases	Net impairment	Amounts as at end of period 2013/12/31
Net financial assets					
Equity investments	142,358	-	(26,241)	14,409	130,526
Receivables from equity investments	172,410	20,572	(53,939)	4,748	143,791
Other non-current investments	-	26,250	-	(23,383)	2,868
Loans	6,524	330	(2,070)	(99)	4,684
Treasury shares	265	1,573	(1,474)	(8)	355
Other financial assets	4,589	27,183	(5,017)	(25,665)	1,091
TOTAL NET AMOUNTS	**326,145**	**75,908**	**(88,741)**	**(29,997)**	**283,315**

Net financial assets decreased by 42,830 thousand euros during fiscal year 2013. The net increase in advances to subsidiaries, amounting to 11,268 thousand euros, was offset by depreciations on investments, receivables and other financial assets for an aggregated amount of 31,935 thousand euros, receivable write-offs in the amount of 15,000 thousand euros and the impact of the unwinding of the swap contract amounting to 5,000 thousand euros.

Equity investments

The decrease of this item during fiscal year 2013 corresponds to:

- the cancellation of Ecoval Technology's securities, further to its merger with THEOLIA through a global transfer of assets and liabilities; and
- the reclassification of Ecolutions' and Wind Power India's securities in the "Other non-current investments" item, as THEOLIA SA no longer has an influence on both companies.

Receivables from equity investments

The change in receivables from equity investments mainly corresponds to cash flows between THEOLIA and its subsidiaries, within the framework of the Group's cash-pooling agreement.

Gross receivables decreased by 33,367 thousand euros during 2013. The main changes which occurred during the fiscal year break down as follows:

- Cash advances to subsidiaries €12,508 K
- 2013 interests related to receivables from equity investments €5,994 K
- Cancellation of Ecoval Technology's receivable further to the global transfer of assets and liabilities €(4,538) K
- Repayments received €(7,234) K
- Receivable write-offs €(15,000) K

The other changes which occurred during the fiscal year mainly involve reclassifications:

- Reclassification of a loan granted to a subsidiary in 2012 in Receivables from equity investments €2,070 K
- Reclassification from Receivables from one equity investment to Other financial assets (recapitalization of a subsidiary) €(25,160) K

During the fiscal year, the Company proceeded to a receivable write-off with one of its French subsidiaries, including a recapitalization commitment with a financial recovery clause.

Equity swap contract

In June 2012, THEOLIA allocated a part of its cash, i.e. 5,000 thousand euros, as a guarantee of a dynamic cash management mechanism (Equity swap). This sum was then recognized in the "Other financial assets" item.

Further to the unwinding of the equity swap contract in late 2013, the "Other gross financial assets" item registered, in this respect, a decrease of 5,000 thousand euros. That operation had a positive effect of 1,013 thousand euros on the financial income.

Treasury shares

Shares held by the Company as part of a liquidity contract entered into with an investment service provider are considered as non-current investments and recognized at their acquisition cost, then valued at each closing according to the stock price.

As at the closing of fiscal year 2013, the Company owned 295,959 treasury shares. The gross amount shown on the balance sheet totaled 371 thousand euros, i.e. an average price per share of 1.25 euro. Considering the stock price of 1.20 euro as at December 31, 2013, a depreciation of 15.8 thousand euros was posted.

Impairment

Every year, the Company carries out impairment tests, primarily to ensure that the value of the non-amortizable assets held are correctly recognized. Their 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.

Impairment recognized at the end of the period amounted to:

- impairment on Equity investments €(5,990) K
- impairment on Receivables from equity investments €(21,900) K

The decrease in impairment which occurred during the fiscal year mainly involve:

- the reclassification of the impairment previously recognized on Ecolutions' equity investments into impairment on Other non-current investments €(19,364) K
- the reclassification of the impairment on receivables from equity investments into impairment on Other financial assets €(22,115) K

Moreover, the Company also depreciated its Other financial assets in the amount of (4,045) thousand euros.

Details of receivables related to financial assets by maturity

2013/12/31 *(in thousand euros)*	Less than 1 year	1 to 5 years	More than 5 years	TOTAL
Receivables from equity investments	-	-	143,791	143,791
Loans	309	-	4,375	4,684
Other financial assets and treasury shares	361	1,000	85	1,446
TOTAL RECEIVABLES FROM FINANCIAL ASSETS	**671**	**1,000**	**148,251**	**149,921**

2012/12/31 *(in thousand euros)*	Less than 1 year	1 to 5 years	More than 5 years	TOTAL
Receivables from equity investments	-	-	172,410	172,410
Loans	21	58	6,446	6,524
Other financial assets and treasury shares	4,769	-	85	4,854
TOTAL RECEIVABLES FROM FINANCIAL ASSETS	**4,790**	**58**	**178,940**	**183,787**

3.4 Inventories

(in thousand euros)	Amounts as at beginning of period 2013/01/01	Increases	Decreases	Amounts as at end of period 2013/12/31
Wind turbines		18,825		18,825
Depreciation		(10,825)		(10,825)
NET TOTAL	-	8,000	-	8,000

The NeoAnemos subsidiary being under liquidation as at the date of closing of fiscal year 2013, the wind turbines previously bought from THEOLIA in 2010 were re-transferred to THEOLIA. This transfer mainly led to a decrease in trade receivables, offset by an increase in inventories.

THEOLIA recorded the original value of the wind turbines in inventories and carried out an impairment test, which led to a net valuation of the wind turbines of 8,000 thousand euros.

3.5 Trade and other receivables

French GAAP *(in thousand euros)*	Gross amount 2013/12/31	Depreciation 2013/12/31	Net amount 2013/12/31	Net amount 2012/12/31	Of which related to associates as at 2013/12/31	Of which related to associates as at 2012/12/31
Non-Group trade receivables	216	177	39	51	-	-
Total non-Group receivables	216	177	39	51	-	-
Group trade receivables	3,039	878	2,161	15,009	2,161	15,009
Total Group receivables	3,039	878	2,161	15,009	2,161	15,009
TOTAL TRADE AND OTHER RECEIVABLES	3,255	1,055	2,201	15,060	2,161	15,009

The decrease in the net value of the "Group trade receivables" item is mainly due to the cancellation of the receivable linked to the NeoAnemos subsidiary, after the turbines were re-transferred.

3.6 Other receivables

French GAAP *(in thousand euros)*	Gross amount 2013/12/31	Depreciation 2013/12/31	Net amount 2013/12/31	Net amount 2012/12/31	Of which related to associates as at 2013/12/31	Of which related to associates as at 2012/12/31
Supplier advances and installments and receivables from suppliers	4,007	-	4,007	4,056		-
Receivables on asset disposals	-	-	-	-		-
Tax receivables (excluding corporate tax)	624	-	624	530		-
Corporate tax receivables	565	-	565	372		-
Social security receivables	5	-	5	5		-
Current accounts	1	-	1	1	1	1
Other receivables	469	(466)	3	751		-
Prepaid expenses	99	-	99	136		-
Currency translation adjustments, assets	6	-	6	3		-
TOTAL	5,776	(466)	5,311	5,855	1	1

3.7 Receivables by maturity

2013/12/31

French GAAP (in thousand euros)	Less than 1 year	1 to 5 years	TOTAL
Receivables in current assets (net)			
Trade and other receivables	1,649	551	2,201
Supplier advances and installments and receivables from suppliers	7	4,000	4,007
Receivables on asset disposals	-	-	-
Tax receivables (excluding corporate tax)	624	-	624
Corporate tax receivables	565	-	565
Social security receivables	5	-	5
Current accounts	-	1	1
Other receivables	3	-	3
Prepaid expenses	99	-	99
TOTAL	**2,953**	**4,552**	**7,505**

The maturity schedule of receivables in current assets above includes net amounts as at the closing.

Receivables recognized under assets on the Company's balance sheet over one year mainly correspond to the advance paid to a turbine manufacturer totaling 4,000 thousand euros, intended for a wind project currently under development by the THEOLIA Group.

3.8 Cash and cash equivalents

French GAAP (in thousand euros)	2013/12/31	2012/12/31
Marketable securities (net)	12,813	12,955
Cash and cash equivalents	391	3,231
TOTAL	**13,203**	**16,185**

As at year-end, the value of marketable securities totaled 12,813 thousand euros. This item corresponds to money-market mutual fund (SICAV) investments. The value of money-market mutual funds invested at year-end resulted in a non-significant unrealized gain.

3.9 Share capital

	Number of shares as at 2013/01/01	Creation of shares by conversion of OCEANEs	Number of shares as at 2013/12/31
Number of shares	64,885,834	9,028	64,894,862
NUMBER OF SECURITIES	**64,885,834**	**9,028**	**64,894,862**

As at the closing of the fiscal year, the Company's share capital totaled 90,853 thousand euros.

3.10 Stock warrants

	TOTAL BSA
Balance as at December 31, 2012	**276,916**
Cancelled during the year	176,916
BALANCE AS AT DECEMBER 31, 2013	**100,000**

The beneficiaries of stock warrants are former directors of the Company.

No warrants were exercised in 2013.

3.11 Provisions

French GAAP (in thousand euros)	Provisions for risks	Provisions for litigation	TOTAL
Amounts as at beginning of period 2013/01/01	384	123	508
Increases	6	-	6
Reversals	19	-	19
AMOUNTS AS AT END OF PERIOD 2013/12/31	370	123	494

The provisions for risks and litigation, which were recognized in the preceding years due to ongoing litigation, were still on the Company's balance sheet as at the end of the fiscal year.

3.12 Borrowings and financial debt

French GAAP (in thousand euros)	Convertible bond	Interests on convertible bond
Amounts as at beginning of period 2013/01/01	156,588	4,228
Increase		4,227
Repayment		4,228
Conversion of OCEANEs	40	
AMOUNTS AS AT END OF PERIOD 2013/12/31	156,548	4,227

As at the end of 2013, borrowings and financial debt consisted solely of OCEANEs issued in October 2007.

The balance of the bonds as at the closing amounted to 156,548 thousand euros.

Interests accrued in 2013, recognized for a total of 4,227 thousand euros, were paid in early January 2014.

As at the closing, the main characteristics of the bond after changing the terms of the OCEANE issuance agreement in 2010 were the following:

- number of bonds outstanding as at December 31, 2013 — 8,226,380
- original par value — €240,000 K
- loan maturity — January 1, 2041
- annual interest up to December 31, 2014 — 2.70%
- annual interest as of January 1, 2015 — 0.10%
- conversion ratio up to the 7th business day prior to December 31, 2014 — 3.46 shares per OCEANE
- purchase price for OCEANEs as at January 1, 2015 — €15.29 per OCEANE
- purchase price for OCEANEs as at January 1, 2041 — €20.77 per OCEANE

Bondholders are entitled to ask for early refunding as at January 1, 2015.

Details by maturity

2013/12/31

French GAAP (in thousand euros)	Less than 1 year	1 to 5 years	TOTAL
Convertible bond - par value		156,548	156,548
Accrued interests on convertible bond	4,227		4,227
TOTAL	4,227	156,548	160,775

3.13 Other payables

French GAAP *(in thousand euros)*	2013/12/31	2012/12/31
Trade and related payables	1,108	1,312
Other miscellaneous liabilities	674	568
TOTAL	**1,782**	**1,880**

French GAAP *(in thousand euros)*	2013/12/31	2012/12/31
Social security liabilities	688	672
Tax liabilities	86	81
TOTAL	**774**	**753**

Details by maturity

2013/12/31

French GAAP *(in thousand euros)*	Less than 1 year	TOTAL
Trade and related payables	1,108	1,108
Social security and tax liabilities		
Personnel	*400*	*400*
Social security bodies	*288*	*288*
Government, sales tax	*68*	*68*
Other tax and social security liabilities	*18*	*18*
Other miscellaneous liabilities	674	674
TOTAL	**2,556**	**2,556**

3.14 Tax consolidation

THEOLIA adopted 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.

As at the closing of the year, the scope of tax consolidation consisted of the following companies:

- THEOLIA France
- Therbio
- Ecoval 30
- 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 loss carry forward totaled 115,127 thousand euros as at December 31, 2013.

NOTE 4 ANALYSIS OF THE MAIN INCOME STATEMENT ITEMS

4.1 Revenue

In 2013, the net income was (12,573) thousand euros, compared to 6,368 thousand euros for the previous fiscal year. This revenue mainly includes Group costs billed to subsidiaries in the amount of 5,968 thousand euros, offset by the negative impact of a 18,825 thousand euro credit, issued after 10 turbines held by the NeoAnemos subsidiary, being liquidated, were re-transferred. A credit was therefore issued in consideration for the initial sale of those turbines by THEOLIA SA to its subsidiary in 2010.

4.2 Reversals of provisions (and amortization), expense transfers

This item mainly involves a reversal of an impairment on a receivable on the NeoAnemos subsidiary under liquidation, in the amount of 7,380 thousand euros.

4.3 Purchases and change in inventories

The NeoAnemos subsidiary being under liquidation as at the closing of fiscal year 2013, the turbines that it held were transferred to its parent company THEOLIA SA. This transfer mainly led to an increase in inventories for 18,825 thousand euros.

This increase offsets the credit issued on the initial sale of those turbines, described in section 4.1 hereabove.

4.4 External expenses

In 2013, the Company's recurring operating expenses decreased again, in line with the cost cutting policy.

4.5 Staff costs

Staff costs recognized in 2013 break down as follows:

(in thousand euros)	2013	2012
Salaries and wages	1,903	1,854
Social security contributions	946	798
Other staff costs	77	149
STAFF COSTS	**2,926**	**2,801**

Social security contributions (excluding Other staff costs) amounted to 946 thousand euros in 2013, compared to 798 thousand euros in 2012. The increase mainly comes from social contributions on the allocation of free shares in the amount of 131 thousand euros.

Compensation paid to the Company's corporate officers during fiscal year 2013 amounted to 601 thousand euros and breaks down as follows:

(in thousand euros)	2013	2012
Gross salaries (including bonuses)	450	450
Benefits in kind	10	14
Directors' fees	140	181
TOTAL	**601**	**645**

4.6 Information on staff

The Company employed a total of 23 people as at the end of the period, including the executive corporate officer, compared to 26 people as at December 31, 2012.

Due to the non-material nature of retirement liabilities, the Company did not recognize any provision for retirement pension payments. These liabilities are valued at 74 thousand euros.

The workforce as a whole has a cumulative entitlement to training of 1,288 hours, which is valued at 11.8 thousand euros.

4.7 Depreciation on inventories and current assets

Provisions on inventories and current assets in the amount of 11,868 thousand euros mainly involve the depreciation on wind turbines held in inventory transferred to THEOLIA SA in the amount of 10,825 thousand euros.

This provision is partially offset by the reversal of impairment on a receivable on the NeoAnemos subsidiary under liquidation for 7,380 thousand euros (see section 4.2 hereabove).

4.8 Financial income and expenses

For fiscal year 2013, a financial loss of (45,412) thousand euros was recognized, compared to a (5,404) thousand euro loss for the previous fiscal year.

Financial items for 2013 break down as follows:

French GAAP *(in thousand euros)*	2013	2012
Financial income		
Dividends	1,313	6,865
Interests on advances to subsidiaries *	6,324	10,181
Reversals of depreciations on financial assets	28,149	41,126
Other financial income	788	389
Financial expenses		
Convertible bond interests	(4,227)	(4,228)
Depreciations on financial assets	(58,189)	(58,852)
Merger loss	(4,484)	(706)
Receivable write-off for financial reasons	(15,000)	
Other financial expenses	(86)	(180)
FINANCIAL INCOME	**(45,412)**	**(5,404)**

* This item also includes compensation for the loans granted.

In 2013, dividends were again at the level of 2011, after a year 2012 marked by an exceptional installment from the Moroccan subsidiary.

Interests recorded for 2013 show a decrease, mainly due to a change in the rate applied to advances to subsidiaries.

Depreciations on financial assets net of reversals amounted to (30,040) thousand euros and mainly include depreciations recorded further to the performance of impairment tests (refer to section 3.3 hereabove).

4.9 Corporate tax

Expense/Income

The details of this item in the amount of (267) thousand euros can be analyzed as follows:

- tax expense (withholding tax on operations in Morocco) €(270) K
- family tax credit and profit-sharing scheme €3 K

NOTE 5 TRANSACTIONS BETWEEN THE COMPANY, ITS DIRECTORS AND ITS MANAGEMENT

In 2013, no agreement was signed between the Company and its directors.

NOTE 6 RELATED UNDERTAKINGS

	Equity interests (gross)	Receivables from equity investments (gross)	Loans	interests on financial receivables	Trade and other receivables (gross)	Trade and related payables	Sales of goods	Management fees (income)	Other financial income	Other income	Management fees (expenses)	Other financial expenses
SERES ENVIRONNEMENT	10,272	(45)			13			276	12			9
THERBIO	14,634	5,793			50			23	143			
ECOVAL 30		8,053			66	223		175	194	2		
THEOLIA France	14,240	93,112			120	243		1,764	2,648			15,000
BGE MANAGEMENT SARL	13	21							1			
BGE INVESTMENT SARL	13	2,102							52			
VIBINIUM SRL					7			41				
BOVINO EOLICO SRL								5				
AEROCHETTO SRL					132			(7)		(12)		
THEOLIA IBERICA	3	22,013	815						570			
PARQUES EOLICOS DE LA SIERRA		17										
THEOLIA HOLDING GMBH	195,397	33,467			27							
THEOLIA NATURENERGIEN HOLDING GMBH					1			1,840	914			
THEOLIA NATURENERGIEN GMBH								14				
THEOLIA BRAZIL	4,000	3,952							99			
THEOLIA GREECE	57	507										
THEOLIA CEE GMBH	1,000	281										
THEOLIA EMERGING MARKETS	2,481	1,079				87		19	27			
LA COMPANIE EOLIENNE DU DETROIT	45,385	502			1,208			666	1,331			
MAESTRALE GREEN ENERGY	28,231	27,930			40	100		959	982			
MAESTRALE GIUNCHETTO		14,269							355			
NEOANEMOS					878		(18,825)					
BREEZE TWO ENERGY GmbH & CoKG (EUR)					95			95				
THEOLIA MANAGEMENT COMPANY	13	25			404	21		383			122	
THEOLIA UTILITIES INVESTMENT COMPANY	1,018		4,375	309		122			309			
TOTAL	**316,756**	**213,079**	**5,190**	**309**	**3,039**	**796**	**(18,825)**	**6,252**	**7,636**	**(9)**	**122**	**15,009**

NOTE 7 OFF-BALANCE-SHEET COMMITMENTS

The Company's off-balance-sheet commitments mainly include:

- pledges and guarantees related to financing of subsidiaries developing wind projects;
- comfort letters issued to subsidiaries;
- receivable write-offs with financial recovery clause granted to subsidiaries;
- lease commitments; and
- other contractual commitments.

The following table shows the significant commitments taken and received by the Company as at December 31, 2013.

(in thousand euros)	2013	2012
Endorsements, pledges and guarantees given	8,031	9,745
Comfort or support letters issued to subsidiaries	-	5,500
Contractual commitments	71	-
Simple leases	1,602	1,781
Financial assets	15,000	-
Other commitments received	(15,000)	-
TOTAL	**9,704**	**17,026**

These commitments are distributed as follows:

(in thousand euros)	Less than 1 year	1 to 5 years	More than 5 years	TOTAL
Endorsements, pledges and guarantees given	3,129	4,902	-	8,031
Contractual commitments	71	-	-	71
Simple leases	614	988	-	1,602
Financial assets	15,000	-	-	15,000
Other commitments received	-	(15,000)	-	(15,000)
TOTAL	**18,814**	**(9,110)**	**-**	**9,704**

Besides, considering the economic context of some of its subsidiaries, THEOLIA also committed, as a reference shareholder, to supporting their activity during fiscal year 2013.

NOTE 8 EVENT AFTER YEAR-END

Disposal of Seres Environnement

On March 27, 2014, THEOLIA announced that it sold Seres Environnement, a company operating in the field of designing and manufacturing instruments to measure and analyze air and water quality. This subsidiary was part of THEOLIA's environmental division, for which IFRS 5 relating to discontinued activities is enforceable.

This disposal is part of THEOLIA's strategy to withdraw from its non-wind activities.

After a restructuring initiated in 2010 in order to cope with a loss-making activity, SERES Environnement managed to significantly recover. The company is now ready to speed up its development

Currently active in 80 countries, Seres Environnement aims to enhance its international footprint thanks to its expert teams and favorable regulations in the markets where it operates, notably emerging countries.

NOTE 9 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 investments (gross)	Impairment of equity investments	Equity investments (net)	Amount of loans and advances granted	Amount of dividends received
GmbH & Co KGaA	ecolutions GmbH & Co. KG	38.82%	Grüneburgweg 18	60322 FRANKFURT GERMANY	HRB 79650	28,400	(15,899)	-	-	25,132	22,265	2,868	-	
SAS	SERES Environnement SAS	100.00%	360 Rue Louis de Broglie	13290 AIX EN PROVENCE FRANCE	490 619 319 00018	1,760	195	(50)	4,650	10,272	9,278	995	(45)	
SAS	THEOLIA France SAS	100.00%	4 Rue Jules Ferry	34000 MONTPELLIER FRANCE	480 039 825 00041	14,240	(35,735)	1,484	3,275	14,240	14,240	-	93,112	
GmbH	THEOLIA Holding GmbH	100.00%	Ulmer Strasse 5	70771 LEINFELDEN-ECHTERDINGEN GERMANY	HRB 722378	30	(631)	2,541	3,431	195,397	91,850	103,547	33,467	
SA	Therbio SA	99.99%	75 Rue Denis Papin BP80199	13795 AIX EN PROVENCE FRANCE	399 979 608 00060	4,800	(11,927)	(166)	53	14,634	14,634	-	5,793	
GmbH	THEOLIA Greece Gmbh IL	95.00%	Kolokotroni, N° 15 - Ano Liissia	ATHENS GREECE	63611/01/B/07/415	60	(607)	-	-	57	57	-	507	
Srl	MAESTRALE Green Energy	100.00%	Corso Magenta N° 32	20123 MILAN ITALY	4 954 090 967	15	16,290	(16,330)	619	28,231	28,231	-	27,930	
GmbH	THEOLIA CEE	100.00%	C/o MM-Trust Landstrasser Hauptstrasse 143/22	1030 VIENNA AUSTRIA	FN 297793	1,000	(1,286)	24	26	1,000	1,000	-	281	
SARL	THEOLIA Management Company Sàrl	100.00%	6, Rue Guillaume Schneider	L-2522 LUXEMBOURG, GRAND DUCHY OF LUXEMBOURG	RC B 163192	13	(27)	(1)	413	13	-	13	25	
SARL	THEOLIA Utilities Investment Company SA	40.00%	6, Rue Guillaume Schneider	L-2522 LUXEMBOURG, GRAND DUCHY OF LUXEMBOURG	RC B 163329	2,544	(239)	-	-	1,018	-	1,018	4,375	
SARL	THEOLIA Iberica	100.00%	Paseo de Gracia Num. 118, P. 5, Pta 1	08008 BARCELONA, SPAIN	CIF B64074867	3	(22,211)	(407)	-	3	3	-	22,829	
SARL	BGE Investment Sàrl	100.00%	6, Rue Guillaume Schneider	L-2522 LUXEMBOURG, GRAND DUCHY OF LUXEMBOURG	RC B 175071	13	-	(81)	-	13	-	13	21	
SARL	BGE Management Sàrl	100.00%	6, Rue Guillaume Schneider	L-2522 LUXEMBOURG, GRAND DUCHY OF LUXEMBOURG	RC B 175097	13	-	(20)	-	13	-	13	2,102	
SA	THEOLIA Emerging Markets SA (in MAD)	99.86%	52 Boulevard Zerktouni, Etage 5, appt 350	20000 CASABLANCA MOROCCO	RC Casablanca 170779	300	(5,294)	(1,059)	1,808	2,481	2,481	-	1,079	
SA	La Compagnie Eolienne Du Detroit SA (in MAD)	99.99%	Angle Boulevard Pasteur - rue Ahmed Chawki et rue du Mexique	90000 TANGIER MOROCCO	RC Tanger 13749	181,111	48,163	6,606	77,826	45,385	20,456	24,929	502	1,313
SA	THEOLIA Brasil Energias Alternativas (in REAL)	100.00%	Rua Furriel Luiz Antônio Vargas, n°250, cj 1.002	PORTO ALEGRE RS BRAZIL	NIRE 43205244306	2,687	(12,137)	(2,544)	-	4,000	4,000	-	3,952	

The values of equity investments (gross, depreciations and net), as well as the values of loans and advances granted, are denominated in thousand euros, unless otherwise specified.

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, 2013 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. These 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, 2013 and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

Without qualifying the above opinion, we would draw your attention to the going concern uncertainty outlined in the introductory paragraph of the notes to the financial statements.

II. Justification of our assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code relating to the justification of our assessments, we inform you that our assessments focused on the appropriateness of the accounting policies used and, where applicable, the reasonableness of the accounting estimates made as well as the overall financial statement presentation, particularly concerning:

- Equity interests, the net amount of which shown in the balance sheet as of December 31, 2013 totaled 130,526 thousand euros, are stated at purchase cost and written down based on their value in use according to the methods described in note 1.3 to the financial statements "Financial assets." Based on the information made available to us, our work consisted in assessing the data used to determine these values in use, reviewing the updated profitability forecasts for the relevant businesses and the achievement of objectives, and verifying the consistency of the assumptions adopted with the projected data derived from the medium-term plans prepared under the supervision of executive management.
- As mentioned in the first section of this report, the notes refer to the uncertainties regarding the going concern principle. We were required to examine the measures taken into consideration in this respect. Based on our work and the information made available to us to date, and as part of our assessment of the accounting policies adopted by your Company, we believe that the notes provide appropriate disclosure as to the Company's position with regard to the aforementioned going concern uncertainty.

These assessments were performed as part of our audit approach for the financial statements taken as a whole and contributed to the expression of our opinion in the first part of this report.

III. Specific verifications and disclosures

We have also performed the specific verifications required by law in accordance with professional practice standards applicable in France.

We have no matters to report regarding the fair presentation and the consistency with the financial statements of the information provided 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 relating to compensations and benefits received by the corporate officers 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 these procedures, we attest to the accuracy of this information.

Pursuant to the law, we have verified that the management report contains the appropriate disclosures as to the identity of and percentage interests and votes held by shareholders.

In Marseilles and Paris, on April 22, 2014

The Statutory Auditors

Deloitte & Associés	Cabinet Didier Kling & Associés	
Christophe PERRAU	Didier KLING	Christophe BONTE

6 Information about the Company and the share capital

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, governed by the laws and regulations in force, 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 the event of an early dissolution or an 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 purpose of the Company is, directly or indirectly, in France and abroad, both for its own account and for the account of third parties:

1 - all operations relating to energy in the widest sense;

2 - the production of energy in all its forms;

3 - trading or any transactions of any kind involving energy in the widest sense of the term,

4 - all operations for the study, design, development, site supervision, implementation and execution, direct or indirect operation, maintenance, training of staff 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 such interests and any 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 Regulations)

Composition of the Board of Directors

As provided by law, the Company is managed by a Board of Directors consisting of three to eighteen members, unless otherwise permitted by law in the event of a merger; directors are appointed under the conditions set out by law. Directors may not be over 70 years of age. A director (or directors) who has (have) reached the age limit is (are) deemed to have automatically resigned.

The term of office of directors appointed or re-elected is set at 3 years. The term of office of each director shall always be renewable. Directors may 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 shall 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 have automatically resigned.

The acceptance and exercise of the office as Chairman shall entail the commitment by the interested party to declare that he/she satisfies the limitations provided for by law as regards the holding of multiple corporate offices as Chairman and director within limited liability companies.

The Board may, if it deems it necessary, designate one or several Vice-chairmen among its members.

The Board shall appoint a secretary, who may be chosen from outside the Company's shareholders.

The Chairman shall chair 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 duties. The Chairman shall chair the sessions of the general meetings and produce the reports required by law. He shall also take responsibility for the General Management of the Company in the capacity of CEO, if the Board of Directors chooses to combine both 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 upon notice sent by its Chairman by any means including verbally. The meeting shall take place either at the registered office, or in any other location indicated in the notice made by the Chairman.

Should the Chairman be unavailable, the meeting shall be called by a director temporarily delegated to the office of Chairman, or by a Vice-chairman.

Should the Board of Directors fail to meet for more than two months, at least a third of its members may require the Chairman to call the Board with regard to a specific agenda. If need be, the CEO may require the Chairman to call the Board of Directors with regard to a specific agenda.

The Board of Directors is quorate if at least half its members are present.

Except when provided otherwise by law, to calculate the quorum and the majority, directors who participate in the meeting of the Board by videoconference or by other means of telecommunication that enable their identification, in accordance with the regulations in force, shall be deemed as attending.

A director may grant a written proxy to another director in order to be represented. No director may hold more than one proxy during the course of the same meeting.

An attendance register shall be signed by the directors attending the session, and mention, where applicable, the attendance through videoconference or other means of telecommunication enabling their identification of the concerned directors and guaranteeing their effective attendance. The contents 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 videoconference or other means of telecommunication enabling their identification and guaranteeing their effective attendance, or their representation.

The meetings shall be chaired 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 an evenly split vote, the Chairman shall have the deciding vote.

The Board may decide to create committees or commissions responsible for studying any matters that 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.

Duties 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, the Board shall undertake any matter that may affect the proper operation of the Company and shall, through its deliberations, guide the matters concerning the Company.

The Board of Directors shall conduct the checks and audits that it considers appropriate.

The Chairman or CEO of the Company is required to forward to each director all the documents and information necessary for the fulfillment of his/her duties.

In exercising its powers, the Board shall grant, if necessary, any delegations to its Chairman, or to any other authorized agents that it designates, subject to the restrictions set out by law concerning endorsements, sureties and guarantees; the Board may grant a power of substitution.

As at the publication date of this Registration Document, Michel Meeus serves as Chairman of the Company’s Board of Directors.

Internal 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, last updated on June 1, 2012, 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 performance.

The full Internal Regulations of the Board of Directors and Appendices in effect are available on the Company’s website (www.theolia.com, under Finance/Corporate governance/Documents).

<u>Control and performance evaluation of the Board of Directors</u>

In accordance with the governance principles, each director must perform his/her office 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 is required to fully and immediately inform the Board of any real or potential conflict of interest in which he/she could, directly or indirectly, be involved, specifically for the purpose of determining whether the involved director must abstain from taking part in the discussions and in any decisions relating to such a conflict.

The directors shall make sure that no one within the Company may 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 operate effectively and that the Statutory Auditors perform their role satisfactorily.

The Board of Directors shall conduct a performance evaluation of the Board. The main conclusions of that evaluation can be read in the 2013 Report of the Chairman of the Board of Directors (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 bearing 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 a qualified majority of two-thirds of the votes of the members present or possibly deemed as such or represented.

The option retained – and any subsequent option – shall be valid until ruled otherwise by the Board of Directors under the same majority terms.

In any event, the Board shall 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

Should the Board of Directors choose to disassociate both functions of Chairman and CEO, it shall then appoint the CEO among the directors or outside the members of the Board, fix the term of his/her office, determine his/her compensation and, where applicable, the limitations of his/her powers. He/she shall not be more than 65 years of age.

Regardless of the term for which these functions are conferred, the functions of the CEO shall lawfully terminate at the end of the fiscal year during which he/she reaches his/her 65th birthday. However, the Board may decide, in the interest of the Company, to exceptionally extend the office of the CEO beyond this age limit for successive one-year periods. In this case, the functions of the CEO shall definitively cease at the latest by the end of the fiscal year during which he/she reaches the age of 70.

The acceptance and the exercise of the functions of CEO require the interested party to declare that he/she conforms to the restrictions set out by law as regards the holding of multiple corporate offices as CEO and director within limited liability companies.

The CEO may be dismissed at any time by the Board of Directors. When the CEO does not also act as Chairman of the Board of Directors, his/her dismissal may give rise to damages if the dismissal is decided without reasonable grounds.

Powers of the CEO

The CEO is vested with the most extensive powers for acting in all circumstances in the name and on behalf of the Company. He/she exercises such powers within the scope of the Company's 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 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 Company's corporate purpose, unless it's proved 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 request that the Chairman of the Board of Directors call a Board meeting with regard to a specific agenda.

The CEO may be substituted by any person holding a special proxy.

As at the publication date of this Registration Document, Fady Khallouf is the Company's CEO.

6.1.10 General meetings of shareholders (Article 22 of the Articles of Incorporation)

Convening general meetings

General meetings of shareholders shall be convened by the Board of Directors or, failing this, by the Statutory Auditors, by any 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 under the conditions provided for in 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 Annonces Légales Obligatoires*).

Shareholders who have owned registered shares for at least one month on the date of the first notice are convened by mail.

The meeting notice is preceded by a prior notice containing all provisions required by law that shall be published in the BALO (*Bulletin des Annonces Légales Obligatoires*) 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 general meetings and to attend in person, by returning the voting slip by mail or by giving 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 the regulations in force.

Minutes are compiled and copies or extracts from the deliberations are issued and certified in compliance with the law.

Ordinary and extraordinary general meetings, ruling under the majority terms set out in the applicable provisions, exercise the powers granted to them as provided 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 in force, request from the central securities depository responsible for maintaining the issuance account of its shares, information relating to 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 aforementioned 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 provided for in 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, shall be required to inform the Company by registered letter with acknowledgement of receipt, by indicating the number of voting rights and shares which such person owns, giving immediate or future access to the share capital, as well as the voting rights attached thereto, within a time limit of five business days from the day each of these legal threshold is crossed.

Failing to do so, 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 shares become less than each of the aforementioned legal thresholds.

Changes in the share capital (Article 8 of the Articles of Incorporation)

Capital increase

The share capital may be increased either through the issuance of ordinary or preferred shares, or by increasing the amount of the par value of the existing equity securities. It may 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 may also be paid up following the exercise of a right attached to securities giving access to the share capital, including, where applicable, the payment of the corresponding sums.

The shares subscribed to in cash and issued for a capital increase must compulsorily be paid up for one quarter of their par value as 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 duly completed.

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 in a gazette authorized to publish legal notices in the department in which the registered office is located 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 share capital may be redeemed by a decision of the extraordinary general meeting, through sums distributable as provided by law. Redeemed shares are referred to as 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 may this undermine the equality of the shareholders.

Modification of shareholder rights

The rights of the shareholders, as ascribed 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 between 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 amounts deducted from available reserves, by 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 procedures laid down by law.

Dividends that are unclaimed at the end of a five-year period from their date of payment revert to the State.

The payment of dividends shall 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 2014 for the fiscal year ended December 31, 2013.

The full Articles of Incorporation are available on the Company's website (www.theolia.com, under Finance/Corporate governance/Documents).

6.2 SHARE CAPITAL

6.2.1 Share capital

As at December 31, 2013, the Company's share capital recognized by the Board of Directors amounted to 90,852,262.20 euros, divided into 64,894,473 shares with a par value of 1.40 euro, fully paid-up and of the same class. Considering the 389 shares created further to the conversion of 90 OCEANEs in December 2013, but not yet recognized by the Board of Directors as at December 31, 2013, the share capital amounts to 90,852,806.80 euros, divided into 64,894,862 shares.

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 for by law.

On July 20, 2012, the Company implemented the consolidation of two shares with a par value of 0.70 euro into one new share with a par value of 1.40 euro. Conditions for the share consolidation were specified in a press release and in a publication in the French legal gazette ("*Bulletin des Annonces Légales Obligatoires*") on July 4, 2012.

It is reminded, in particular, that the exchange period for non-consolidated shares shall last for two years as from July 20, 2012 (being specified that, in compliance with the law, the exchange period shall be extended until the first business day following Sunday July 20, 2014, i.e. until Monday July 21, 2014). At the end of the exchange period, new shares which have not been claimed by their beneficiary shall be sold on the market and the net proceeds from the sale shall be made available to the beneficiaries for 10 years on an escrow account opened with CACEIS Corporate Trust. When this 10-year deadline is reached, sums unclaimed by the beneficiaries shall be transferred to the French *Caisse des dépôts et consignations* and shall remain available to them subject to the thirty-year limitation period in favor of the French State.

As at December 31, 2013, 15,000 registered shares 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	Number of shares further to the transaction	Share capital further to the transaction (in euros)
2008/12/31	Capital recognized as 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 as 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	Acknowledgement of the 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 as at the closing of fiscal year 2010	110,292,782	110,292,782.00
2011/04/18	Acknowledgement of the 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	Acknowledgement of the conversion of 1,697,111 OCEANEs into 14,663,038 shares	127,418,347	127,418,347.00
2011/12/31	Capital recognized as at the closing of fiscal year 2011	127,418,347	127,418,347.00
2012/03/28	Acknowledgement of the 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	Acknowledgement of the 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

Date of approval by the Board of Directors	Nature of the transaction	Number of shares further to the transaction	Share capital further to the transaction (in euros)
2012/06/25	Reduction of the share par value from 1 euro to 0.70 euro	128,041,597	89,629,117.90
2012/07/02 (2)	Consolidation of 2 old shares into 1 new share	64,020,798	89,629,117.20
2012/10/29	Acknowledgement of the conversion of 200,240 OCEANEs into 865,036 shares	64,885,834	90,840,167.60
2012/12/31	Capital recognized as at the closing of fiscal year 2012	64,885,834	90,840,167.60
2013/04/10	Acknowledgement of the conversion of 1,052 OCEANEs into 4,544 shares	64,890,378	90,846,529.20
2013/05/10	Acknowledgement of the conversion of 948 OCEANEs into 4,095 shares	64,894,473	90,852,262.20
2013/12/31	Capital recognized as at the closing of fiscal year 2013	64,894,473	90,852,262.20

(1) Implementation on June 21, 2012.
(2) Implementation on July 20, 2012.

6.2.3 Authorized, unissued share capital

6.2.3.1 Delegations and authorizations granted to the Board of Directors by the General Meeting dated June 1, 2012

Resolution	Purpose	Duration and expiry date	Individual upper limits	Common upper limits	Overall upper limits
11th	Transactions on the Company's shares	18 months December 1, 2013	• Acquisitions of shares within the limit of 10% of the share capital 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 • Within the limit of 200 million euros • Within the limit of the Company's direct or indirect holding of 10% of its own share capital	-	-
14th	Issue of securities with preferential subscription right	26 months August 1, 2014	70 million euros in the event of a capital increase, including the shares resulting from the issue of securities in compliance with the 18th resolution	-	Overall upper limit for capital increases: 210 million euros
			200 million euros in the event of the issue of debt securities, including the debt securities resulting from the issue of debt securities in compliance with the 18th resolution	-	Overall upper limit for the nominal value of debt securities: 200 million euros
15th	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, including the shares resulting from the issue of securities in compliance with the 18th resolution	Common upper limit for capital increases without preferential subscription right: 70 million euros	Overall upper limit for capital increases: 210 million euros
			200 million euros in the event of the issue of debt securities, including the debt securities resulting from the issue of debt securities in compliance with the 18th resolution	-	Overall upper limit for the nominal value of debt securities : 200 million euros
16th	Issue of securities without preferential subscription right for private placement	26 months August 1, 2014	20% of the share capital per year in the event of a capital increase, including the shares resulting from the issue of securities in compliance with the 18th resolution	Common upper limit for capital increases without preferential subscription right: 70 million euros	Overall upper limit for capital increases: 210 million euros
			200 million euros in the event of the issue of debt securities, including the debt securities resulting from the issue of debt securities in compliance with the 18th resolution	-	Overall upper limit for the nominal value of debt securities: 200 million euros

Resolution	Purpose	Duration and expiry date	Individual upper limits	Common upper limits	Overall upper limits
17th	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 per year subject to the upper limits provided in the 15th and 16th resolutions	Common upper limit for capital increases without preferential subscription right: 70 million euros	Overall upper limit for capital increases: 210 million euros Overall upper limit for the nominal value of debt securities: 200 million euros
18th	Increase in the number of securities to be issued 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 upper limit provided in the resolution pursuant to which the issue is decided	-	Overall upper limit for capital increases: 210 million euros Overall upper limit for the nominal value of debt securities: 200 million euros
19th	Issue by the Company's subsidiaries of securities granting a right to hold a stake in the Company's share capital without preferential subscription right	26 months August 1, 2014	17.5 million euros	Common upper limit for capital increases without preferential subscription right: 70 million euros	Overall upper limit for capital increases: 210 million euros
20th	Capital increase through capitalization of reserves, profits, premiums or other	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	Issue of securities without preferential subscription right 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	Common upper limit for capital increases without preferential subscription right: 70 million euros	Overall upper limit for capital increases: 210 million euros
			200 million euros in the event of the issue of debt securities	-	Overall upper limit for the nominal value of debt securities: 200 million euros
22nd	Issue of securities without preferential subscription right in payment for contributions in kind granted to the Company	26 months August 1, 2014	10% of the share capital in the event of a capital increase	Common upper limit for capital increases without preferential subscription right: 70 million euros	Overall upper limit for capital increases: 210 million euros
			200 million euros in the event of the issue of debt securities	-	Overall upper limit for the nominal value of debt securities: 200 million euros
23rd	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 as 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	Upper limit common to the 23rd and 24th resolutions: 5% of the share capital as at the date of the Board of Directors' decision	Overall upper limit for capital increases: 210 million euros
24th	Grant of free shares to the benefit of staff members and corporate officers	38 months August 1, 2015	5% of the share capital as at the date of the Board of Directors' decision	Upper limit common to the 23rd and 24th resolutions: 5% of the share capital as at the date of the Board of Directors' decision	Overall upper limit for capital increases: 210 million euros
26th	Reduction of the share capital through share cancellation	18 months December 1, 2013	10% of the share capital as at the date of the Board of Directors' decision for each period of 24 months	-	-
27th	Issue of securities without preferential subscription right to the benefit of a specific category of people ensuring the underwriting of securities	Maximum period provided in Article L. 225-138 of the French Commercial Code	10% of the share capital	-	-

The full text of these delegations and authorizations is available at www.theolia.com/en/finance/general-meetings.

6.2.3.2 Delegations and authorizations granted to the Board of Directors by the General Meeting dated June 21, 2013

Resolution	Purpose	Duration and expiry date	Upper limit
8th	Transactions on the Company's shares	18 months December 21, 2014	• Acquisitions of shares within the limit of 10% of the share capital 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 • Within the limit of 14.3 million euros • Within the limit of the Company's direct or indirect holding of 10% of its own share capital

The full text of these delegations and authorizations is available at www.theolia.com/en/finance/general-meetings.

6.2.3.3 Use, by the Board of Directors, of delegations and authorizations granted by the General Meetings dated June 1, 2012 and June 21, 2013

During fiscal year 2013, the Board of Directors only traded the Company's shares in the framework of a liquidity contract (see section 6.2.4 hereunder). No shares or securities providing access to the share capital were issued or granted.

6.2.4 Shares held by the Company or for its own account

On December 5, 2012, THEOLIA entrusted Kepler Capital Markets with the implementation of a liquidity contract compliant with the ethics charter of the *Association française des marchés financiers*, also approved by the AMF.

During fiscal year 2013, this contract was active from January 1 to July 7 and was suspended from July 8 to December 31. Transactions performed in the scope of this contract during fiscal year 2013 are as follows:

	Quantity (number of shares)	Amount (euros)	Average stock price (euros)
Total Purchase	1,076,053	1,539,302.38	1.4305
Total Sale	990,603	1,437,113.21	1.4507

As at December 31, 2013, the liquidity account, as for this liquidity contract, included:

- 295,959 shares, corresponding to 0.46% of the share capital, or, at the closing price of December 31, 2013, i.e. 1.20 euro, to 355,150.80 euros; and
- 118,848.78 euros.

Besides, the Company holds 1 non-consolidated share, which, at the closing price of December 31, 2013, i.e. 0.72 euro, corresponds to 0.72 euro.

The Company did not use the authorization granted by the General Meeting dated June 21, 2013 in any other way than for this liquidity contract.

6.2.5 Options or agreements concerning the Company's share capital

As at December 31, 2013, the optional mechanisms likely to affect the Company's share capital are:

- 8,226,380 outstanding OCEANEs, which may enable the maximum issuance of 28,463,275 new shares if they were to be converted;
- 1,833,570 free shares under acquisition, which may enable the maximum issuance of 1,833,570 new shares;
- 2,175,000 outstanding stock options, which may enable the maximum issuance of 1,087,500 new shares if they were to be exercised; and
- 100,000 outstanding stock warrants, which may enable the maximum issuance of 67,200 new shares if they were to be exercised.

The maximum number of shares that may be created as at December 31, 2013 is 31,451,545 new shares.

6.2.5.1 OCEANEs

On October 23, 2007, THEOLIA floated an issue of convertible bonds (OCEANEs) 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 on July 20, 2010, in accordance with the prospectus number 10-198 dated June 23, 2010.

The main new terms of the OCEANEs are as follows:

- a power is conferred on the bondholders to request the early buyback of all or part of their OCEANEs on January 1, 2015, with an early buyback price of 15.29 euros per OCEANE;
- any outstanding OCEANEs shall be redeemed in full at the price of 20.77 euros per OCEANE on January 1, 2041;
- at any time and until the 7th business day preceding December 31, 2013, each OCEANE could be converted into 4.32 new shares or exchanged for 4.32 outstanding shares of the Company. As from January 1, 2014 and until the 7th 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. 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 entitling 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 euros, under the following conditions:
  - up to and including December 31, 2014, at an annual rate of 2.7%; and
  - as from January 1, 2015, at an annual rate of 0.1%.

For further information on the change in the terms of the OCEANEs, refer to the securities note number 10-198 dated June 23, 2010, available on the Company's website.

During fiscal year 2013, 2,090 OCEANEs were converted, which gave rise to the creation of 9,028 new shares. As at December 31, 2013, 8,226,380 OCEANEs remained outstanding. In the event of conversion of these OCEANEs by the 7th business day preceding December 31, 2014, that would lead to the creation of 28,463,275 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 all bondholders request it on January 1, 2015.

6.2.5.2 Performance shares

The Board of Directors did not grant any performance shares during fiscal year 2013.

It is reminded that the Board of Directors, during its meeting dated December 10, 2012, granted 1,000,000 free performance shares to staff members of the Group and 900,000 free performance shares to the CEO.

As at December 31, 2013, 933,570 performance shares granted to staff members of the Group and 900,000 performance shares granted to the CEO, i.e. a total of 1,833,570 performance shares, were under acquisition.

Definitive acquisition of these shares is subject to (i) performance conditions associated with operational, financial and stock performance targets, relating to fiscal years closed on December 31, 2012 and December 31, 2013 and (ii) attendance conditions. These shares will only be definitively granted to beneficiaries who worked continuously as employees or corporate officers during the entire acquisition period.

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.

6.2.5.3 Stock options

The Board of Directors did not grant any stock options during fiscal year 2013.

It is reminded that on December 1, 2010, the Board of Directors allocated 1,500,000 stock options to the CEO, subject to stock performance conditions and that on July 29, 2011, the Board of Directors allocated 810,000 stock options to some employees of the Group, subject to attendance and stock performance conditions.

As at December 31, 2013, 1,500,000 stock options granted to the CEO and 675,000 stock options granted to employees of the Group were outstanding, i.e. a total of 2,175,000 stock options. With a 0.5 exchange ratio, these 2,175,000 stock options may give rise to the creation of a maximum of 1,087,500 new shares if they were to be exercised.

Stock performance conditions are based on the meeting of thresholds. A threshold is deemed met if the arithmetic average of the volume-weighted average price over 20 consecutive trading days is superior or equal to that threshold. When a threshold is met, one part of the stock options becomes exercisable according to the following distribution:

	Part of stock options which became exercisable	
Threshold	**CEO**	**Employees**
€3.60	6.67%	6%
€5.00	20%	20%
€6.00	13.33%	12%
€7.00	26.67%	25%
€10.00	33.33%	37%

6.2.5.4 Stock warrants

The Board of Directors did not grant any stock warrants during fiscal year 2013.

It is reminded that as at December 31, 2012, 276,916 stock warrants were outstanding, enabling the maximum issue of 167,336 new shares if they were to be exercised. 176,916 stock warrants matured during fiscal year 2013 without being exercised and were therefore cancelled.

As at December 31, 2013, 100,000 stock warrants were outstanding, enabling the maximum issue of 67,200 new shares if they were to be exercised. Besides, it is stated that 50,000 stock warrants matured on December 31, 2013 without being exercised and were therefore cancelled. 50,000 stock warrants are therefore still outstanding as at the publication date of this Registration Document, which will mature on December 31, 2014, with a unit exercise price of 4.85 euros, entitling to 0.672 share.

Apart from the aforementioned mechanisms, as far as the Company is aware, no other optional mechanisms exist that may affect 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

As far as the Company is aware, during the last three fiscal years, the share capital's and voting rights' distribution changed as follows:

	As at 2013/12/31			As at 2012/12/31			As at 2011/12/31 (1)		
	Number of shares	% of the share capital	% of total voting rights (2) (5)	Number of shares	% of the share capital	% of total voting rights (3) (5)	Number of shares	% of the share capital	% of total voting rights (4) (5)
Concert	**10,339,213**	**15.9**	**23.8**	**8,580,261**	**13.2**	**15.5**	**8,580,261**	**13.4**	**13.3**
Pierre Salik	4,956,730	7.6	10.4	3,197,778	4.9	5.8	3,197,778	5.0	5.0
Michel Meeus	3,622,081	5.6	8.5	3,622,081	5.6	6.4	3,622,081	5.7	5.6
Brigitte Salik	1,758,527	2.7	4.9	1,758,527	2.7	3.3	1,758,527	2.7	2.7
CRC Active Value Fund Ltd	1,875	ns	ns	1,875	ns	ns	1,875	ns	ns
APG Algemene Pensioen Groep NV	**-**	**-**	**-**	**-**	**-**	**-**	**5,199,798**	**8.2**	**8.1**
Treasury shares (6)	**295,959**	**0.5**	**0.4**	**210,509**	**0.3**	**0.3**	**92,069**	**0.1**	**0.1**
Other	**54,259,690**	**83.6**	**75.8**	**56,095,064**	**86.5**	**84.2**	**49,923,445**	**78.3**	**78.5**
TOTAL	**64,894,862**	**100.0**	**100.0**	**64,885,834**	**100.0**	**100.0**	**63,795,573**	**100.0**	**100.0**

(1) Equivalent in consolidated shares.
(2) As at December 31, 2013, the total number of voting rights amounted to 144,002,395 (including voting rights for treasury shares).
(3) As at December 31, 2012, the total number of voting rights amounted to 134,607,447 (including voting rights for treasury shares).
(4) As at December 31, 2011, the total number of voting rights amounted to 128,838,001 (including voting rights for treasury shares).
(5) The difference between the number of shares and the number of voting rights is due to the existence of double voting rights (see section 6.3.4.1 hereunder).
(6) Treasury shares temporarily without voting rights.

As at December 31, 2013, the Company was holding 295,959 consolidated shares and 1 non-consolidated share, representing 0.46% of the share capital (see section 6.2.4 hereof).

The number of shares held by each member of the Board of Directors is specified in section 2.3.4 hereof.

As at December 31, 2013, as far as the Company is aware, the percentage of the share capital held by staff members of the Group is not significant.

The Company is not aware of other shareholders holding directly or indirectly, on their own or in concert, more than 5% of the share capital or the voting rights who would have provided it with a declaration of crossing legal thresholds.

Crossings of legal thresholds notified to the AMF are available on the AMF website www.amf-france.org.

As far as the Company is aware, there has been no significant change in the ownership structure since the closing of the fiscal year.

6.3.2 Shareholder agreements on the securities composing the Company's share capital

Exception made of the action in concert mentioned in section 6.3.1, 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 23.3 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 free 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 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 Meetings of Shareholders dated June 1, 2012 and June 21, 2013 empowered the Board of Directors with the delegations and authorizations enabling it to issue securities or buy back shares, subject to certain conditions. All pending delegations and authorizations, as well as the use made out of them during fiscal year 2013 , are specified in section 6.2.3 hereof.

6.3.5 Agreements entered into by the Company that would be amended or terminated in the event of a change in the Company's control

Some of the Company's financing arrangements provide for early repayment in the event of a change in the Company's control. This is the case of the OCEANEs issued in October 2007 and modified in 2010, the main new provisions of which are presented in section 6.2.5.1 hereof.

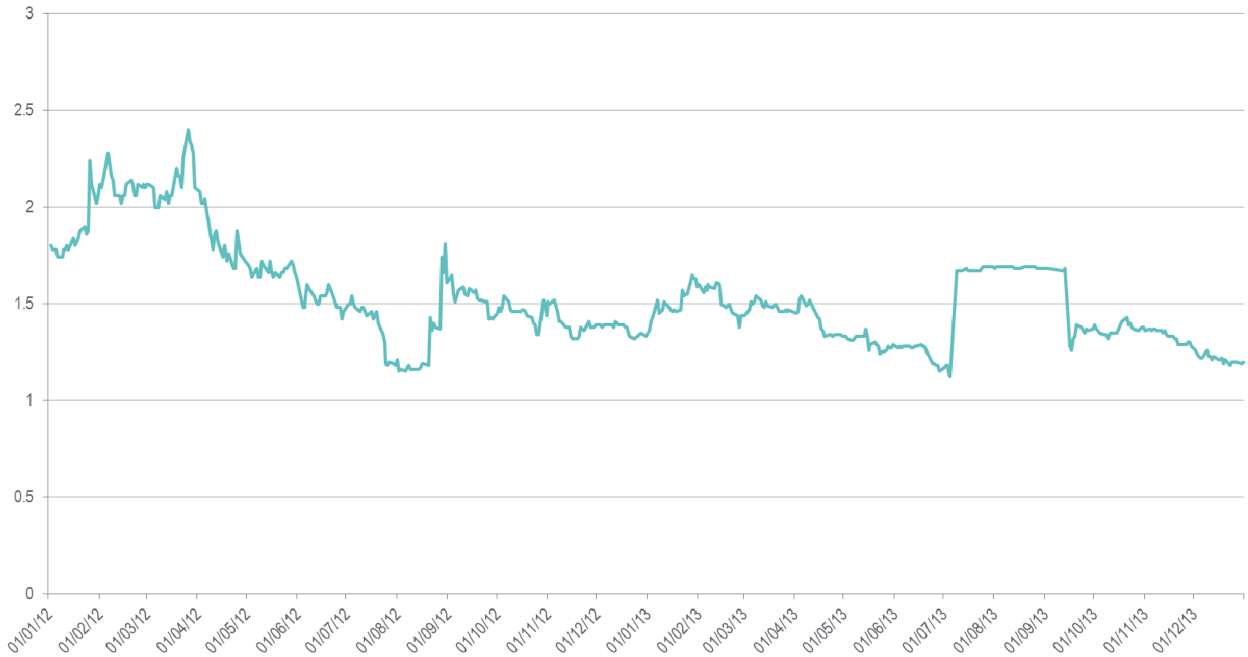
For further information on the change in the terms of the OCEANEs, please refer to the securities note number 10-198 dated June 23, 2010, available on the Company's website.

6.4 STOCK MARKET INFORMATION

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 1, 2012 to December 31, 2013 are shown below:

Stock market price trends from January 1, 2012 to December 31, 2013



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.

TEO
LISTED
NYSE
EURONEXT

7 Additional information

7.1 DOCUMENTS AVAILABLE TO THE PUBLIC

The Company's Articles of Incorporation, as well as minutes of general meetings of shareholders, the parent company and consolidated financial statements, the Statutory Auditors' reports and any other corporate documents relating to the last three fiscal years prior to the publication of this Registration Document, may be consulted in paper form at the Company's registered office located 75, rue Denis Papin, PO Box 80199 – 13795 Aix-en-Provence Cedex 3, France.

All the information made public by the Group pursuant to Article 221-1 of the General Regulations of the AMF and Article R. 225-73-1 of the French Commercial Code, are available on the Company's website www.theolia.com and a copy may be obtained from the Company.

7.2 INFORMATION INCORPORATED BY REFERENCE

7.2.1 Fiscal year ended on December 31, 2011

Pursuant to Article 28-1 section 5 of (EC) Regulation No. 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 IFRSs, 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.

7.2.2 Fiscal year ended on December 31, 2012

Pursuant to Article 28-1 section 5 of (EC) Regulation No. 809/2004 of the European Commission of April 29, 2004, the Group's consolidated financial statements for the year ended on December 31, 2012 (prepared in accordance with IFRSs, including comparative data for fiscal year 2011 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 5.1 of the Company's Registration Document registered with the AMF on April 29, 2013.

7.3 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 7.5.3 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 Statutory Auditors' report on the consolidated financial statements as at **December 31, 2011** and appearing in section 4.1.7 of the 2011 Registration Document does not contain any specific observations.
- The Statutory Auditors' report on the consolidated financial statements as at **December 31, 2012** and appearing in section 5.2 of the 2012 Registration Document does not contain any specific observations.
- The Statutory Auditors' report on the consolidated financial statements as at **December 31, 2013** and appearing in section 5.2 hereof contains the following observation:

"*Without qualifying the above opinion, we would draw your attention to the going concern uncertainty outlined in paragraph 2.1 of Note 2 to the consolidated financial statements, "Accounting policies".*"

- The Statutory Auditors' report on the parent company financial statements as at **December 31, 2013** and appearing in section 5.4 hereof contains the following observation:

  "*Without qualifying the above opinion, we would draw your attention to the going concern uncertainty outlined in the introductory paragraph of the notes to the financial statements*".

In Aix en Provence, on April 22, 2014

Fady Khallouf, CEO

7.4 PERSONS RESPONSIBLE FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND FEES

7.4.1 Principal Statutory Auditors

7.4.1.1 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, i.e. until the Ordinary General Meeting of Shareholders called upon to rule on the financial statements of the fiscal year closed on December 31, 2007.
Last renewal:	Combined General Meeting of Shareholders 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 the fiscal year closed on December 31, 2013.

Deloitte & Associés is a member of the Regional Society of Auditors of Versailles.

7.4.1.2 Cabinet Didier Kling & Associés

28, avenue Hoche – 75008 Paris, France

Represented by Didier Kling and Christophe Bonte

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 rule on the financial statements of the fiscal year closed on December 31, 2011.
First renewal:	Combined General Meeting of Shareholders 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.

Cabinet Didier Kling & Associés is a member of the Regional Society of Auditors of Paris.

7.4.2 Alternate Statutory Auditors

7.4.2.1 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, i.e. until the Ordinary General Meeting of Shareholders called upon to rule on the financial statements of the fiscal year closed on December 31, 2007.

Last renewal: Combined General Meeting of Shareholders 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 the fiscal year closed on December 31, 2013.

BEAS is a member of the Regional Society of Auditors of Versailles.

7.4.2.2 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 rule on the financial statements of the fiscal year closed on December 31, 2011.

First renewal: Combined General Meeting of Shareholders 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.

7.4.3 Fees paid to Statutory Auditors

	Deloitte & Associés				Didier Kling & Associés			
	Amount		%		Amount		%	
(in thousand euros)	2013	2012	2013	2012	2013	2012	2013	2012
Audit of the financial statements, certification, review of individual and consolidated financial statements								
Issuer	280	280	51%	50%	135	130	49%	51%
Wind activity subsidiaries	238	247	43%	44%	119	95	43%	37%
Non-wind activity subsidiaries	20	20	4%	4%	15	17	6%	7%
Sub-total Statutory Auditors	**538**	**547**	**97%**	**98%**	**270**	**242**	**98%**	**96%**
Other work and services directly related to the Statutory Auditors' mission								
Issuer	12	3	2%	1%	-	-	-	-
Wind activity subsidiaries	3	8	1%	1%	6	11	2%	4%
Sub-total Other work	**15**	**11**	**3%**	**2%**	**6**	**11**	**2%**	**4%**
Other services (excl. audit)								
Issuer	-	-	-	-	-	-	-	-
Sub-total Other services (excl. audit)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**553**	**558**	**100%**	**100%**	**276**	**253**	**100%**	**100%**

7.5 CROSS-REFERENCE TABLES

7.5.1 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	7.3
1.2	Declaration of the responsible persons	7.3
2.	STATUTORY AUDITORS	
2.1	Names and addresses of the Statutory Auditors	7.4.1, 7.4.2
2.2	Statutory Auditors having resigned, having been dismissed or not having been renewed during the last three fiscal years	None
3.	SELECTED FINANCIAL INFORMATION	1.6
4.	MAIN RISK FACTORS FOR THE GROUP	4.4
5.	INFORMATION CONCERNING THE ISSUER	
5.1	History and evolution of 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	1.1, 1.7
7.2	List of important subsidiaries	1.7
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.	CASH AND CAPITAL	
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

21.3	Non-equity securities	None
22.	MATERIAL CONTRACTS	4.3
23.	INFORMATION FROM THIRD PARTIES, EXPERT STATEMENTS AND DECLARATIONS OF INTEREST	None
24.	DOCUMENTS AVAILABLE TO THE PUBLIC	7.1
25.	INFORMATION ABOUT MINORITY INTERESTS	1.7

7.5.2 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	3.3, 3.2
	• Main 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	6.2.3
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	6.2.4
4.	**Statement by individuals responsible for the Annual Financial Report**	7.3
5.	**Statutory Auditors' report on the parent company and consolidated financial statements**	5.4, 5.2
6.	**Communication regarding the Statutory Auditors' fees**	7.4.3
7.	**Chairman of the Board of Directors' report**	2.1
8.	**Statutory Auditors' report on the Chairman of the Board of Directors' report**	2.2

7.5.3 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.	Main 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 drafted	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 which occurred during the fiscal year	6.3.1
19.	Statement of employee stock holdings as 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	6.2.4
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, 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	6.2.3

7.5.4 Cross-reference table for the social, environmental and societal responsibility report

In order to facilitate comprehension hereof, the following thematic table will help the reader identify the information required by French Decree No. 2012-557 dated April 24, 2012 (article 225 of the Grenelle 2 Act).

		§
	SOCIAL INFORMATION	
1.	**Employment**	
1.1	Total workforce and breakdown of employees by gender, age and geographical zone	3.3.1
1.2	Recruitments and dismissals	3.3.1
1.3	Compensation and its evolution	3.3.2
2.	**Work time organization**	
2.1	Working hours	3.3.3
2.2	Absenteeism	3.3.3
3.	**Labor relations**	
3.1	Organization of the dialogue between employees and management	3.3.4
3.2	Status of collective agreements	3.3.4
4.	**Health and safety**	
4.1	Health and safety conditions at work	3.3.6
4.2	Status of agreements signed with trade unions concerning health and safety at work	3.3.6
4.3	Occupational accidents, notably frequency and severity, and occupational diseases	3.3.6
5.	**Training**	
5.1	Policies implemented on training	3.3.5
5.2	Total number of hours of training	3.3.5
6.	**Equality of treatment**	
6.1	Measures taken in favor of equality between women and men	3.3.7
6.2	Measures taken in favor of employment and integration of disabled persons	3.3.7
6.3	Policy on fighting discrimination	3.3.7
6.4	Promotion and compliance with the provisions of the fundamental agreements of the International Labor Organization	3.3.8
	ENVIRONMENTAL INFORMATION	
7.	**General policy**	
7.1	Organization for taking environmental matters into account and, if necessary, the processes of environmental assessment or certification	3.1, 3.2.1
7.2	Actions to train and inform employees on environmental protection	3.2.1
7.3	Resources devoted to preventing environmental risks and pollution	3.2.1, 3.2.3
7.4	Amount of provisions and guarantees for environmental risks	3.2.1, 3.2.4

8.	**Pollution and waste management**	
8.1	Measures to prevent, reduce or compensate discharges into air, water and ground severely affecting the environment	3.2.3
8.2	Waste prevention, recycling and disposal measures	3.2.1, 3.2.4
8.3	Consideration of noise nuisance and any other form of pollution specific to an activity	3.2.1, 3.4.2, 3.4.3
9.	**Sustainable use of resources**	
9.1	Water consumption and supply according to local constraints	3.2.6
9.2	Raw material consumption and measures taken to improve efficiency in their use	3.2.6
9.3	Energy consumption and measures taken to improve energy efficiency and the use of renewable energy	3.2.1, 3.2.6
9.4	Use of ground	3.2.3, 3.2.5
10.	**Climate change**	
10.1	Greenhouse gases emissions	3.2.1
10.2	Adaptation to the consequences of climate change	3.2.1
11.	**Protection of biodiversity**	
11.1	Measures taken to preserve or develop biodiversity	3.2.2
	SOCIETAL INFORMATION	
12.	**Regional, economic and social impact of the activity**	
12.1	Impact in matters of employment and regional development on local residents	3.4.4
13.	**Relations with stakeholders**	
13.1	Conditions of dialogue with stakeholders	3.4.1
13.2	Partnership or sponsorship actions	3.4.7
14.	**Subcontracting and suppliers**	
14.1	Social and environmental matters taken into account in the purchasing policy	3.4.5
14.2	Importance of subcontracting and taking into account the social and environmental responsibility of suppliers and subcontractors in relation with them	3.4.5
15.	**Fairness of practices**	
15.1	Actions taken to prevent corruption	3.4.6
15.2	Measures taken in favor of the health and safety of consumers	3.4.2
16.	**Other**	
16.1	Other actions taken in favor of human rights	3.4.6

Public limited company with Board of Directors
with a share capital of €90,852,262.20

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