VERGNET SA CONSOLIDATED FINANCIAL STATEMENTS

APPROVED BY THE EXECUTIVE BOARD

ON 27 MARCH 2013

Marc MAYOUSSIER
Group Legal Officer

VERGNET S.A.

2012 consolidated financial statements - Balance Sheet

In EUR '000	Note	31/12/2012 Net	31/12/2011 Net
Goodwill			
Intangible assets	4.1	630	808
Property, plant and equipment	4.1	2,692	4,275
Ownership interests	4.2.1	-	-
Investments in associates		-	-
Other long-term investments	4.2.2	315	361
CAPITAL ASSETS		3,637	5,444
Inventory and goods in the process of being produced	4.3	10,768	12,263
Trade receivables	4.4	40,959	41,262
Non-trade receivables	4.5.2	6,511	7,160
Short-term investments	4.6	1,729	3,225
Cash and cash equivalents		7,828	4,630
CURRENT ASSETS		67,795	68,540
TOTAL ASSETS			
Share capital	4.7	5,629	12,058
Additional paid-in capital		32	6,958
Consolidated reserves		(1,522)	1,997
Revaluation differences			
Translation differences		10	3
Consolidated earnings		(9,720)	(18,857)
TOTAL EQUITY	4.8	(5,571)	2,159
Negative goodwill			
MINORITY INTERESTS	4.9	195	55
OTHER EQUITY	4.10	2,295	2,755
PROVISION FOR RISKS AND CHARGES	4.11	5,792	5,471
Convertible bonds	4.12	13,034	8,973
Miscellaneous borrowing and financial debt	4.13	1,170	1,026
Trade payables	4.14	24,518	12,267
Non-trade payables	4.15	29,999	41,278
ACCOUNTS PAYABLE		68,721	63,544
TOTAL LIABILITIES		**71,432**	**73,984**

VERGNET S.A.

2012 consolidated financial statements - Income statement

In EUR '000	Note	2012	2011
Turnover	*5.1*	117,883	67,686
Other income from operations	*5.2*	5,730	5,243
Raw materials and consumables used		(96,581)	(38,878)
Payroll expense	*5.3*	(13,149)	(15,885)
Other operating expenses		(12,278)	(18,658)
Taxes and duties		(1,054)	(1,279)
Depreciation, amortisation and provisions		(8,748)	(7,803)
OPERATING PROFIT	*5.1*	(8,197)	(9,574)
Share in the profit/loss of joint ventures			
Finance income	*5.4*	427	379
Finance costs	*5.4*	(1,411)	(1,215)
FINANCE INCOME AND EXPENSE		(984)	(836)
NET INCOME FROM ASSOCIATES		(9,181)	(10,410)
Non-recurring income	*5.5*	1,183	277
Non-recurring expenses	*5.5*	(1,204)	(7,085)
NON-RECURRING INCOME AND EXPENSE		(21)	(6,808)
Income tax	*5.7*	(310)	(1,621)
NET PROFIT (LOSS) OF AFFILIATES		(9,512)	(18,839)
Share of profit of associates		(53)	-
EARNINGS BEFORE DEPRECIATION AND GOODWILL		(9,565)	(18,839)
Impairment of goodwill		(1)	3
CONSOLIDATED EARNINGS		(9,566)	(18,836)
Attributable to minority interests		154	21
NET GROUP PROFIT FOR THE PERIOD		**(9,720)**	**(18,857)**
Basic earnings per share (in euros)	*5.8*	*(1.00)*	*(2.30)*
Diluted earnings per share (in euros)	*5.8*	*(1.00)*	*(2.30)*

VERGNET S.A.

2012 consolidated financial statements - Cash Flow Statement

In EUR'000	2012	2011
PROFIT FOR THE PERIOD	**(9,720)**	**(18,857)**
Minority interest in profit of associates	154	21
Share of profit of associates	54	-
Interest-free loans and subsidies carried to profit and loss	-	-
Depreciation/ amortisation expense and provisions	6,999	12,868
Reversals of amortisation and provisions	(4,644)	(1,328)
Gains and losses on disposals	(14)	29
Deferred tax	47	1,509
CASH FLOW FROM OPERATING ACTIVITIES	(7,124)	(5,758)
Changes in inventory	1,342	3,105
Transfers of deferred charges	-	-
Changes in trade receivables	106	(4,188)
Changes in non-trade receivables	497	2,045
Changes in trade payables	12,332	(7,142)
Changes in other creditors	(10,604)	(359)
CHANGES IN WORKING CAPITAL REQUIREMENTS	3,673	(6,539)
Net cash flow from operating activities	**(3,451)**	**(12,297)**
Cash outflows/purchase of intangible fixed assets	(25)	(570)
Cash outflows/purchase of property, plant and equipment	(328)	(1,092)
Proceeds/disposal of tangible and non-tangible assets	392	212
Cash outflows/purchase of long-term investments	(106)	(35)
Proceeds/disposal of long-term investments	67	67
Effects of changes in consolidated companies		
Net cash flow from investments	**(20)**	**(1,418)**
Issue of share capital or capital contributions	77	10,468
Dividends paid to equity holders of the parent	-	-
Dividends paid to minority shareholders	-	-
Changes in other equity	(460)	(289)
Proceeds from loans	5,783	7,200
Repayment of loans	(470)	(420)
Net cash flow from financing activities	**4,930**	**16,959**
CHANGES IN NET CASH	**1,459**	**3,244**
Effects of changes in foreign exchange rates	6	(15)
OPENING CASH BALANCE	7,818	4,589
CLOSING CASH BALANCE	**9,283**	**7,818**
o/w cash and cash equivalents	*9,557*	*7,855*
o/w bank overdrafts	*274*	*37*

GROUPE VERGNET

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF 31 DECEMBER 2012

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1 ACCOUNTING PRINCIPLES AND POLICIES

1.1 BACKGROUND

The separate financial statements of the subsidiaries of the Group as at 31 December 2012 were prepared in accordance with current generally accepted accounting principles in the country where the entities operate and have been restated to ensure consistency with the accounting policies used to draw up the consolidated financial statements.

The consolidated financial statements have been prepared in line with the accounting policies applicable in France described below and in compliance with the principles of prudence consistent with underlying assumptions:

- the company's ability to continue as a going concern,
- the consistency of accounting policies from one period to the next,
- the independence of financial years,

and, in particular, in accordance with the provisions of Regulation CRC 99-02 on consolidated financial statements as amended by Regulation 2005-10.

1.2 CONSOLIDATION ASSUMPTIONS

The full consolidation method has been applied to the financial statements and the major companies that VERGNET S.A. (the Company) fully controls.

The proportionate consolidation method is applied where applicable to the companies over which the Company exercises joint control.

The equity accounting method is applied, where applicable, to companies in which the Group has significant influence, which is assumed when the Company holds more than 20% of the voting power.

The investments meeting the criteria above but which are not long-term or whose consolidation would be immaterial are not consolidated.

All significant transactions between the consolidated companies are eliminated, as are intragroup results (income from shares, dividends, and gains and losses on disposals of assets).

1.3 PRESENTATION AND COMPARATIVE INFORMATION

The figures shown are expressed in thousands of euros (EUR '000), unless otherwise specified.

Each reporting year begins on 1 January and runs for 12 months.

1.4 USE OF ESTIMATES

The preparation of the financial statements, consistent with generally accepted French accounting principles, involves the use of estimates and assumptions to determine the value of assets and liabilities and to assess positive and negative factors on the balance sheet date as well as profit and loss for the period.

All significant estimates made by the Group in order to draw up the financial statements mainly relate to capital asset valuation and to provisions.

As a result of the uncertainties inherent in the estimation process, the Group revises its estimates based on the latest available information. It is possible that the future results of the operations concerned will vary from these estimates.

1.5 METHOD FOR CONVERTING ITEMS DENOMINATED IN FOREIGN CURRENCY

1.5.1 TRANSLATION OF FOREIGN CURRENCY-BASED TRANSACTIONS

Transactions carried out in a foreign currency are translated using the exchange rate on the date of the transaction. Profit and loss arising out of the translation of the account balances relating to the transactions concerned is reported as financial income/loss.

1.5.2 TRANSLATING THE FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES

The translation of the financial statements of foreign operations adheres to the following principles:

Foreign currency balance sheet items are translated using the closing rate, with the exception of shareholders' equity,

- Foreign currency income statement items are translated using the average rate for the period,
- Profit and loss arising on the translation of the financial statements is recognised directly in a translation differences line item included in equity.

1.6 INTANGIBLE ASSETS

1.6.1 GOODWILL

Any goodwill arising on the acquisition of an ownership interest (difference between the purchase price and the restated proportionate share of the acquiree's equity acquired on the date the interest was obtained) is treated as follows:

- any goodwill relating to identifiable assets is classified in the balance sheet line items concerned and adheres to the accounting rules specific to these assets,
- any remaining difference is recognised as acquired goodwill and amortised using the straight-line method over a duration that takes into account established objectives and future prospects at the time of acquisition.

1.6.2 OTHER INTANGIBLE ASSETS

Intangible assets are recognised at their acquisition cost or, if relevant, at their production cost. Any borrowing costs incurred by the Group in connection with financing intangible assets are recognised as expenses in the period in which they occur.

Research costs are recognised as expenses in the period in which they occur.

Consistent with the option available under the Chart of Accounts, development costs are recognised as assets when, in the assessment of the Group, capital appreciation criteria are met.

When an asset is retired, depreciation is calculated using the straight-line method over the useful life of the asset, which does not usually exceed 5 years.

Other intangible assets are amortised using the straight line method. The average periods of amortisation are as follows:

– trademarks, processes and logos	5 years
– patents	5 years
– software	from 1 to 5 years

1.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at the acquisition cost (purchase price plus incidental expenses) or, if relevant, at their production cost. Any borrowing costs incurred by the Group in connection with the financing of property, plant and equipment are recognised as expenses in the period in which they were incurred.

Depreciation is calculated using the straight-line method or the diminishing balance method. The average depreciation periods used for the main asset categories are the following:

– Buildings	15 to 20 years
– Building fixtures	5 to 10 years
– Plant and equipment	2 to 10 years
– Transportation equipment	1 to 5 years
– Office equipment and computer hardware	3 to 5 years
– Furniture	4 to 10 years

1.7.1 LEASES

Leases for which the Group assumes substantially all the risks and rewards incidental to ownership of the leased assets are recognised as leases. These are mainly leasing and rental contracts from which the rent amounts to substantially all of the fair value of the leased assets.

1.7.2 FINANCE LEASES

Assets financed by a leasing contract are recognised in property, plant and equipment offsetting financial debt. These assets are depreciated using the straight-line method based on the estimated economic life. The corresponding loan is amortised based on the term of the contract. The portion of rent that exceeds principal is recognised as interest expense.

1.8 IMPAIRMENT LOSS ON CAPITAL ASSETS

If there is an indication that a tangible or intangible asset may be impaired, an impairment test is performed. The net carrying amount of the capital asset is compared to its present value.

The present value is an estimate that appreciates based on the market and the usefulness of the asset to the Group. It is the result of a comparison of the market value with the value in use.

1.9 LONG-TERM INVESTMENTS

1.9.1 EQUITY INVESTMENTS

Non-consolidated equity investments are measured at their acquisition cost. If relevant, an amortisation amount intended to restore the investment to its value in use, measured by comparison of its intrinsic value with the return on investment, is subtracted from this cost.

1.9.2 RECEIVABLES ASSOCIATED WITH EQUITY INVESTMENTS

This item relates to loans granted to companies in which the Group holds an ownership interest and which are not fully or proportionally consolidated. These loans are written down when the net position of the ownership interest becomes negative.

1.9.3 OTHER LONG-TERM INVESTMENTS

This account mainly includes prepayments and advances paid by the Group.

1.10 INVENTORIES

The cost of inventories is assigned by using the weighted average cost formula. The depreciable cost of raw materials and production supplies includes the cost of goods sold minus the warehousing costs. Inventories classified as work in progress and finished products are measured at the cost of production.

When the realisable value of inventories is lower than the cost, write-downs are recognised.

1.11 ACCOUNTS RECEIVABLE

Receivables are measured at their face value. A write-down is recognised when the net realisable value is less than the carrying amount.

In connection with the recognition of long-term contracts applying the completion method, accounts receivable include invoices to be drawn up for work performed and accepted by the project owner but for which invoices have not yet been issued.

1.12 CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash and cash equivalents include cash balances in current accounts maintained with banks. Short-term investments include money market fund units and certificates of deposit, which are readily realisable and transferable and are not exposed to a significant risk of impairment. A write-down is recognised when the recoverable value is less than the carrying amount.

1.13 SUBSIDIES AND INTEREST-FREE LOANS

1.13.1 INVESTMENT SUBSIDIES

Investment subsidies are carried to profit and loss as the assets they finance become impaired. Remaining subsidies to be carried to profit and loss are recognised as prepaid income under the heading, "Other Liabilities".

1.13.2 OPERATING SUBSIDIES

Subsidies granted without valuable consideration are recognised in income for the period.

As to subsidies granted for the development of specific projects, income is recognised in proportion to the expenditure incurred. Remaining subsidies to be carried to profit and loss are recognised as prepaid income under the heading, "Other Liabilities".

1.13.3 INTEREST-FREE LOANS

Interest-free loans are recognised as equity under the "Other Equity" heading as long as these loans have not been repaid or where the criteria for receiving advances are not met. Interest-free loans permanently acquired by the Group are recognised as income.

1.14 PROVISIONS FOR RISKS AND CHARGES

Where the Group has an obligation to a third party and an outflow of resources to this third party without consideration becomes probable or certain, provisions for risks and charges are recognised

These provisions are estimated by factoring in the major assumptions made on the balance sheet date.

1.15 OBLIGATIONS TO EMPLOYEES

The group's employees are entitled to benefits when they retire. Provisions are recognised for these obligations.

Rights accumulated by all staff are determined according to applicable procedures in each country.

For defined benefit plans in France, retirement costs are determined once a year using the Projected Unit Credit Method.

According to this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation.

This final obligation is then discounted by taking the following assumptions into account: the discount rate, the rate of pay increases and rates of employee turnover. Gains and losses resulting from changes in actuarial assumptions are recognised in profit or loss.

1.16 PAYABLES

Payables are measured at their face value.

Non-conversion premiums attaching to convertible bonds are included in bonded debt at amortised cost. The non-conversion premium consideration is recognised on the asset side of the balance sheet under the heading “Non-trade receivables”. This asset is depreciated using the straight-line method and recognised under “Financial Costs” based on the maturities of the convertible bonds. Where bonds are convertible to Company shares, the corresponding non-conversion premium, net of its balancing entry on the asset side of the balance sheet, is recognised under the heading, “Financial income”.

1.17 TURNOVER

Turnover from the rendering of services is recognised when services have been provided to customers. Turnover from the provision of goods and services to customers is recognised only when these goods are delivered to the customers.

Long-term contracts are recognised using the completion method. Recognised income is equal to the total cost of the contract multiplied by the rate of project completion based on work performed and accepted by the project owner.

For contracts where progress is very limited on the balance sheet date, and/or where the margin cannot be reliably estimated, the turnover recognised is limited to the corresponding costs given the uncertainties as regards expected margin.

A provision for loss on termination is recognised for contracts that are ultimately expected to generate a loss.

1.18 INCOME TAX

Income tax expense is equal to the income tax owed by each tax-consolidated subsidiary, adjusted for any deferred tax. This is the result of differences over time between expenses and income used in preparing the consolidated financial statements and those used to calculate the tax due by each tax-consolidated subsidiary.

Deferred taxes relate mainly to assessment timing differences, consolidation adjustments, the elimination of intragroup profits and tax loss carryforwards. They are recognised using the liability method based on the tax rates applicable in each country, adjusted for future developments at the end of the period.

Deferred tax assets exceeding deferred tax liabilities are recognised if recovery is probable.

Deferred tax is not discounted.

1.19 EXCEPTIONAL ITEMS

Non-recurring income and expenses on the consolidated income statement include non-recurring items arising from normal trade and extraordinary items. Non-recurring items arising from normal trade are those for which realisation is not linked to the company's ongoing operating requirements either because they are unusual in terms of their amount or effects or because they rarely occur.

1.20 BOND ISSUES

Non-conversion premiums attaching to convertible bonds are included in bonded debt at amortised cost. The offsetting entry for the non-conversion premium is recognised on the asset side of the balance sheet under the heading "Redemption premiums on bonds". This asset is depreciated using the straight-line method and recognised under "Financial Expense" based on the scheduled maturities of the convertible bonds. Where bonds are converted into Company shares, the corresponding non-conversion premium, net of its balancing entry on the asset side of the balance sheet, is recognised under the heading, "Financial Income".

1.21 EARNINGS PER SHARE

Earnings per share are calculated based on the weighted average of shares comprising share capital during the period. This figure, as well as earnings per share, is updated to reflect any dilution of shares to be issued in connection with stock options, share warrants, and awards of shares and bond issues. Diluted earnings per share are shown at the foot of the income statement and the details on how it is calculated may be found in Note 5.8 below.

2 SIGNIFICANT EVENTS

2.1 SIGNIFICANT EVENTS OF THE PERIOD

The effective date of a significant contract for the manufacture and installation of HP wind turbines in French Overseas Departments and Territories was postponed. In fact, the announcement in February 2012 of the results of the call for tenders for the construction of wind projects in French overseas departments launched by the Government in 2010 highlighted an apparent contraction between two legislative provisions that must be resolved by the State prior to completion of the wind projects. The bringing into compliance of the legislative framework is going to cause a delay in the schedule of the original call for tenders.

On 17 September 2012, Groupe Vergnet announced the signature of a series of agreements with its major shareholders and its industrial and financial partners to secure and retain financing to ensure the viability and sustainability of the company in a climate of weak demand and increased competition. These financial transactions, approved by the Combined General Meeting of 29 November 2012, consisted of a capital reduction of €8.379 million achieved by eliminating losses followed by a share capital increase in cash for €1.905 million. The company also proceeded with the early redemption of bonds convertible into shares issued in 2011 and maturing on 31 December 2015 representing a total of €7.2 million and issued new bonds convertible into shares maturing on 31 December 2017 and 31 December 2019 for €5.0 million and €5.716 million, respectively. The banks renewed their €7.4 million credit facilities (€5 million for Vergnet SA and €2.4 million for Vergnet Hydro SAS), repayable in stages starting from 1 July 2014 and ending on 31 December 2018.

The Aérocomposit Occitane subsidiary, dedicated to manufacturing blades for the GEV HP 1 MW and the GEV MP 275 kW wind turbines, halted production of the GEV HP 1 MW blades due to the low workload for this particular product. Restructuring expenses amounting to €469,000 were recognised, primarily to cover the requirements of the Jobs Protection Plan.

VERGNET SA made a change in its governance structure by adopting a two-tier Executive Board and Supervisory Board arrangement.

2.2 EVENTS AFTER THE BALANCE SHEET DATE

On 14 March 2013, the Vergnet SA Executive Board signed a simplified merger agreement between Vergnet SA and its subsidiary, Aérocomposit Occitane, to take effect in mid-June 2013 after the completion of disclosure and opposability formalities before the transfer of certain assets by the merging companies becomes effective against third parties with retroactive effect to 1 January 2013.

3 SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The list of consolidated subsidiaries at 31 December 2012 is presented in the table below:

Subsidiary	Country	Method	% ownership interest in 2012	% ownership interest in 2011
Wind Turbine Division				
VERGNET S.A. Siren number: 348 134 040	France	Parent		
AEROCOMPOSIT OCCITANE S.A.R.L. Siren number: 423 072 958	France	FC	100.00	100.00
VERGNET CARAÏBES S.A.R.L. Siren number: 385 186 010	France (Guadeloupe)	FC	100.00	100.00
VERGNET OCEAN INDIEN S.A.R.L. Siren number: 442 860 714	France (La Réunion)	FC	100.00	100.00
VERGNET PACIFIC S.A.R.L. Siren number: 599 472 001	France (New Caledonia)	FC	100.00	100.00
ENERGIE 21	Morocco	FC	97.90	97.90
HARMATTAN Siren number: 501 587 791	France	FC	100.00	100.00
VERGNET WIND ENERGY LTD	Nigeria	FC	100.00	100.00
VERGNET AMERICAS CORP.	USA	FC	-	100.00

Vergnet Americas Corp. was liquidated and excluded from consolidation as of 30 September 2012.

Subsidiary	Country	Method	% ownership interest in 2012	% ownership interest in 2011
Hydro Division				
VERGNET HYDRO S.A.S. Siren number: 440 355 170	France	FC	100.00	100.00
SAHER	Côte d'Ivoire	FC	52.00	52.00
FASO HYDRO	Burkina Faso	NC	-	95.88
VERGNET NIGER	Niger	FC	70.00	70.00
VERGNET BURKINA	Burkina Faso	FC	100.00	100.00

Severe long-term restrictions impairing control of FASO HYDRO emerged during the period. This subsidiary ceased to meet consolidation criteria on 30 June 2012 and warranted deconsolidation on that date. At 31 December 2012, the securities of this company were taken over and frozen on the consolidated balance sheet for the share of equity they represented on the deconsolidation date. In addition, the securities were fully written down.
Income from FASO HYDRO between the beginning of the period and the deconsolidation date is presented under the heading, "Share of profit of associates".

Subsidiary	Country	Method	% ownership interest in 2012	% ownership interest in 2011
Solar Division				
PHOTALIA S.A.S. Siren number: 487 748 477	France	FC	100.00	100.00

(FC = full consolidation, NC = not included in the scope of consolidation)

4 CONSOLIDATED BALANCE SHEET DISCLOSURES

4.1 INTANGIBLE AND TANGIBLE ASSETS

4.1.1 ACQUISITIONS AND DISPOSALS

In EUR '000	31/12/11	Acquisitions	Disposals or abandoned assets	Reclassifi cations	Translation differences	Effects of changes in consolidation scope	31/12/2012
Intangible assets	***9,500***	***25***				***(13)***	***9,512***
- Development costs	8,712						8,712
- Licences, patents and software	779	25				(13)	791
- Goodwill	9						9
- Other intangible assets	-						-
Property, plant and equipment	***13,920***	***344***	***830***		***2***	***(298)***	***13,138***
- Property	23					(23)	-
- Buildings	475	41				(144)	372
- Plant and Equipment	9,649	88	389	28		(82)	9,294
- Other property, plant and equipment	3,773	215	441	(28)	2	(49)	3,472
Total depreciable cost	***23,420***	***369***	***830***		***2***	***(311)***	***22,650***

No development expenses were recognised on the asset side of the balance sheet during the period. Research and development costs recognised for the period ended 31 December 2012 came to €1.517 million compared to €4.267 million for the period ended 31 December 2011.

The property, plant and equipment assets presented below include assets financed through finance leases. The details on these leases are found below:

In EUR '000	31/12/2011	Acquisitions	Disposals and abandoned assets	Translation differences	Effects of changes in consolidation scope	31/12/2012
- Plant and Equipment	**213**					**213**
- Other property, plant and equipment	**994**	15	76			**933**
Total depreciable costs	***1.207***	***15***	***76***			***1.146***

4.1.2 AMORTISATION AND DEPRECIATION

In EUR '000	31/12/2011	Impairment provisions	Reversals	Reductions	Translation differences	Impacts of changes in consolidation scope	31/12/2012
Intangible assets	***8,692***	***203***				***(13)***	***8,882***
- Development costs	8,057	145					8,202
- Licences, patents and software	626	58				(13)	671
- Goodwill	9						9
- Other intangible assets	-						-
Property, plant and equipment	***9,644***	***1,562***	***124***	***452***		***(184)***	***10,446***
- Land	-						-
- Buildings	394	4				(73)	325
- Plant and Equipment	7,113	817	124	213		(76)	7,517
- Other property plant & equip	2,137	741		239		(35)	2,604
Total amort. & deprec.	***18,336***	***1,765***	***124***	***452***		***(197)***	***19,328***

The data on the assets financed by finance leases included under the property, plant and equipment heading presented above is the following:

In EUR '000	31/12/2011	Impairment provisions	Reductions	Translation differences	Effects of changes in consolidation scope	31/12/2012
- Plant and Equipment	**96**	24				**120**
- Other property plant & equip.	**488**	254	63			**679**
Total depreciation & provisions	***584***	***278***	***63***			***799***

4.2 LONG-TERM INVESTMENTS

4.2.1 OWNERSHIP INTERESTS

4.2.1.1 ACQUISITIONS AND DISPOSALS

In EUR '000	31/12/2011	Changes in the scope of consolidation	Increases	Decreases	Translation differences	31/12/2012
Other equity investments	**12**	274				**286**
Total depreciable cost	***12***	***274***				***286***

4.2.1.2 WRITE-DOWNS

In EUR '000	31/12/2011	Changes in the scope of consolidation	Impairment provisions	Reversals	Translation differences	31/12/2012
Other equity investments	**12**		274			**286**
Total write-downs	***12***		***274***			***286***

4.2.2 OTHER LONG-TERM INVESTMENTS

4.2.2.1 ACQUISITIONS AND DISPOSALS

In EUR '000	31/12/2011	Changes in the scope of consolidation	Increases	Decreases	Translation differences	31/12/2012
- Receivables due to equity investments	-		78			**78**
- Other long-term investments	**361**	(6)	27	67		**315**
Total depreciable costs	***361***	***(6)***	***105***	***67***		***393***

4.2.2.2 WRITE-DOWNS

In EUR '000	31/12/2011	Changes in the scope of consolidation	Impairment provisions	Reversals	Translation differences	31/12/2012
- Receivables from equity interests	-		78			**78**
- Other long-term investments	-					-
Total write-downs	-		***78***			**78**

4.3 INVENTORIES

Inventories break down as follows:

In EUR '000	31/12/2012	31/12/2011
Raw materials	10,316	10,869
Work in progress and finished products	1,748	2,453
Goods	602	538
Total depreciable cost	**12,666**	**13,860**
Impairment losses	(1,898)	(1,597)
Inventories and work in progress	**10,768**	**12,263**

4.4 ACCOUNTS RECEIVABLE

Accounts receivable break down as follows

In EUR '000	31/12/2012	31/12/2011
Accounts receivable	41,569	41,455
Write-downs	(610)	(193)
Accounts receivable	**40,959**	**41,262**

Accounts receivable due in less than one year came to €38.965 million at 31 December 2012 compared to €40.665 million at 31 December 2011.

The claim against EEPCO stood at €25.438 million at 31 December 2012. Other balance sheet items related to this customer are as follows:

- Income collected in advance: €15,876,000
- Invoices to be drawn up: €1,413,000
- Advances and prepayments: €857,000

4.5 NON-TRADE RECEIVABLES

Non-trade receivables include the following items:

In EUR '000	31/12/2012	31/12/2011
Advances and prepayments received	1,271	1,520
Tax and Social Security receivables	1,956	2,301
Deferred tax assets	160	206
Non-trade receivables and accruals	3,124	3,152
Impairment of non-trade receivables	-	(18)
Non-trade receivables	**6,511**	**7,160**

Tax and Social Security receivables are comprised of income tax credits amounting to €762,000 vs. €618,000 in 2011 (€754,000 in research tax credits vs. €612,000 in 2011, €8,000 in other tax credits vs. €6,000 in 2011) and Social Security tax credits in the amount of €76,000 vs. €88,000 in 2011. VAT tax credits account for the remainder.

An explanation on the changes in the "Deferred Tax Assets" line item is provided in Note 5.7 below.

Other non-trade receivables and accruals primarily comprise trade and other payables amounting to €99,000 vs. €361,000 in 2011, prepaid expenses amounting to €241,000 vs. €743,000 in 2011, and miscellaneous receivables amounting to €540,000 vs. €806,000 in 2011, non-conversion premiums attaching to convertible bonds amounting to €2.244 million vs. €1.239 million in 2011.

Non-conversion premiums attaching to bonds included under the heading, "Non-trade receivables and accruals", mainly relate to the unamortised portion of non-conversion premiums attaching to convertible bonds issued 29 November 2012 (See Note 4.12).

4.6 CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash and cash equivalents include available cash in current accounts maintained with banks and short-term investments. Short-term investments include money market fund units and certificates of deposit, which are readily realisable and transferable and are not exposed to a significant risk of impairment. A write-down is recognised when the recoverable value is less than the carrying amount.

In EUR '000	31/12/2012	31/12/2011
Shareholders' equity	18	25
Pledged term account	703	1,000
Other short-term investments	1,008	1,843
Short-term investments	**1,729**	**3,225**
Cash in EUR and convertible currencies	7,500	3,988
Cash in currencies subject to conversion restrictions	328	642
Cash and cash equivalents	**7,828**	**4,630**

4.7 SHARE CAPITAL

	Number of shares	Par value (EUR)
Shares comprising share capital as at 31/12/2011	**9,275,457**	**1.30**
Shares issued during the period (old par value)	35,000	1.30
Reduced share par value	9,310,457	(0.90)
Shares issued during the period	4,763,086	0.40
Shares redeemed during the period	-	-
Shares forming the ownership structure at 31/12/2012	**14,073,543**	**0.40**

Share capital consists entirely of common shares. Double voting rights were conferred on fully paid-up registered shares held by the same person for at least two (2) years. This double voting right was eliminated by the Combined General Meeting on 29 November 2012.

The Company's Board of Directors approved an increase in share capital on 26 January 2012 for a nominal value of €45,000 together with additional paid-in capital of €31,000, that is, the issue of 35,000 new common shares with a par value of €1.30 together with a unit share premium of €0.90.

On 29 November 2012, the Combined General Meeting passed a resolution to reduce share capital by €8,379,411 by reducing the par value of common shares, whose value was reduced from €1.30 to €0.40.

On 29 November 2012, the Combined General Meeting passed a resolution to increase share capital for cash in the amount of €1,905,234.40 via the issue of 4,763,086 shares at a par value of €0.40 each, eliminating the pre-emptive right granted in favour of designated persons as resolved by the General Meeting. These new shares were subscribed for and fully paid-up by set-off against unquestionable, liquid and due claims resulting from the early redemption of convertible bonds issued on 25 May 2011.

Pursuant to Article L. 225-177 et seq., the Extraordinary General Shareholders' Meeting of 14 June 2006 authorised the Board of Directors of the Company to issue 150,000 options contingent on meeting certain criteria. The Board of Directors meeting of 21 July 2006 used this authorisation and allocated 150,000 stock options, each conferring the right to subscribe, subject to meeting certain criteria, for 1 share of the Company at a strike price of EUR 2.20 through 13 June 2014. There were 80,000 stock options outstanding at 31 December 2012 and 80,000 at 31 December 2011. In the period ended 31 December 2012, 0 stock options were exercised; in the period ended 31 December 2011, 35,000 options were exercised. The capital increase arising out of options exercised in 2011 was approved by the Board of Directors meeting of 26 January 2012.

Pursuant to Article L. 225-177 et seq., and to Articles L.225-197-1 and L.225-197-2 of the Commercial Code, the Combined General Meeting authorised the Board of Directors to award stock options and to allocate free shares subject to meeting certain criteria. The Board of Directors meeting of 7 September 2007 exercised these authorisations and awarded 60,400 stock options, each one conferring the right to subscribe for one share in the Company at a strike price of EUR 17.00. These options were exercised between 7 September 2011 and 7 September 2013.

At 31 December 2012, there were 44,000 stock options outstanding vs. 44,000 at 31 December 2011. During the reporting year ended 31 December 2012, no option expired, while for the period ended 31 December 2011, 6,666 stock options expired.

[1] Taking into consideration the 10-for-1 stock split authorised by the Combined General Meeting on 4 May 2007

4.8 CHANGES IN CONSOLIDATED EQUITY

In EUR '000	Share Capital	Additional paid-in capital	Other reserves	Exchange differences on translating foreign operations	Total
31/12/2011	***12,058***	***6,958***	***(16,860)***	***3***	***2,159***
2012 profit for the period			(9,720)		**(9,720)**
Dividends					
Exchange differences on translating foreign operations				7	**7**
Changes in the scope of consolidation					
Recognition of minority interests					
Capital decrease	(8,379)		8,379		
Capital increase	1,950	32			**1,982**
Other changes		(6,958)	6,959		**1**
31/12/2012	***5,629***	***32***	***(11,242)***	***10***	***(5,571)***

4.9 MINORITY INTERESTS

In EUR '000	Minority interests
31/12/2011	**55**
Profit for the period	**154**
Dividends distributed by consolidated subsidiaries	
Minority interest share in issues of share capital by subsidiaries	
Recognition of negative minority interests	
Change in the scope of consolidation	**(14)**
Translation differences	
31/12/2012	**195**

These minority interests relate mainly to African subsidiaries in the Hydro Division.

4.10 OTHER EQUITY

Other equity is mainly comprised of interest-free loans.

In EUR '000	31/12/2012	31/12/2011
Oséo	1,800	2,290
COFACE	434	392
Centre region	61	73
Other equity	**2,295**	**2,755**

The Group received funding from Oséo in connection with the GEV HP 1 MW development project. A portion of the interest-free loan from Oséo was converted to an operating subsidy on 31 December 2012 in the amount of EUR 420,000. The remainder of the interest-free loan from Oséo was renegotiated on 30 July 2012, with a deferment of payment deadlines starting from 30 September 2014 per the renegotiated schedule: EUR 1,800,000 from 1 to 5 years.

4.11 PROVISIONS

Provisions break down as follows:

In EUR '000	31/12/2011	Impairment provision	Reversals of used provisions	Reversals of unused provisions	Translation reserve	Other changes	Changes in the scope of consolidation	31/12/2012
Provision for deferred tax	-							-
Provisions for retirement benefits	**57**	29	13					**73**
Provision for litigation	**192**	29	169					**52**
Provision for guarantees	**3,844**	3,738	334	3,235				**4,013**
Other provisions	**1,378**	1,085	553	215			**(41)**	**1,654**
Provisions	**5,471**	**4,881**	**1,069**	**3,450**			**(41)**	**5,792**

Machinery sold by the Group is covered by a construction guarantee which may also include a performance guarantee. The cost of these guarantees is covered by statistical provisions, whose requirements are subject to regular review and, if it proves necessary, adjusted where there are significant changes. Furthermore, the Group recognised provisions for the costs associated with replacing components for which a manufacturing defect emerged during the warranty period.

Other provisions relate mainly to work remaining to be completed at project sites, accidents or provisions for foreign income tax.

The Group does not pay staff bonuses (long-service benefits) to its employees. The provisions recognised represent the Group's retirement obligations only.

The actuarial assumptions used to estimate retirement obligations are the following:

- Retirement age: 65
- Rate of employee turnover: Actual average rate per subsidiary and per occupational category over the last five years.
- Rate of pay increases: 2%
- Mortality rate: INSEE 2012
- Discount rate: 2.69%
- Collective bargaining agreements: application of the agreement specific to each subsidiary

4.12 CONVERTIBLE BONDS

- On 25 May 2011, the Board of Directors approved the issue of 7,200,000 bonds with a nominal value and issue price of EUR 1 convertible to shares eliminating the pre-emptive right granted in favour of designated persons resolved by the Combined General Meeting of 25 May 2011.

  These convertible bonds have the following features:

- Redemption date: December 31, 2015,
- These bonds are unlisted,
- Annual interest: 8% per year, payable up to one-half annually with the other half being compounded annually thereafter and payable only upon maturity.
- Non-conversion premium: 4% per year, payable in full on the bond redemption date if there is no request for conversion.
- No advance amortisation at the discretion of the Company.
- Conversion price: EUR 5.60 with fair exchange of 1 Company share for 5.6 bonds convertible into shares (OCA) corresponding to a potential maximum increase of 1,285,714 Company shares representing a capital increase of a nominal value of EUR 1,671,428.20 together with additional paid-in capital of EUR 5,528,571.80 subject to potential adjustments,
- Main scenarios for advance amortisation at the initiative of the holders of bonds convertible into shares (OCA) contingent upon the Company's cash position:
  - Starting from the 3rd anniversary of the issue up to a maximum of 75% of the OCA bonds,
  - In the event of the launch of a friendly or hostile takeover targeting the Company's shares.
  - Where the Company fails to honour certain of its financial obligations, in particular regarding the OCA bonds,
  - Where one or more third parties, acting alone or in concert, hold more than half of the share capital and voting rights of the Company.
- Main scenarios for converting OCA bonds:
  - Starting from the 3rd anniversary of the issue date,
  - In the event of the launch of a friendly or hostile takeover targeting the Company's shares.
  - Where the Company fails to honour certain of its financial obligations, in particular regarding bonds convertible into shares

The Combined General Meeting of 29 November 2012 authorised the signature of an amendment to the issuing agreement for 7,200,000 convertible bonds to allow early redemption.

These convertible bonds were redeemed early on 3 December 2012.

Bondholders waived the gross non-conversion premium amounting to EUR 1,425,399.

- On 29 May 2012, the Board of Directors approved the issue of 14,289,258 bonds (CB1) at a nominal value and issue price of EUR 0.40 convertible into shares with elimination of the preferential subscription right in favour of designated persons as resolved by the General Meeting.

These bonds (CB1) have the following features:

- Redemption date: ultimately redeemable on 31 December 2019,
- CB1 bonds are unlisted,
- Annual interest: 3% per year, payable annually
- Capitalised interest: 5% per year, payable at maturity or upon redemption of CB1 bonds,
- Non-conversion premium: 3% per year, payable in full on the CB1 bond redemption date if conversion is not requested,
- No advance amortisation applied at the discretion of the Company.
- Conversion price: EUR 0.40 with a fair exchange of 1 Company share per 1 CB1 bond, adjusted if necessary, corresponding to a potential maximum increase of 14,289,258 Company shares representing an increase in share capital of in the nominal amount of EUR 5,715,703.20,
- Main scenarios for early redemption at the initiative of CB1 bondholders: where there is long-term surplus cash relative to forecasts analysed based on quantitative criteria relating to the consolidated financial statements, it being specified that no redemptions are allowed prior to 31 December 2014,
- Main scenarios for converting CB1 bonds:
  - In the event of the launch of a friendly or hostile takeover targeting the Company's shares.
  - Where the Company fails to honour certain of its financial obligations, in particular regarding CB1 bonds.

As the CB1 bonds were fully subscribed and paid up by set-off of unquestionable, liquid and due claims resulting from the early redemption of bonds convertible into shares (OCA) issued 25 May 2011 totalling EUR 5,295,000 and totalling EUR 421,000 in cash.

Amortisation of the CB1 non-conversion premium of EUR 1,541,467 recognised for the period ended 31 December 2012 stands at EUR 16,703.

- On 29 May 2012, the Combined General Meeting resolved to issue 12,500,000 bonds (referred to as CB2 bonds) at a nominal value and issue price of 0.40 EUR convertible into shares, with elimination of the preferential subscription right in favour of designated persons as resolved by the General Meeting.

These CB2 bonds have the following features:

- Maturity date: 31 December 2018,
- Redeemable according to the following schedule:

30 June 2014	EUR 325,000
31 December 2014	EUR 325,000
30 June 2015	EUR 325,000
31 December 2015	EUR 325,000
30 June 2016	EUR 325,000
31 December 2016	EUR 325,000
30 June 2017	EUR 762,500
31 December 2017	EUR 762,500
30 June 2018	EUR 762,500
31 December 2018	EUR 762,500
Total	EUR 5,000,000

- These CB2 bonds are unlisted,
- Annual interest: 3% per year, payable annually
- Capitalised interest: none

- Non-conversion premium: 3% per year, payable in full on the CB2 bond redemption date if conversion is not requested,
- No advance amortisation applied at the discretion of the Company,
- Conversion price: EUR 0.40 with a fair exchange of 1 Company share for 1 CB2 bond, adjusted if necessary, corresponding to a potential maximum increase of 12,500,000 Company shares representing an increase in share capital of nominal value of EUR 5,000,000,
- Main scenarios for requests for early redemption by holders of CB2 bonds:
  - In the event of the sale and disposal of VERGNET HYDRO and PHOTALIA securities and distribution calculated according to a distribution key of the net proceeds from disposal of these securities after subtracting all disposal-related expenses and taxes;
  - Where there is a long-term surplus cash position relative to forecasts, measured based on quantitative criteria relating to the consolidated financial statements, it being specified that redemption is not allowed prior to 31 December 2014,
- Main scenarios for conversion of CB2 bonds:
  - In the event of the launch of a friendly or hostile takeover targeting the Company's shares.
  - Where the company fails to honour certain of its financial obligations, in particular as regards CB2 bonds.

Amortisation of the CB2 non-conversion premium of EUR 728,137 recognised for the period ended 31 December 2012 stands at EUR 9,188.

In EUR '000	31/12/2012	less than 1 year	1 to 5 years	more than 5 years
Convertible bond issues	10,716		3,475	7,241
Non-conversion premium*	2,269			2,269
Capitalised accrued interest	23			23
Accrued interest not yet due	26	26		
Convertible bonds	**13,034**	**26**	**3,475**	**9,533**

In EUR '000	31/12/2011	Less than 1 year	1 to 5 years	more than 5 years
Convertible bond issues	7,200		7,200	
Non-conversion premium*	1,425		1,425	
Capitalised accrued interest	174		174	
Accrued interest not yet due	174	174		
Convertible bonds	**8,973**	**174**	**9,799**	

* The non-conversion premium consideration is recognised on the asset side of the balance sheet under the heading, "Non-trade receivables". This item is subject to straight-line depreciation recognised as "Financial Costs" based on the maturity of the convertible bonds.

4.13 BORROWING AND FINANCIAL DEBT

The breakdown of financial debt based on maturity is presented below

In EUR '000	31/12/2012	Less than 1 year	1 to 5 years	More than 5 years
Borrowing from credit institutions	466	181	285	
Miscellaneous borrowing and financial debt	45	45		
Finance leases	385	203	182	
Credit balances at banks and existing bank loans	274	274		
Borrowing and financial debt	**1,170**	**703**	**467**	

In EUR '000	31/12/2011	Less than 1 year	1 to 5 years	More than 5 years
Borrowing from credit institutions	313	177	136	
Miscellaneous borrowing and financial debt	35	35		
Finance leases	641	271	370	
Credit balances at banks and existing bank loans	37	37		
Borrowing and financial debt	**1,026**	**520**	**506**	

4.14 TRADE PAYABLES

The breakdown of financial debt according to maturity is presented below:

In EUR '000	31/12/2012	Less than 1 year	1 to 5 years	More than 5 years
Trade payables	24,518	21,518	3,000	
Trade payables	**24,518**	**21,518**	**3,000**	

In EUR '000	31/12/2011	Less than 1 year	1 to 5 years	More than 5 years
Trade payables	12,267	12,267		
Trade payables	**12,267**	**12,267**		

Trade payables are mainly comprised of debts to ALSTOM WIND related to Phase II of the Ashegoda contract in Ethiopia amounting to EUR 14,155,000 at 31 December 2012 vs. EUR 4,182,000 at 31 December 2011.

4.15 OTHER CREDITORS

In EUR '000	31/12/2012	31/12/2011
Advances and prepayments	1,972	31,151
Income tax	78	44
Tax (excluding corporate income tax) and Social Security debt	3,712	4,072
Vendors of fixed assets	-	2
Miscellaneous debt	1,637	747
Deferred revenue	22,600	5,262
Other creditors	**29,999**	**41,278**

All amounts payable to other creditors were due in less than one year at 31 December 2012 and at 31 December 2011.

The significant drop in accounts receivable is attributable to the charging of accounts (received in 10/2009) under the Ashegoda contract in Ethiopia as project invoices were issued over the course of 2012.

The significant increase in prepaid income is mainly attributable to the recognition of revenue as the Ashegoda project in Ethiopia progresses.

5 OTHER DISCLOSURES

5.1 BREAKDOWN OF TURNOVER AND SEGMENT REPORTING

5.1.1 BREAKDOWN OF TURNOVER BY TYPE

In EUR '000	2012	2011
Sales of finished products and works	96,943	50,700
Rendering of services and other related income	20,940	16,986
Turnover	**117,883**	**67,686**

The significant change in turnover is mainly attributable to the rate of completion of Phases I and II of the Ashegoda Project in Ethiopia.

5.1.2 BREAKDOWN OF TURNOVER BY GEOGRAPHICAL LOCATION

In EUR '000	2012	2011
France	1,529	1,499
Export/DOM TOM	116,354	66,187
Turnover	**117,883**	**67,686**

5.1.3 BREAKDOWN OF TURNOVER BY SECTOR OF ACTIVITY

In EUR '000	2012	2011
Wind Turbine Division	103,391	55,167
Hydro Division	10,356	11,472
Solar Division	4,991	1,576
Inter-segment transactions*	(855)	(529)
Turnover	**117,883**	**67,686**

* Restated revenue generated between affiliates of the VERGNET Group.

5.1.4 BREAKDOWN OF OPERATING INCOME BY SECTOR

In EUR '000	2012	2011
Wind Turbine Division	(10,145)	(10,951)
Hydro Division	1,794	1,752
Solar Division	154	(375)
Inter-segment transactions*	-	-
Results of operating activities	**(8,197)**	**(9,574)**

*Restatement of operating income generated by VERGNET Group affiliates

5.1.5 BREAKDOWN OF CAPITAL ASSETS PER GEOGRAPHIC SEGMENT

In EUR '000	31/12/2012	31/12/2011
France	2,932	4,095
Foreign/DOM TOM	390	988
Intangible and tangible assets	**3,322**	**5,083**

5.1.6 BREAKDOWN OF CAPITAL ASSETS BY OPERATING SECTOR

Breakdown of net intangible and tangible assets:

In EUR '000	31/12/2012	31/12/2011
Wind Turbine Division	2,965	4,650
Hydro Division	256	337
Solar Division	101	96
Intangible and tangible assets	**3,322**	**5,083**

5.2 DETAILS ON OTHER OPERATING INCOME

In EUR '000	2012	2011
Ending inventories	(705)	736
Self-constructed capital assets	18	647
Operating subsidies	567	251
Reversal of provisions	5,427	2,741
Other income and transfers of expenses	423	868
Other operating revenue	**5,730**	**5,243**

Reversals of provisions are mainly concern reversals of the provision for guarantees.

5.3 HEADCOUNT

The workforce employed by the Group in fully consolidated subsidiaries breaks down as follows:

Number of persons	2012	2011
Average headcount (FTE)	218	285
Headcount at 31 December	222	277

Furthermore, for the needs of overseas projects, in particular in Ethiopia, the Group employed 138 personnel locally at 31 December 2012 vs. 177 at 31 December 2011.

5.4 FINANCIAL RESULT

In EUR '000	2012	2011
Reversals of provisions	187	18
Translation gains	177	315
Gains on short-term investments and interest on investments	4	18
Other investment income	59	28
Financial income	**427**	**379**

In EUR '000	2012	2011
Equalisation provisions	378	187
Interest on overdraft facilities and loans	836	715
Translation losses	197	313
Other finance costs	-	-
Finance costs	**1,411**	**1,215**

5.5 EXCEPTIONAL ITEMS

Exceptional items break down as follows:

In EUR '000	2012	2011
Non-recurring income from corporate actions		
Proceeds from disposals of assets	393	212
Subsidies carried to profit and loss	2	
Reversals of provisions	767	
Other non-recurring income	21	65
Non-recurring income	**1,183**	**277**

In EUR '000	2012	2011
Non-recurring expenses related to corporate actions	523	31
Net value of disposed asset items	370	243
Provisions and amortisation	172	6,767
Other non-recurring items	139	44
Non-recurring expenses	**1,204**	**7,085**

5.6 OFF-BALANCE SHEET LIABILITIES

In EUR '000	31/12/2012	31/12/2011
Security interests, pledges, liens and security in the form of land	5,299	299
Endorsements, guarantees and pledged collateral	31,500	65,188
Other pledged collateral	2,418	3,165
Total off-balance sheet liabilities	**39,217**	**68,653**
Endorsements, guarantees and collateral received	12,286	14,461
Total off-balance sheet liabilities	**12,286**	**14,461**

Pledges, security interests, liens and security in the form of land mainly comprise the pledge of Vergnet Hydro and Photalia securities as collateral for the lines of credit described below.

Endorsements and pledged collateral mainly include on-demand sureties issued on behalf of the Group by its banks to guarantee the faithful performance of its services or the return of payments on account received. They primarily include guarantees issued in connection with the Ashegoda Project in Ethiopia.

Other collateral mainly includes a pledge of a bank account with a balance of €1,714,000 at 31 December 2012. At 31 December 2011, these other commitments mainly related to the retention of cash as collateral in the amount of EUR 1,000,000 and a pledge of a contract amounting to EUR 2,000,000.

Endorsements and collateral received main comprise at-demand guarantees from the Group's suppliers.

The Group has the following lines of credit:

- Vergnet SA has a committed EUR 5.0 million line of credit through 30 June 2014.
  Starting that date, this line of credit will be gradually reduced through 31 December 2018.
  It is guaranteed by the pledge of Vergnet Hydro and Photalia securities.
- Vergnet Hydro has a EUR 2.4 million overdraft facility through the end of 2014.

The number of hours accumulated under the Individual Right to Training Programme (“DIF”) stood at 15,229 at 31 December 2012 vs. 17,809 at 31 December 2011.

5.7 INCOME TAX

Income tax breaks down as follows:

In EUR '000	2012	2011
Deferred tax	(47)	(1,509)
o/w deferred deficits	0	0
o/w temporary differences and adjusted consolidation	(47)	(1,509)
Income tax	(263)	(112)
Income tax	**(310)**	**(1,621)**

Since 31 December 2011, the provision for deferred tax assets has been limited to deferred tax liabilities having the same due date for entities included in the scope of tax consolidation. Furthermore, the Group owes no deferred on tax loss carry-forwards.

Using this method, the total amount of deferred tax due stands at EUR 160,000 at 31 December 2012 vs. EUR 206,000 at 31 December 2011; uncapitalised deferred taxes stood at EUR 15,150,000 at 31 December 2012 vs. EUR 12,325,000 at 31 December 2011.

Breakdown of income tax:

The difference between estimated taxes, calculated using the company's tax rate, and the tax paid by the Group breaks down as follows:

In EUR '000	2012	2011
Income (loss) before tax	(9,203)	(17,218)
Calculated income tax at the rate applicable in France (33.33%)	3,067	5,739
Effects of differences in tax rates	59	(8)
Effects of tax credits	51	2
Effects of permanent differences	(79)	262
Effects of tax deficits not giving rise to deferred tax and unrecognised deferred tax assets	(3,097)	(7,283)
Other effects	(311)	(333)
Actual income tax	**(310)**	**(1,621)**

5.8 EARNINGS PER SHARE

To determine diluted earnings per share, the weighted average number of outstanding shares is adjusted to take account of the effects of converting all potential common shares. Diluted earnings per share are calculated using the hypothetical investment method recommended in Opinion 27 of the OEC (French Institute of Chartered Accountants).

31/12/2012	Number of shares	Net income (EUR '000)	Earnings per share (EUR)
Basic earnings per share	**9,764,203***	**(9,720)**	**(1.00)**
Share warrants			
Convertible bonds	1,981,671	32	
Stock options and awards of shares	124,400	16	
Diluted net earnings per share	**11,870,274**	**(9,672)**	**(1.00)****

31/12/2011	Number of shares	Net income (EUR '000)	Earnings per share (EUR)
Basic earnings per share	**8,210,252***	**(18,857)**	(2.30)
Share warrants			
Convertible bonds			
Stock options and award of shares	124,400	25	
Diluted net earnings per share	**8,334,652**	**(18,832)**	**(2.30)****

** Weighted average of the number of outstanding shares*

*** In light of negative consolidated earnings, diluted net earnings per share are the same as basic earnings per share.*

5.9 DIRECTORS AND OFFICERS

No advances and loans were granted to corporate directors and officers during the period.

Compensation allocated to members of the governance and management bodies is not provided as this disclosure would involve releasing personal details.

5.10 TAX CONSOLIDATION

The Company is the parent of a tax consolidation grouping comprised of the Vergnet Hydro, Aerocomposit Occitane, Vergnet Caraïbes, Vergnet Océan Indien, Photalia and Harmattan subsidiaries.

5.11 STATUTORY AUDITORS' FEES

The fees paid to the group's statutory auditors break down as follows:

In EUR '000	Deloitte & Associés		GVA		Other	
	2012	2011	2012	2011	2012	2011
Statutory auditors, certification, audit of separate and consolidated financial statements						
Vergnet SA	48	48	35	34		
Fully consolidated subsidiaries	28	27	27	26	10	10
Other professional due diligence and services directly related to the Statutory Auditor's mission.						
Vergnet SA	39		28			
Fully consolidated subsidiaries						
Audit	**115**	**75**	**90**	**60**	**10**	**10**
Other services rendered by the divisions to fully consolidated subsidiaries	None					
Statutory Auditors' fees	**115**	**75**	**90**	**60**	**10**	**10**