



New Horizons



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New Horizons Short Fiscal Year 2008 **REpower Systems AG**

REpower shares



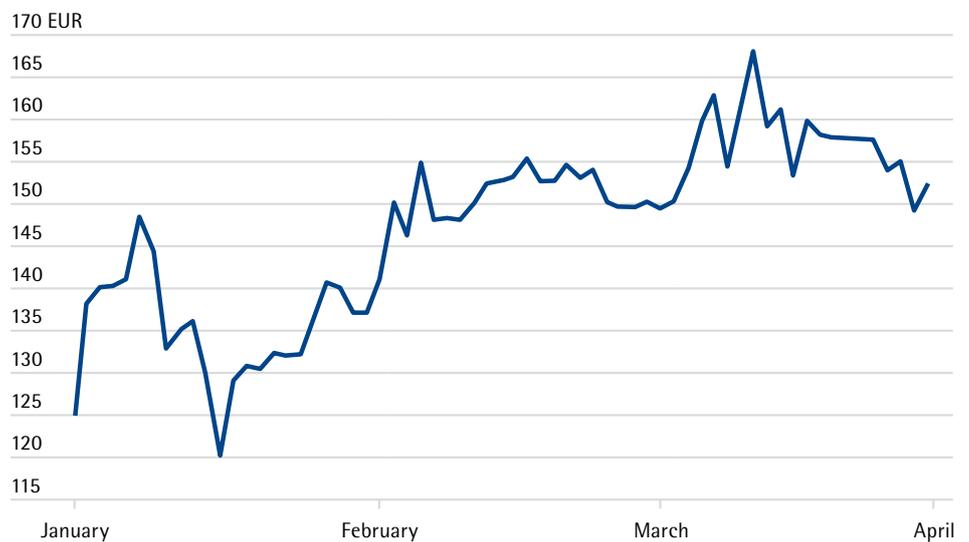
Share price rises by 21.8 %

With share price growth of more than 20 %, REpower shares continued their upward trend in the first three months of 2008. The closing price for the 2008 short fiscal year was EUR 152.33 compared to a closing price in December 2007 of EUR 125.00. The reasons for this include the continuing positive business developments and excellent national and international political conditions for the entire wind energy sector.

Greater interest in investments in the area of renewable energy and the takeover pushed up average trading volume on the XETRA trading platform significantly in the short fiscal year. In the first three months of 2008, an average of 13,358 shares were traded each day.

In international conference calls the financial community had the opportunity to talk with the Executive Board directly and find out about further business expectations.

Performance of REpower shares (1 January – 31 March 2008)



Share data

ISIN	DE0006177033
Share type	No-par shares
Initial listing	26 March 2002
Share capital as of 31.03.08	EUR 8,993,576.00
Market capitalisation as of 31.3.08	EUR 1,369,991,450.07
Year high	162.97 EUR/share
Year low	127.90 EUR/share
Next Annual General Meeting	20 August 2008

Corporate Governance



Code as maxim for building confidence

Promoting shareholder interests is central focus

The increasing internationalisation of the capital markets requires value-oriented corporate management and control. REpower Systems AG ensure this by implementing the principles of the German Corporate Governance Code and recognises the guidelines as the basis of its corporate activities.

REpower Systems AG has a deep commitment to efficient cooperation between the Executive Board and the Supervisory Board, to promoting shareholder interests and to open and transparent communication between management and investors. The key principles of the Code have thus already been practised in the company for some time.

The shareholders and the interested public are provided with information at the same time, largely via the Internet and in the form of ad hoc notifications and press releases in particular. In addition, the Annual General Meeting is presented on REpower Systems AG home page, from the time the date is set and invitations are issued, through the agenda to the voting results outcomes and the speech by the CEO.

The internationally recognised IFRS accounting standards ensure the necessary transparency of business transactions in the quarterly and annual reports.

Variable remuneration for the REpower Executive Board is based on increases in enterprise value of the company, which promotes the ongoing improvement of the company's organisation, corporate strategy and management.

Remuneration report

The remuneration report is a component of the Group management report. Since the 2006 reporting year, in the section from 4.2.3 to 4.2.5 the German Corporate Governance Code makes reference to the Executive Board Remuneration Publication Act and demands the disclosure of Executive Board remuneration in the Management Report.

The remuneration report outlines the principles that are applied when setting the remuneration of the Executive Board of REpower Systems AG and explains both the amount and the structure of Executive Board income. The principles and the amount of the Supervisory Board's remuneration are also described.

Executive Board remuneration

It is incumbent upon the Supervisory Board's Personnel Committee to determine the structure and the amount of the remuneration paid to the Executive Board of REpower Systems AG. In turn, it will keep the Supervisory Board regularly informed of its resolutions.

The demand placed on the remuneration system for the Executive Board is to remunerate members of the Executive Board appropriately in line with their area of operation and their area of responsibility and at the same time to take account of the Executive Board's performance and the company's success through variable components.

To this end, the remuneration system specifically consists of fixed basic remuneration, variable remuneration and a component based on share options, which offers a long-term incentive. The amount of the variable remuneration is based on achievement of the Group's planned consoli-

dated net profit before taxes and interest (EBIT) with reference to the fixed remuneration. The amount of variable remuneration is capped. The target figure for EBIT is set each year in advance on the basis of the plans adopted by the Supervisory Board.

The amount of the fixed remuneration is shown in the following table.

The performance-related, variable remuneration amounts to 30 % of the fixed annual salary if 75 % of the budgeted EBIT is achieved. It increases proportionally to 40 % of the fixed annual salary if the amount budgeted for EBIT is achieved in full. It rises further to 50 % of the fixed annual salary if EBIT reaches 125 % of the budgeted amount (maximum bonus).

Name	Fixed remuneration	Variable remuneration	Pension	Non-recurring payments*	Total remuneration	Share options
	EUR	EUR	EUR	EUR	EUR	
Per Hornung Pedersen	100,000	18,500	0	15,000	133,500	0
Matthias Schubert	45,000	12,000	15,000	0	72,000	0
Pieter Wasmuth	45,000	12,000	15,000	0	72,000	0
	190,000	42,500	30,000	15,000	277,500	0

* The non-recurring payment was the reimbursement of moving costs.

Since fiscal 2006, the Executive Board has had the option of transferring part of the fixed remuneration into a company pension. Two members of the Executive Board took advantage of this opportunity in the short fiscal year 2008.

In the context of the existing share option programs, share option rights were also granted to members of the Executive Board in fiscal years 2006 and 2007. The options can only be exercised if the share price of REpower Systems shares rises to at least 120% of the base price on at least 21 days before exercise.

At the time they were granted in 2006, the fair value per option was EUR 13.91; the fair value per option of the options granted in 2007 was EUR 50.32. Due to changes of the stock option plan conditions in 2007 the fair value of the stock options granted in 2006 has increased to EUR 91.43.

As of the reporting date, Mr. Herr Matthias Schubert held 10,00 shares in REpower Systems AG plus 15,000 options from the 2006 share option programme and 14,000 options from the 2007 share option programme. As of the reporting date, Mr. Pieter Wasmuth held 15,000 options from the 2006 share option programme and 19,000 options from the 2007 share option programme.

Payments to former members of the Executive Board

The payment of residual claims as of EUR 1,631,500.00 as of the 2007 balance sheet date were agreed for Prof. Fritz Vahrenholt, who left his position as Chairman of the Executive Board. EUR 1,072,500.00 of this was paid in 2007; the remaining amount of EUR 559,000.00 was transferred to provisions. In addition, Prof. Fritz Vahrenholt holds 20,000 share option rights from fiscal 2006 and 24,000 share option rights from fiscal 2007, which were granted to him in the context of his work on the Executive Board of REpower Systems AG.

Commitments in the event of early termination of service

Generally, payment of a severance package is not envisaged in the contracts of Executive Board members in the event of early termination of their service relationships.

Remuneration of the Supervisory Board

The Supervisory Board's remuneration is set by the Annual General Meeting; it is regulated in the company's Articles of Association. The current regulation provides for members of the Supervisory Board to receive fixed remuneration of EUR 10,000.00 per fiscal year lasting twelve months, payable at the end of the fiscal year, an attendance fee of EUR 500.00 per Supervisory Board meeting and the reimbursement of their expenses.

In addition, members of the Supervisory Board receive an amount of EUR 500.00 per percentage point of profits distributed to shareholders in excess of 20% of the company's share capital as variable remuneration in line with the Annual General Meeting's proposal for the appropriation of profits. However, this variable remuneration cannot exceed EUR 20,000.00 per fiscal year.

The Chairman of the Supervisory Board receives double this remuneration while the Deputy Chairman of the Supervisory Board receives one and a half times the standard remuneration. If sales tax is payable on the remuneration, the company is obliged to reimburse it.

The table below provides a breakdown of Supervisory Board member compensation for the short fiscal year 2008 in line with the REpower Systems AG Articles of Association.

Name	Attendance fees for 2008	Fixed remuneration for 2008	Total 2008	Total 2007
	EUR	EUR	EUR	EUR
Tulsi R. Tanti	2,000	5,000	7,000	15,000
Prof. Dr. Fritz Vahrenholt	1,500	3,333	4,833	0
Bertrand Durrande	1,250	2,917	4,167	28,500
Jorge Martins	0	0	0	19,750
Dr. Rolf Bierhoff	0	0	0	8,500
Dr. Hans-Joachim Reh	0	0	0	16,000
Oliver Heinecke	1,000	2,500	3,500	16,000
Alf Trede	1,000	2,500	3,500	16,000
Andre Horbach	0	833	833	0
			23,833	119,750

Supervisory Board Committees

The Personnel Committee currently consists of the members of the Supervisory Board Tului R. Tanti, Bertrand Durrande and Prof. Fritz Vahrenholt.

The Audit Committee consists of the Supervisory Board members André Horbach, Oliver Heinecke and Bertrand Durrande.

The Nomination Committee consisted of Bertrand Durrande and Tului R. Tanti.

Declaration of conformity

In accordance with Article 161 of the German Stock Corporation Act, the Executive Board and Supervisory Board of a listed company must declare each year that the company has complied and will comply with the recommendations of the German Corporate Governance Code, or which recommendations have not been or are not applied (submission of the declaration of conformity). The company has declared that it complies with the recommendations.

Following oral discussion, the Executive Board and the Supervisory Board resolved the following declaration of conformity:

„The company is in compliance with the recommendations of the German Corporate Governance Code as amended 14 June 2007. The recommendations shall also be complied with in future.

Since issuing the previous year's disclosure in accordance with Article 161 AktG, the company has complied with the recommendations of the Government Commission on German Corporate Governance Code with the exceptions noted in the previous year's declaration of conformity.“

Responsibility statement

„To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected future development of the Group.“

Combined Management Report



Business model

The core business of REpower Systems AG is the system development, production, licensing and sale of wind turbines with nominal capacities between 2,000 and 6,000 kilowatts. The production facilities of Husum/Schleswig-Holstein and Trampe/Brandenburg have an annual production capacity of approximately 625 turbines. This figure is calculated from a capacity in Trampe of 275 turbines operating on a double shift basis and a capacity of 350 turbines in Husum, also operating on a double shift basis. In 2007, work also began on the construction of an additional production site in Bremerhaven.

The dimensions of the REpower 5M, whose nacelle is the size of a detached house and weighs roughly 290 tonnes, place particular demands on the size and infrastructure of the production site. In Bremerhaven, REpower has found a suitable production site for volume production of its offshore turbine 5M, at which initially some 80 5M offshore turbines will be produced per year in double shift operation.

In addition to realising turnkey wind farms, REpower also offers service and maintenance packages in line with individual customer requirements. REpower thus meets the highest claims on technology and quality while continuing to pursue its values of effective business results, sensitivity to social issues and ecological responsibility.

In terms of innovation, quality and profitability of wind turbines, REpower Systems AG is targeting technology leadership. With its top flight products, it wants to make a decisive contribution to wind energy competing with fossil fuels.

With a high standard of quality for developing new turbines and services, the company concentrates specifically on parts of the wind energy value chain, thus generating profitability and synergy effects.

At our development site in Rendsburg alone, more than 130 qualified engineers are working systematically to optimise our existing product lines and develop new, more efficient ones. In-house engineers also develop key components which are then manufactured by select, qualified suppliers.

With its extensive service range, REpower provides a high level of quality in the services sector. 24-hour remote monitoring guarantees ongoing control and ensures the smooth and reliable operation of the wind turbines. A tightly interlaced service network with a REpower service team of 400 provides for rapid reaction times.

In Germany, a service team employee can reach the systems maintained by REpower in less than two hours and he can reach those in our European core markets in less than 24 hours. As a result, REpower achieves an above average technical availability of more than 97.5% for the whole of Europe (as of 31 March 2008).

In addition, for the fifth time, REpower has been ranked second in terms of customer satisfaction in the annual service survey carried out by the German Wind Energy Association.

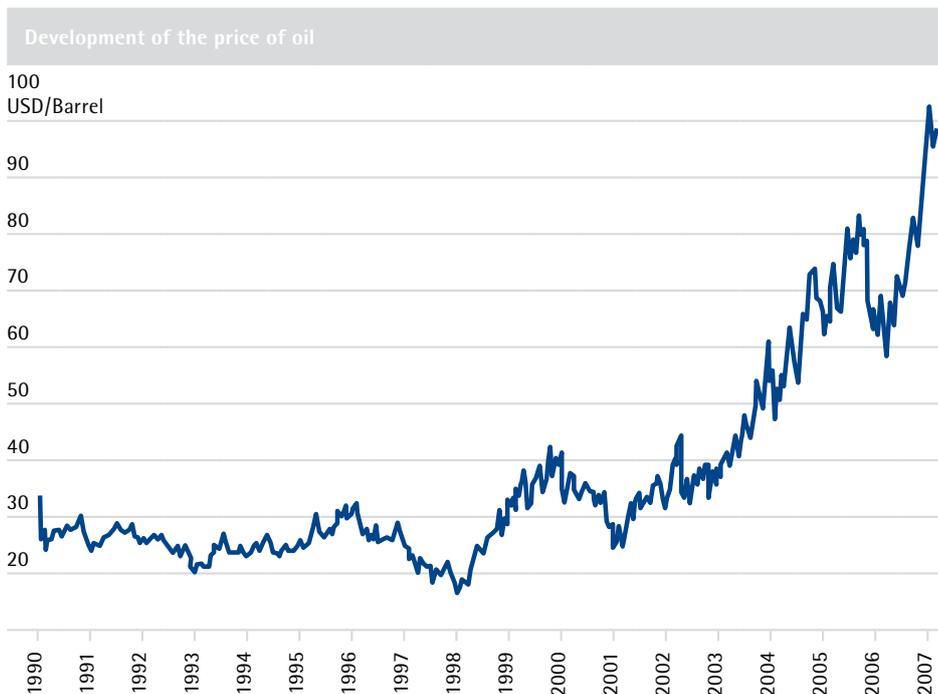
Market

German industry supporting GDP growth

Economic conditions

The German economy continued to grow in the first quarter of 2008. As stated in a press release on economic performance by the Federal Office of Statistics, inflation-adjusted GDP rose by 1.8 % year-on-year in the first quarter of 2008. This economic growth was mainly driven by domestic consumption and exports. Gross capital expenditure was also up as against the fourth quarter of 2007. According to a press release by the Federal Ministry of Economics and Technology (BMWi), the manufacturing industry in particular bucked expectations in February 2008 by posting strong growth of 0.4%. Production for German industry also rose by 0.3% in February 2008. However, according to the International Monetary Fund, the global economy will lose momentum over the rest of the year on account of the increasingly apparent weak phase on the USA economy.

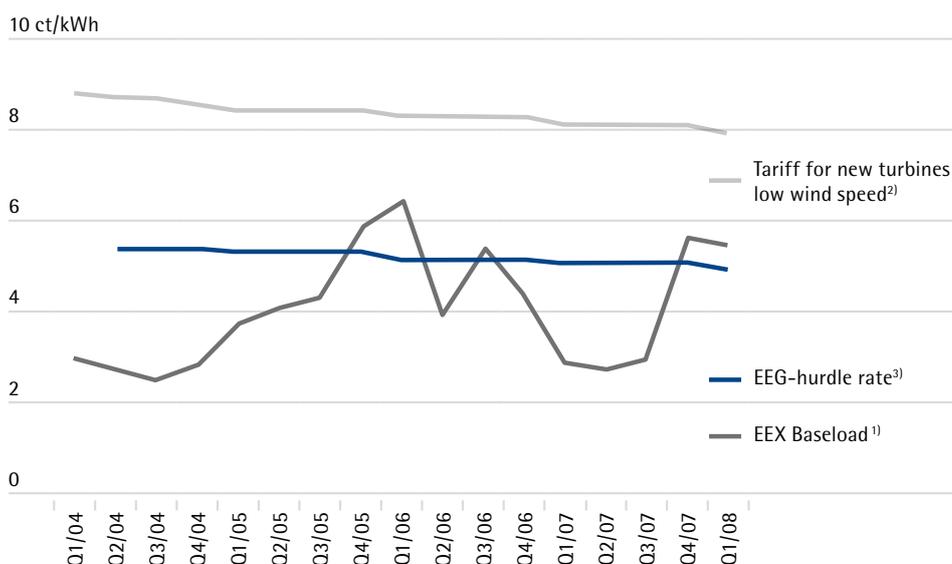
This year again, economic risks will cause price risks, such as rising food and oil prices. The continuing growth in the price of fossil fuels combined with growing climate awareness are providing strong stimulus for investments in renewable energies. According to calculations by the German Renewable Energies Association, the emission of 115 million tonnes of CO₂ could be avoided in Germany alone through the use of regenerative energy sources.



Source: Bloomberg

Over the next few years, in addition to benefiting from high oil prices and climate awareness, the German market could also benefit from the amendment of the Renewable Energies Act (EEG). In its draft amendment, the German government is planning to cut the annual decline (decrease) in the rate for wind energy from onshore turbines by one percentage point. At the same time, a bonus of 0.7 ct/kWh will be granted for grid-friendly onshore turbines. The German parliament is expected to discuss the amendment of the EEG before its summer hiatus, so the new EEG compensation provisions will be in effect no later than August of this year.

Electricity tariff for wind power versus stock exchange price



1) EEX base load: quarterly weighted average price for base load power

2) For every new wind energy turbine a higher minimum rate per kWh will initially be paid for five years. Thereafter the amount of remuneration will be based on the yield that the turbine would generate at a reference location with an average annual wind speed of 5.5 m/s at 30 m above ground level.

3) Remuneration after end of increase remuneration under 2)

Sector development

Wind energy recorded strong growth in 2007. According to information from the Global Wind Energy Council (GWEC), 20,076 MW of new capacity was installed around the world. At the end of 2007, global installed output totalled over 94,000 MW as against 74,141 MW in 2006. This means that the global market grew by almost 27%. The growth drivers on the world market were again those in North America, Europe and Asia.

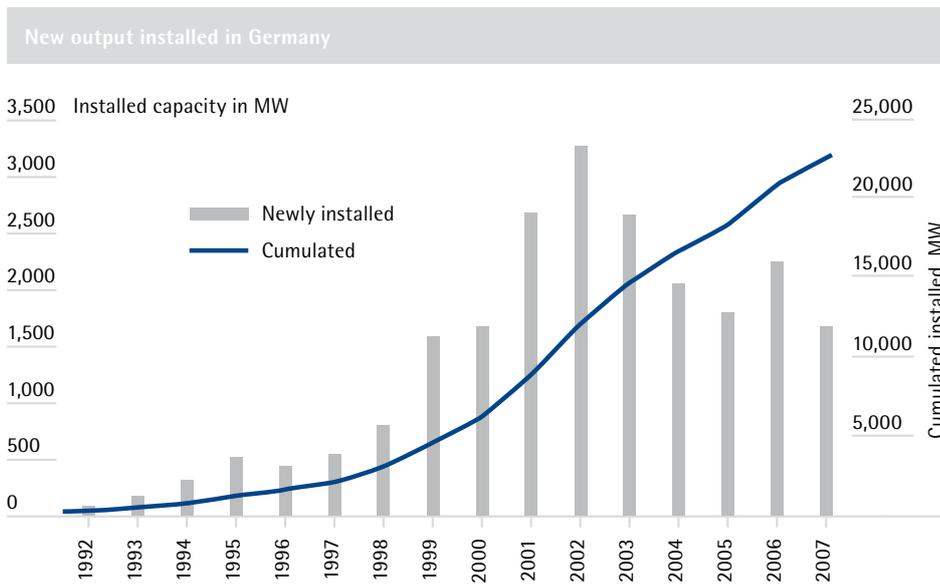
According to estimates by the German Wind Energy Association, German value-added amounted to over EUR 5.6 billion in 2006 and the figures from DEWI GmbH indicate that EUR 6.7 billion is expected for 2007. At the end of 2008, experts are forecasting EUR 7.7 billion. In Europe, installations totalling 8.5 gigawatts (GW) were registered in 2007, led by Spain with 3.5 gigawatts. The world's largest individual market in 2007 was the US (5.2 gigawatts) followed by Spain and China (3.4 gigawatts).

In contrast, growth on the German market slowed in 2007: At 1.6 gigawatts, installed output was down by roughly 25% against the figure for the previous year.

Statistical analyses of industry development in the first quarter of 2008 were not available at the time this report was prepared, though we are assuming that the 2007 trend continued in 2008.

Offshore wind energy

The planned EEG amendment is expected to stimulate the German market. The decrease applicable to offshore wind energy use will not be phased out until 2014 instead of in 2008 as originally planned. According to the draft law presented by the federal cabinet, the initial rate will be increased from 8.74 cents to 12 cents per kWh and to 14 cents per kWh for turbines which are commissioned before 31 December 2013.



Source: DEWI

In addition, a limitation regarding the assumption of grid connection fees for offshore wind farm projects by the grid operator, which was originally to run until the end of 2011, was cancelled. Appropriate framework conditions were created by the adoption of the Accelerated Infrastructure Planning Act by the German government in 2006. The legislation states that grid operators must assume the costs for linking offshore wind power to the grid. The attractiveness and economy of offshore wind farms are receiving a significant boost from the new regulations.

Business development

Positive development in sales and earnings figures

Order backlog at record levels

A combined management report has been produced as the business performance and risks and rewards of the REpower Systems Group and the parent company REpower Systems AG are the same.

Overall, business performance has developed well both at the parent company REpower Systems AG and in the REpower Systems Group.

REpower Systems Group

The following information is based on the IFRS business figures for the REpower Systems Group. Only a limited comparison of the short fiscal year 2008 with fiscal 2007 is possible on account of the three-month period.

Increase in installed output

In the short fiscal year 2008, the REpower Systems Group installed or delivered 65 wind turbines with a total output of 129.0 MW. In fiscal 2007, 332 turbines with a total output of 652.0 MW were installed or delivered.

The share of MM type series turbines with a rated output of two megawatts again increased during the reporting period. As a result, these units accounted for almost 97 % (previous year: more than 80 %) of units generating sales recognised during the year. The share of the MD type series with a rated output of 1.5 MW was 3 % (previous year: roughly 18 %).

Progress in marketing offshore technology

In February 2008, the REpower Group and the subsidiary of the RWE Group that specialises renewable energies, RWE Innogy, signed a memorandum of understanding, setting up negotiations for master agreements with a volume of up to 1,900 MW. This will break down as roughly 250 offshore 5M/6M type series turbines and around 200 more onshore 2 MW class turbines.

As a result of the increasing demand for offshore turbines, REpower will commission the offshore assembly plant currently under construction in Bremerhaven in mid-2008 and initiate series production of REpower 5M turbines there.

REpower is expected to present the prototype of its 6 MW turbine at the end of 2008. The turbine concept for the REpower 6M is largely the same as the 5M turbine. The existing reserves were raised, thereby increasing nominal output to 6MW.

International installations remain at a high level

As in the previous year, the international share of output in relation to turbines which made up sales was over 82 % (previous year: just under 66 %).

Turbines generating recognized sales

Country	Number	Output in MW
Australia	10	20.0
France	12	24.0
Germany	12	23.0
Italy	5	10.0
Japan	7	14.0
Portugal	14	28.0
UK	5	10.0
Total	65	129.0

Development of total operating performance and sales

Including the consolidated companies, the Group generated a total operating performance of EUR 150.2 million as at 31 March 2008 after EUR 678.2 million in 2007. Consolidated sales in the short fiscal year amounted to EUR 147.4 million (previous year: EUR 680.2 million).

The REpower Group generated 89 % of sales in the short fiscal year (2007: 92.7 %) from the manufacture and sale of wind turbines, some of which were developed as turnkey solutions with the relevant infrastructure. Other sources of revenue included services, licensing, electricity sales, project sales and other services.

Sound development in earnings figures

In the 2008 short fiscal year, EBIT amounted to EUR 3.1 million (previous year EUR 28.2 million).

The staff costs ratio in the reporting period was 9.5 % after 7.3 % in the previous year.

Based on the total operating performance, the cost of materials ratio was 80.2 % (previous year: 81.4 %).

Other operating expenses amounted to EUR 12.8 million (previous year: EUR 48.7 million), other operating income to EUR 2.4 million (previous year: EUR 7.0 million).

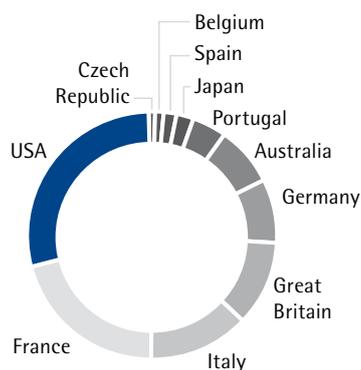
Improved financial management and the rise in cash generated an increase in interest income. The net figure for interest income and interest expenses at the end of the reporting period was EUR 261,161.00 (previous year: EUR 1.4 million).

Earnings after taxes amounted to EUR 1.1 million (previous year: EUR 21.1 million), the tax rate was 64.3 %.

Rise in order backlog

As at 31 March 2008, the order backlog was adjusted for eleven turbines as REpower no longer expects these to be implemented, leaving a total of 696 turbines (end of 2007: 636 turbines) with a total output of 1,419 MW (end of 2007: 1,297.5 MW) and a potential sales volume of around EUR 1.392 billion (end of 2007: EUR 1.301 billion). The order backlog does not include master agreements. Turbines are only included in the order backlog when the customer makes an actual call under a master agreement.

Order backlog breaks down by country as follows:



Country	No. of turbines	Output in MW
Germany	57	123.00
France	146	292.00
Italy	91	182.00
Spain	13	26.00
USA	199	398.00
Great Britain	79	158.00
Australia	56	112.00
Czech Republic	4	8.00
Japan	15	30.00
Portugal	30	60.00
Belgium	6	30.00
Total	696	1,419.00

In the reporting period, the average price per megawatt in the order backlog was EUR 981.0 thousand. At the end of December 2007, the average price was EUR 964.6 thousand per MW.

MM92 becoming sales hit

With a share of 98.7%, the MM type series (two megawatts) was by far the most important product family in REpower Systems AG's order backlog. The MM92 turbine, which was first produced in 2006, has evolved into the most sought after product in the portfolio in just a few months.

Turbine type	31.12.2007		31.03.2008	
	No. of wind turbines	Output in MW	No. of wind turbines	Output in MW
5M	9	45	9	45
MM92	358	716	407	814
MM82	262	524	276	552
MM70	4	8	4	8
MD77	3	4.5	0	0
Summe	636	1297.5	696	1419.0

Strong incoming orders in short fiscal year 2008

In the short fiscal year 2008, the REpower Group received new orders for 136 turbines with a total output of 272 MW. In fiscal 2007, the number of new orders totalled 586 turbines with an output of 1,179.5 MW.

Investment volume

The investment volume in the short fiscal year 2008 was EUR 31.3 million after EUR 45.7 million in 2007.

As in fiscal 2007, the main investments were the production halls in Bremerhaven for series production of offshore wind turbines and the manufacture of rotor blades. A total of EUR 13.6 million was invested for these projects in the short fiscal year. One further key investment was the installation of a REpower 5M test turbine with a new foundation suitable for open seas in the port at Bremerhaven. Other investments in the reporting period essentially related to the acquisition of rotor blade moulds (EUR 3.9 million), transportation equipment and machinery (EUR 0.9 million), the future Osterrönfeld location (EUR 0.6 million), the acquisition of IT equipment (EUR 0.6 million) and replacement and expansion investments for the fleet (EUR 0.5 million).

Financing activities

The financial management of the REpower Systems Group is geared towards the efficient use of the resources available. The Group's long-term objectives include achieving a positive total return and return on equity.

Financing requirements primarily focus on the guarantee area. In this connection, lines for funding and guarantees have been gradually expanded in line with the rising business volume. More extensive lines of credit were negotiated with existing banks in the reporting period. As at the reporting date, the company had lines of credit of EUR 367.5 million at its disposal. Of this, EUR 177.2 million of guarantee lines were utilized as of the reporting date. Current bank liabilities amounted to EUR 0.7 million as at the reporting date. These essentially relate to the short-term portion of liabilities arising from long-term loans. At EUR 1.4 million, long-term loans were below the low level as at the end of 2006 of EUR 2.4 million. In addition, a new long-term loan to finance the new production facilities in Bremerhaven was borrowed but not yet paid out as of the reporting date.

The transactions of the REpower Group are generally invoiced in euro. Accordingly, currency risks only have to be hedged in rare cases. The Executive Board decides on whether to hedge currency risks on a case-by-case basis.

Personnel changes

On 1 January 2008, Mr. Per Hornung Pedersen took over as the Chairman of the Executive Board.

On 10 January 2008, Prof. Fritz Vahrenholt was legally appointed to the Supervisory Board. At the Supervisory Board meeting on 7 February 2008, Prof. Fritz Vahrenholt was also made Deputy Chairman of the Supervisory Board by the Supervisory Board.

On 10 March 2008, André Horbach was legally appointed to the Supervisory Board.

Disclosures in accordance with Article 289 (4) HGB

The share capital of the company is EUR 8,993,576.00. The share capital is divided into 8,993,576 shares. The company's shares are bearer shares. The form of shares, the share of profits and the renewal coupons are determined by the Executive Board, with approval by the Supervisory Board. The claim of shareholders to a securitisation of their shares is excluded. The company may combine individual shares into share certificates which securitise a larger number of shares (global shares).

In the event of capital increases, the start of profit sharing for the new shares may deviate from Article 60 (2) sentence 3 AktG.

With the approval of the Supervisory Board, the share capital of the company may be increased by issuing new shares against cash or non-cash contributions on one or several occasions after partial utilisation of EUR 810,179.00 by up to EUR 3,240,719.00 until 29 May 2011.

The company is authorised to issue profit sharing capital of up to EUR 20 million until 8 June 2009. The company has not yet exercised this right.

The share capital has been contingently increased by up to EUR 2,475,000.00. The contingent capital increase is only to be carried out in the event of the issue of an option or convertible bond.

Furthermore, the share capital has been contingently increased by up to EUR 438,900.00. The contingent capital increase will be implemented by issuing up to 438,900.00 new bearer shares only to the extent that the owners of the subscription rights utilise them in the context of employee share option plans.

The legal regulations of the German Stock Corporation Act apply to the appointment and dismissal of members of the Executive Board and amendments to the Articles of Association.

On 21 June 2007, the Annual General Meeting authorised the Executive Board to buy back shares with a share of up to the lower of 10% of the share capital entered in the commercial register on the day of the Annual General Meeting and the share capital existing at the time this authorisation is exercised until 30 December 2008.

The shareholder structure and voting rights changed significantly in the course of the takeover in 2007. As a result of the agreement on voting rights by the major shareholders Suzlon, AREVA and Martifer, Suzlon holds 86.5 % of the voting rights. Following the takeover, these shares in REpower Systems AG are divided as follows: Suzlon owns 33.6 %, AREVA 29.9 % and Martifer 23.0 % of shares.

Net asset, financial and earnings situation

The figures for REpower Systems Group net assets, financial and earnings situation for the short fiscal year 2008 are presented in comparison with those for 2007. The three-month period allows for only a limited comparison between the short fiscal year 2008 and fiscal 2007.

Assets

Non-current assets rose from EUR 90.2 million to EUR 115.3 million. This is due, in particular, to an increase in investment activities.

Current assets declined from EUR 598.2 million in fiscal 2007 to EUR 578.2 million in the short fiscal year 2008. Trade receivables declined from EUR 117.4 million to EUR 51.2 million. Production orders with an asset side balance amounted to EUR 118.9 million compared with EUR 144.1 million in the previous year. As at the balance sheet date, cash and cash equivalents rose to EUR 177.6 million (previous year: EUR 144.9 million).

Equity and liabilities

At EUR 329.1 million, shareholders' equity was up slightly as against the previous year's level of EUR 326.3 million. The equity ratio rose significantly from 36 % in the previous year to 47 % in the short fiscal year. Overall, the Group has a sound equity structure, with equity covering 100 % of non-current assets.

At EUR 20.5 million, provisions were virtually unchanged as against the previous year (EUR 20.8 million). EUR 18.3 million related to guarantee provisions (previous year: EUR 19.2 million).

At EUR 1.4 million, non-current liabilities to banks were unchanged at the extremely low level of the previous year (EUR 1.4 million). Trade payables declined from EUR 108.1 million to EUR 92.4 million.

Together with cash and cash equivalents, the Group has sufficient funds to finance the continued expansion of its business operations. A further increase in financing requirements resulting from growth opportunities in an expanding market has not been ruled out.

Margin

The EBIT margin (operating result in relation to total operating performance) was 2.0 % after 4.2 % in the previous year. The reason for the decline is the seasonal drop in business volume. The sales volume during the first three months of the calendar year is generally significantly lower than in the last quarter of a year in this industry.

Cost of materials

The cost of materials ratio was 80.2 % the short fiscal year 2008 after 81.4 % in the previous year. An increase in purchasing prices for some materials was compensated for in part by price increases for wind turbines.

Staff costs

The staff costs ratio increased from 7.3 % in the previous year to 9.5 % in the reporting period.

Operating cash flow

In the reporting period, the company's operating cash flow amounted to EUR 85.2 million. Inventories rose by EUR 32.7 million. This increase is due to the increased requirements for buffer stock so as to counter short-term delays in deliveries of individual components.

Cash and cash equivalents

Cash and cash equivalents rose by 22.5 % to EUR 177.6 million as against the previous year.

Changes in the consolidated group

The company Großvargula Betriebs GmbH, Breydin and the French FEdeF S.A.S., Surenes were liquidated and thereby deconsolidated in the reporting period.

On 17 December 2007, the Canadian company REpower Canada Inc. was founded in Montreal and included in consolidation as of the short fiscal year 2008. In future, the company is to serve as the headquarters for REpower' activities in Canada.

REpower Systems AG

The following information relates to the financial figures of REpower Systems AG in line with the German Commercial Code (HGB). The three-month period allows for only a limited comparison between the short fiscal year 2008 and fiscal 2007.

The REpower Systems AG parent company generated a total operating performance of EUR 156.2 million as against EUR 696.3 million in 2007. In the reporting period, sales increased from EUR 693.1 million in the previous year to EUR 156.2 million. The operating result for REpower Systems AG parent company was EUR -31.763 million after EUR 16.9 million for 2007.

REpower Systems AG: selected key ratios

Fixed assets increased significantly from EUR 70.8 million to EUR 97.7 million. This is due, in particular, to an increase in investment activities.

Within current assets, receivables and other assets decreased from EUR 315.1 million to EUR 307.2 million. This relates to the reduction of trade receivables, which declined from EUR 115.8 million to EUR 49.9 million, compensated for by the rise in receivables for activities not yet invoiced, which increased from EUR 153.3 million to EUR 206.1 million.

As at the balance sheet date, cash and cash equivalents rose to EUR 173.7 million (previous year: EUR 141.0 million).

At EUR 299.7 million, shareholders' equity was up slightly as against the previous year's level of EUR 299.4 million. The equity ratio declined from 40.4 % to 37.4 %. Overall, the Group has a sound equity structure, with equity covering 100 % of fixed assets.

At EUR 2.0 million, liabilities to banks were up slightly on the low figure for the previous year of EUR 1.9 million. At EUR 70.9 million, trade payables were also up slightly on the previous year's level of EUR 67.7 million.

The cost of materials ratio was virtually unchanged year-on-year at 84.2 % (84.9 %). Cost increases as against 2006 were almost entirely offset by enhanced efficiency. The staff costs ratio rose slightly from 6.5 % to 7.9 %.

The EBIT margin (operating result in relation to total operating performance) dropped from 2.4 % in the previous year to -0.02 %. This is essentially due to the shorter reporting period for the short fiscal year. This development was also due in part to the first quarter of each calendar year being seasonally weaker, as is standard within the industry.

Risks and opportunities

Risk management system (RMS)

The REpower Group continued to implement measures in line with Article 91 (2) AktG to ensure early detection of developments jeopardising the continued existence of the enterprise.

This includes establishing a monitoring system to ensure that existing risks are recorded, analysed and assessed and that risk-related information is systematically forwarded to the responsible decision makers. The REpower Group fully implemented this requirement as early as 2002, when it implemented a computer-based risk management system.

In addition, an internal audit function was added to the risk management system in the second half of 2007. This takes account of the evolving risks arising from the growth of REpower Systems AG. As part of an annual audit plan agreed with the Executive Board, business processes are analysed with regard to risk and measures are devised and adopted. The implementation of these measures is tracked in line with set deadlines and re-evaluated in the form of subsequent audits.

Analysis

The starting point for risk and reward analysis at the REpower Group is the strategic corporate positioning and the corporate business policy objectives. The scope of risks is determined by the implicit framework of strategic, medium-term, budgeting and other corporate planning processes.

Information on risks and opportunities is first systematically established. The subsequent assessment provides an appraisal of the potential impact of financial losses or failure to meet business targets reasonably likely to be incurred or transpire, focusing on the extent of impact and projected probability of incurrence.

Risk management is then performed through such preventive measures as adapting market strategy, technology and software, organisational structures, staffing policies, through steps to ensure secure production processes, and through action in the areas of environmental protection, fire prevention and product liability.

In addition to methods for managing risks, monitoring procedures are reviewed on an ongoing basis to determine any potential gaps.

Those with business and function responsibility in the REpower Group are responsible for their risk situation and the risk management in their area. These so-called risk owners report quarterly on their risk area in the context of a risk assessment. The information included in this risk report allows the identified risks to be accumulated and evaluated by the risk management department. Any changes to risks are reported to the Executive Board.

Risk reporting

The company has identified 26 distinct business risks. These are subdivided into the three principle categories of ‚corporate risks‘ (14), ‚market and competitive risks‘ (4) and ‚legal and other risks‘ (8). Of these, 23 risks are classified as having a low to medium risk potential, representing no threat to the continued existence of the company. In particular, personnel, supplier, project and product risks are recorded in „corporate risks“ while liquidity and currency risks are part of the category „legal and other risks“.

On the basis of the risk analysis, three risks are to be viewed as significant to REpower Systems AG. This results in the company being dependent to a not inconsiderable extent on suppliers being able to provide high quality components (quality risk) in the numbers and at the time required (dependency risk). Furthermore, REpower could be subject to product liability claims (technical risk).

When the order backlog is high, supply delays of parts necessary for production could occur for REpower Systems AG. In consequence, the company may not always complete contracts on time, incurring contractual penalties for exceeding deadlines for system readiness.

It cannot be excluded that delivery contracts concluded stipulate delivery at a point in time when meeting the completion deadline for systems under contract is impossible due to component supply delays.

The consequences of such circumstances could have a negative impact on the company's asset, finance and earnings situation.

Organisational development

REpower Systems AG has addressed these risks by increasing the number of its suppliers to reduce dependency on individual component vendors. All components employed are produced and supplied by at least two prominent manufacturers. In particular, for example, the purchase of rotor blades for wind turbines was frequently affected by scheduling difficulties in the past, which is why REpower Systems AG has decided to manufacture these components itself. The production plant for PowerBlades GmbH, a merger between REpower Systems AG and Abeking & Rasmussen Rotec GmbH & Co. KG to manufacture rotor blades, is currently under construction in Bremerhaven. Production will start in mid-2008 and a much improved supply of rotor blades is expected in future.

A quality management and quality assurance system was introduced as early as 2002. The central aim of this measure was to guarantee that any components supplied met the quality standards demanded by the REpower Group. In particular, before key components from various suppliers are shipped, each product is examined by REpower Quality Assurance or an external expert.

Growth, most notably abroad, means that the company is faced with particular organisational challenges. Delays in adjusting and expanding existing structures, in the case of organisational measures or in the introduction of new internal structures may therefore have a negative impact on the net assets, financial position and results of operations of the REpower Group. To limit this risk, additional staff were employed in the departments responsible for finance and accounting, treasury, controlling (centralised and decentralised) and controlling for subsidiaries and investments. As a follow-up to the project initiated in 2007, in which business processes and responsibilities were geared towards further strong growth and the internationalisation of business,

management was required to identify and define the missing descriptions of company processes. As part of the audit, compliance with processes was reviewed by the quality management department. Organisational development with regard to future growth will also be continued in the manner described above in fiscal 2008/2009.

In the context of global climate change, increasing support worldwide at political and regulatory level for renewable energies has resulted in a further considerable increase in demand for wind turbines. This results in a considerable decline in risk, not only in relation to a change of the general legislative framework, but also the risk of market transparency and competition.

Opportunities

Thanks to its excellent technology, REpower is very well placed to exploit future market developments. REpower is also in a position to maintain its technological lead through its research and development activities and its experience built up over many years.

The planned amendment of the Renewable Energies Act (EEG), which, according to current assessments based on the draft presented by the federal government, will make a substantial contribution to increasing demand for offshore turbines, offers opportunities in Germany. REpower will be able to profit from this development with the most powerful offshore wind turbine on the market, the REpower 5M.

Through measures to ensure more suppliers can meet our standards and the establishment of an in-house manufacturing capability for rotor blades, there is the opportunity to be able to produce higher annual volumes in future. Furthermore, in-house manufacture of rotor blades could contribute to an improvement of the margin situation.

Supplementary report

Personnel changes

In March 2008, the REpower Supervisory Board resolved to expand the size of the Executive Board to four members. From 1 April 2008, Lars Rytter Kristensen will be responsible for the areas of purchasing, production and logistics at REpower Systems AG as its Chief Supply Chain Officer (CSCO). Kristensen, a business graduate, has worked in the wind industry since 1995 and was previously responsible for logistics and purchasing at Micon A/S. When NEG Micon and Vestas merged to form Vestas Wind Systems A/S in 2004, the Denmark native was made Vice President in charge of strategic purchasing and logistics. In 2006, Kristensen moved to the world's fifth-largest wind turbine manufacturer Suzlon Energy Ltd. as its Chief Supply Chain Officer.

Incoming orders

In May 2008, Enel, Italy's largest utility, selected REpower Systems AG as the supplier for various wind farm projects in France and Italy. The tender that was offered in February 2008 has a total output of 543 MW. REpower Systems AG won all lots in France (total output of 158 MW) and 105 MW in Italy.

In the past year St.-Laurent Energies consortium concluded an option agreement with REpower Systems AG for the delivery of wind turbines for a wind farm tender in Québec/Canada.

In September 2007, the consortium had submitted a bid for a total output of 1,048 MW to Hydro-Quebec Distribution, to consist exclusively of 2 MW class REpower turbines (MM82 and MM92).

In May 2008, the consortium announced that it had been awarded a project for five wind farm projects for the utility Hydro-Quebec Distribution with a total output of 954 MW.

The electricity provision agreements between Hydro-Québec and St-Laurent Énergies are currently still being negotiated. If negotiations are successful, REpower is set to become the exclusive supplier for the five wind farm projects.

There were no other significant events after the reporting date affecting the financial statements of the company or the Group.

Forecast

Economic situation

According to a forecast by the Institute for the World Economy, the global economy will lose momentum in 2008. Growth will slow from 5.1 % to between 4.4 % and 4.5 %. The downturn in the US, where the property crisis is persisting and the momentum generated by private consumption is likely to decline appreciably, will play a decisive role in the slowdown in the global economy. The Federal Ministry of Economics and Technology (BMWi) and the OECD are also expecting economic growth to weaken.

The BMWi has cut its forecast for growth in gross domestic product in Germany in 2008 in several steps to 1.7%. Economic growth is also likely to be slightly lower in newly industrialising and developing countries, most notably in Asia, however, it will remain at a high level. Expansion will continue in the euro zone, although here, too, the tempo will slow because of higher oil prices, rising food prices, the stronger euro, higher interest rates and more cautious lending policies.

Sector development

In 2008, REpower Systems AG is again expecting robust growth in the global wind energy market, which will continue to be initiated by Europe and America although strong impetus is also expected from Asia in 2008.

REpower is confident that offshore business will play a dominant role in future. REpower considers a total of 1,500 MW of installed wind energy output on the sea to be realistic by 2011.

Germany

The German Wind Energy Association is forecasting a drop in new output installed onshore in Germany of around 16% to 1,400 MW in 2008. This will be due to lower new investments in Germany on account of the rising saturation on the domestic market.

According to calculations by the German Wind Energy Association, domestic sales for the German wind industry will therefore drop to EUR 5.62 billion (previous year: EUR 5.77 billion). Despite all this, the installed output in Germany will increase slightly from 22,250 MW in 2007 to 23,650 MW this year, according to the Association.

The Association is also forecasting continuing strong growth in export business in Germany: The export rate is set to rise by six percentage points from 78 % in 2007 to 84 % at the end of 2008.

Europe and the world

In their World Market Update published in March 2008, the experts at BTM-Consult ApS are forecasting new installed output in Europe of 9,880 MW in 2008. BTM is also anticipating growth of 7,900 MW in America in 2008, with the US alone accounting for 6,500 MW and Canada for 1,000 MW. Asia ranks third with 7,700 MW (China 5,500 MW, India 2,000 MW). Worldwide, BTM Consult expects total new output of 26,565 MW in 2008.

The forecast for global installed output by MAKE Consulting dated February 2008 (21,855 MW) is similar. However, the breakdown by individual countries differs. MAKE is anticipating that 7,925 MW will be installed on the European market. This market is followed by America and Asia with 6,950 MW and 6,700 MW respectively. According to the study, the most important individual markets are the US (5,700 MW), followed by China (4,000 MW) and India (1,700 MW).

Investments

For the fiscal year 2008/09, REpower is planning total investments of approximately EUR 86 million, of which around EUR 44 million is for the expansion and construction of production and administration buildings, approximately EUR 15 million is for master patterns and moulds for rotor blades and EUR 12 million is for extensions within non-current assets. Other investments essentially relate to IT equipment, vehicles and office fixtures and fittings.

REpower has reached an agreement with the town of Osterrönfeld in the district of Rendsburg on the construction of a production and an administration building. In return, the local business development agency has offered to develop the site and provide the necessary infrastructure within one year. There was no contractual obligation as at the balance sheet date.

Growth in sales and earnings

By way of resolution of the extraordinary Annual General Meeting on 17 October 2007, the fiscal year of REpower Systems AG will end on 31 March in future.

Against the background of the high order backlog in fiscal 2008/09, the REpower Group is expecting that sales volume will rise to EUR 1.1 billion in fiscal 2008/09. The sustained improvement in cost structures and processes within the REpower Group will lead to a further rise in earning power.

REpower is therefore expecting an EBIT margin of between 5.5% and 6.5% in 2008/09. Planning for fiscal 2009/10 is for sales growth of between 40% and 50%, which will again go hand-in-hand with a rise in the EBIT margin.

Long-term sustainability

The most important resource REpower Systems AG has is its highly qualified and motivated employees, who make a considerable contribution to the growth and success of the company. REpower offers them individual prospects in a challenging and international environment.

Personnel

As at March 31, 2008, the REpower Systems Group employed a total of 1,246 staff, 1,246 of them at the REpower Systems AG parent company. The employees are highly qualified. At least one in

five employees at REpower is an engineer, representing 20% of total personnel. A further 9% have degrees in other subjects; approximately 40% have a technical background. The remaining 20% are divided between commercially qualified staff working in administration and 11% are trainees and final-year students.

	31.03.2008	2007
REpower Systems AG	1,060	1,005
REpower Systems Konzern	1,246	1,160

Executive Board remuneration report

The remuneration report is a component of the joint management report and is shown in the Corporate Governance report.

Staff development concept

Promoting the professional and personal of its employees is a stated aim of REpower Systems AG. In January 2008, the Staff and Organizational Development Group was formed to further this aim with CEO Per Hornung Pedersen as chairman.

The purpose of this is to implement the personnel development concept to support internal management and communication processes and to establish a value- and performance-based corporate culture. In addition, targeted executive training and the needs-driven expansion of the training range will help gear employee qualifications towards future requirements. Thus, personnel development will make a key contribution to the success of the company. The concept is to be implemented in January 2009 using appropriate instruments and measures.

Employee option programme

As an additional form of remuneration and a way to improve employee loyalty to the company, REpower Systems AG has been issuing share options to certain company employees since 2003. The group of those with option entitlements is made up of members of the REpower Systems AG Executive Board, executives of the subsidiaries and employees of the REpower Group who have made a material contribution to the success of the company. The holding period for the options is two years. No share options were offered in the reporting period.

Company pensions

Through the REpension plan, REpower offers its employees the option of an Allianz company pension fund and a direct insurance policy from Standard Life. It also offers occupational disability insurance at Gerling. To encourage acceptance of these pension products, REpower also offers its employees a subsidy amounting to 50% of savings from the employer's contribution to social insurance. As of 31 March 2008, a total of 340 employees were insured with the REpension plan.

Social responsibility through training

In the reporting period, the number of training places was 46. REpower therefore has a trainee ratio of 4.0%. In addition to trainee positions, the company offers a wide range of internships and student positions. At the end of the reporting period, a total of 56 interns and final-year students were employed at REpower.

REpower offers vocational training, providing for the future. In the company it is possible to obtain professional qualifications as an office communications officer, warehouse specialist, commercial officer in industry or IT, mechatronics technician or in technical design. Since 2005, vocational training as an industrial technician has also been available. In fiscal 2007, a position for a voluntary ecological year was offered and filled.

In addition to its in-house training and educational programs, REpower launched a scholarship programme together the prestigious Technical University of Hamburg-Harburg in October. The programme sponsors the 10 best students on the Electrical Engineering course by paying their fees retrospectively up to a maximum of EUR 500 each.

In periods of high unemployment among young people, REpower is proud of its training and apprenticeship programs and the steady increase in the number of employees. The company shows its responsibility to society and acts by providing young people with high-quality training and thus future career prospects.

SCC standard

REpower Systems AG was one of the first turbine manufacturers to receive the safety certificate for its occupational health and safety protection line with the international SCC standard (Safety Certificate Contractors) from Veritas Quality International GmbH. The international standard regulates safety, health and environmental management in the company. Thus, REpower meets its responsibility for the safety of its employees and its products.

Accident statistics and sickness rate

In fiscal 2007 there were a total of 33 work accidents at REpower Systems AG, 20 more than in 2006. There were four work accidents in total in the period from January to March 2008. All accidents in the company are recorded in statistics from one day of lost working time. The SCC figure is also calculated to obtain an international comparison. This is derived by multiplying the work accidents by 1,000,000 and then dividing this figure by the number of work hours per year. The accident frequency figure in line with the SCC standard was 20.00 in 2007 and 8.4 for the months January to March 2008. The sickness rate in the short fiscal year remained constant at the previous year's level of 2.9%.

Training

The REpower training department provided a total of 2093 man-days of instruction and skills development to 672 REpower employees in Germany and the REpower subsidiaries through an array of 67 different training modules. 58 employees received product-related information from operators, customers and service providers in ten training sessions. In addition, eight employees of the REpower North (China) joint venture received training in the reporting period.

5M type certificate

On 23 November 2007, a type certificate was awarded for the REpower 5M by the accredited certification agency DEWI-OCC. This certifies that the REpower 5M meets the plan specifications and is a safe structure within its typical environment. The certification agency also confirms that the REpower 5M has successfully completed the test phase.

Research and development

Research and development costs in the short fiscal year 2008 amounted to EUR 4.0 million after EUR 13.4 million in fiscal 2007.

The prototype of the cold climate version of the MM82 (MM82 CCV) is currently being tested in Huitengxile in Inner Mongolia, China. The extensive validation process is expected to last until summer 2009 and the first projects in Chinese cold climate areas are expected to be installed from mid-2009.

Following the successful commissioning of the first project with 47 MM92-60 Hz turbines in Goodnoe Hills, project-specific adjustments are now being made for high-density follow-up projects in the US.

The development of the 3.3M is proceeding in line with planning. The prototypes should be assembled at the new Bremerhaven plant from June and installed by the end of 2008.

The development of the 6 MW REpower 6M turbine is also proceeding as planned. The first turbines are to be assembled in Bremerhaven parallel to the 3.3M from June 2008 and erected in autumn 2008.

In summer 2008, six 5M turbines will be erected near Belgium as part of the Thornton Bank offshore project. Preparations for project-specific equipment are already underway.

In addition, the performance enhancement evolution package has also been approved for series production. Using this, all MM82 and MM92 turbines will be delivered with increased capacity of up to 3%.

There is also news to report in rotor blade production in the short fiscal year. The prototype RE45.2 rotor blades were assembled at the REpower site in Husum on the North Sea in February 2008. Work recording performance, noise and loading behaviour readings began immediately. A test blade is currently undergoing static and dynamic load testing near Blaest in Denmark. It successfully passed more than half of the tests conducted to date.

In addition, the moulds for the RE50.8 rotor blade are now in production. The detailing of the structure has already been concluded. Production of the prototype blades is expected to be carried out in the new rotor blade factory of the REpower joint ventures PowerBlades in Bremerhaven.

The aerodynamic design of the RE61.5 rotor blade that was developed for the REpower 5M and 6M turbine has already been designed. The master models have also been commissioned. Internally, a more advanced form of the profiles used in the RE series was used. Thus, the already strong performance of this state-of-the-art profile series can be increased again. The production procedure, which is of central importance with these dimensions, is being further coordinated.

Closing statement on the dependent companies report

Suzlon Energy Ltd, Puna, India held a majority investment in our company in the entire short fiscal year. We therefore prepared a report on relations between our company and Suzlon Energy Ltd, Puna, India and its affiliated companies in accordance with Article 312 AktG. We also declare that our company received appropriate counterperformance for each legal transaction in line with the circumstances known to us at the time such transactions were conducted and that our company did not undertake or fail to undertake any actions at the instigation of or in the interests of Suzlon Energy Ltd, Puna, India.

Consolidated balance sheet of REpower Systems AG

Assets

	Notes	31.03.2008 EUR	31.12.2007 EUR
Current assets	4.1.		
Liquid funds	4.1.1.	177,578,201	144,908,913
Interests in project companies		25,999	14,850
Future receivables from construction contracts	4.1.2.	118,945,782	144,146,522
Trade receivables	4.1.3.	51,193,348	117,425,284
Receivables from participations	4.1.4.	526,387	534,084
Receivables from associates and joint ventures	4.1.5.	21,278,088	10,536,060
Inventories	4.1.6.	144,840,304	112,178,249
Other financial assets	4.1.7.	2,835,643	5,025,357
Other miscellaneous current assets	4.1.7.	60,962,815	63,381,752
Other current assets	4.1.7.	63,798,458	68,407,109
Total current assets		578,186,567	598,151,071
Non-current assets	4.2.		
Other intangible assets	4.2.2.	22,279,552	20,440,223
Goodwill		1,387,367	1,388,710
Property, plant and equipment	4.2.1.	77,172,317	49,734,401
Investments in associates and joint ventures	4.2.3.	4,497,432	4,547,200
Other financial assets		625,518	626,116
Loans granted	4.2.4.	6,728,527	7,003,266
Deferred taxes	4.2.5.	1,039,962	5,009,542
Other miscellaneous non-current assets		1,596,603	1,463,002
Other non-current assets		1,596,603	1,463,002
Total non-current assets		115,327,278	90,212,460
Total assets		693,513,845	688,363,531

Shareholders' equity and liabilities

	Notes	31.03.2008 EUR	31.12.2007 EUR
Current liabilities	4.3.		
Short-term loans and current portion of long-term loans		668,536	473,978
Trade payables		92,396,012	108,117,135
Liabilities to associates and joint ventures		11,472,547	494,054
Advance payments received	4.3.1.	202,239,688	191,633,999
Provisions	4.3.2.	20,451,201	20,765,434
Deferred sales	4.3.3.	7,003,186	8,403,055
Income tax liabilities	4.3.4.	1,524,010	982,784
Other financial liabilities	4.3.5.	5,197,143	8,060,688
Other miscellaneous liabilities	4.3.5.	5,063,031	2,360,859
Other current liabilities	4.3.5.	10,260,174	10,421,547
Total current liabilities		346,015,354	341,291,986
Non-current liabilities	4.4.		
Long-term loans	4.4.	1,375,059	1,406,818
Capital from profit participation rights	4.4.	10,000,000	10,000,000
Deferred taxes	4.2.5.	7,005,713	9,400,139
Total non-current liabilities		18,380,772	20,806,957
Shareholders' equity	4.5.		
Subscribed capital	4.5.1.	8,993,576	8,993,576
Additional paid-in capital	4.5.2.	282,441,254	280,895,128
Currency translation		-6,185	64,948
Retained earnings		37,076,530	35,597,083
Equity relating to shareholders		328,505,175	325,550,735
Minority interests	4.5.3.	612,544	713,853
Total shareholders' equity		329,117,719	326,264,588
Total shareholders' equity and liabilities		693,513,845	688,363,531

Consolidated income statement of REpower Systems AG

Income statement

			Pre-year
	Notes	01.01.–31.03.2008	01.01.–31.12.2007
		EUR	EUR
Sales	5.1.	147,405,839	679,832,618
Changes in work in progress		2,678,962	-2,006,782
Company-produced additions to plant and equipment		77,291	327,334
Total performance		150,162,092	678,153,170
Other operating income	5.2.	2,435,934	7,003,546
Cost of materials / cost of purchased services		-120,478,805	-552,110,733
Personnel expenses	5.3.	-14,274,286	-49,554,898
Depreciation on property, plant and equipment and amortization on intangible assets		-1,970,683	-6,589,209
Other operating expenses	5.4.	-12,823,369	-48,699,560
Operating result		3,050,883	28,202,316
Interest and similar financing income	5.5.	2,174,642	6,237,142
Interest and similar financing expenses	5.5.	-1,913,481	-4,866,456
Share of result from associates and joint-ventures	5.5.	102,172	-113,863
Income before taxes		3,414,216	29,459,139
Taxes on income		-2,036,078	-8,004,235
Other taxes		0	-336,465
Net income for the year		1,378,138	21,118,439
Share of net income for the year attributable to minority interests		-101,309	-103,729
Share of net income for the year attributable to shareholders of the parent company		1,479,447	21,222,168
Earnings per share (undiluted)	5.6.	0.16	2.43
Earnings per share (diluted)	5.6.	0.15	2.28

REpower Systems AG
Cash flow statement 01.01.–31.03.2008
(Comparison period 01.01.–31.12.2007)

Cash flow statement	01.01.–31.03.2008 EUR	Pre-year 01.01.–31.12.2007 EUR
Cash flow from operating activities		
Profit for the period before taxes	3,414,216	29,459,139
Adjustments for:		
Depreciation on property, plant and equipment, amortization of intangible assets and write-down of financial assets	1,970,683	6,589,209
Write-down of loans granted	0	209,813
Profits/losses from associates	102,172	113,863
Interest income	-2,174,642	-6,237,142
Interest expenses	1,220,709	4,656,643
Increase/decrease in provisions	-314,233	3,795,694
Profit/loss on disposal of fixed assets	-11,115	99,627
Change in working capital	58,688,888	-82,384,397
Interest received	1,872,421	6,237,142
Interest paid	-1,220,709	-4,656,643
Income tax paid	166,260	-75,108
Other non-cash income and expenditure	-247,010	-735,743
Cash flows from/used in operating activities	63,467,640	-42,927,902
Cash flow from investing activities:		
Proceeds from the sale of fixed assets	803,053	2,346,211
Payments for the purchase of intangible assets	-2,317,939	-8,868,845
Payments for the purchase of property, plant and equipment	-28,955,913	-34,598,139
Payments for the further purchase of shares in associates and joint ventures	-240,243	-940,300
Cash flows used in the acquisition of investments	-30,711,042	-42,061,073
Cash flow from financing activities		
Receipts from increases in equity	0	110,937,821
Loans issued	-250,111	-632,828
Loan repayments	-31,759	-947,942
Cash flows used in/from financing activities	-281,870	109,357,051
Increase/decrease in cash and cash equivalents	32,474,729	24,368,076
Cash and cash equivalents at the beginning of the period	144,434,935	120,066,858
Cash and cash equivalents at the end of the period	176,909,664	144,434,934
Bank balances	177,578,201	144,908,913
Short-term bank liabilities	-668,536	-473,978
Cash and cash equivalents at the end of the period	176,909,665	144,434,935

REpower Systems AG
Statement of changes in the shareholders' equity

	Notes	Subscribed capital in EUR	Contributions for performance of conditional capital increase in EUR	Additional paid-in capital in EUR	
Balance at 01.01.2007		8,101,797	16,200	165,346,006	
Capital increase including transaction costs for capital increase less tax advantages	4.5.1.	826,379	-16,200	110,238,566	
Shares issued (not yet registered)	4.5.1.	65,400			
Successive acquisitions of shares in other entities with existing controlling interests					
Share option plans	4.5.2.			5,310,556	
Foreign currency translation					
Net result for the year					
Group result					
Balance at 31.12.2007		8,993,576	0	280,895,128	
Balance at 01.01.2008		8,993,576	0	280,895,128	
Share option plans	4.5.2.			1,546,126	
Foreign currency translation					
Net result for the year					
Group result					
Balance at 31.03.2008		8,993,576	0	282,441,254	

	Currency translation	Retained earnings	Equity attributable to shareholders	Minority interests	Total shareholders' equity
	in EUR	in EUR	in EUR	in EUR	in EUR
	-30,461	14,374,915	187,808,457	21,332	187,829,789
			111,048,745		111,048,745
			65,400		65,400
				796,250	796,250
			5,310,556		5,310,556
	95,409		95,409		95,409
		21,222,168	21,222,168	-103,729	21,118,439
	95,409	21,222,168	21,317,577	-103,729	21,213,848
	64,948	35,597,083	325,550,735	713,853	326,264,588
	64,948	35,597,083	325,550,735	713,853	326,264,588
			1,546,126		1,546,126
	-71,133		-71,133		-71,133
		1,479,447	1,479,447	-101,309	1,378,138
	-71,133	1,479,447	1,408,314	-101,309	1,307,005
	-6,185	37,076,530	328,505,175	612,544	329,117,719

**Repower Systems–Group
Segment Reporting to 31.03.08**

	Revenues	
	01.01.–31.03.2008 in EUR	01.01.–31.12.2007 in EUR
Germany	17,282,844	237,383,589
Outside Germany	130,122,995	442,449,029
	147,405,839	679,832,618

	Assets	
	31.03.2008 in EUR	31.12.2007 in EUR
Germany	685,320,688	682,291,741
Outside Germany	8,193,157	6,071,790
	693,513,845	688,363,531

	Debts	
	31.03.2008 in EUR	31.12.2007 in EUR
Germany	352,203,466	351,599,347
Outside Germany	4,967,237	2,546,660
	357,170,703	354,146,007

	Investments	
	31.03.2008 in EUR	31.12.2007 in EUR
Germany	31,053,527	45,120,250
Outside Germany	220,325	591,743
	31,273,852	45,711,993

	Write offs	
	01.01.–31.03.2008 in EUR	01.01.–31.12.2007 in EUR
Germany	1,811,899	6,329,686
Outside Germany	158,784	259,523
	1,970,683	6,589,209

1. Introduction

The REpower Systems Group with REpower Systems AG, Überseering 10, 22297, Hamburg, Federal Republic of Germany, operates in the area of manufacturing and selling wind energy turbines and in developing and providing turnkey wind farms as a listed parent company.

REpower Systems AG has a duty to prepare consolidated financial statements for the short fiscal year ended 31 March 2008. The consolidated financial statements for the year ended 31 March 2008 were prepared in accordance with Article 315a of the German Commercial Code in conjunction with Article 4 of Regulation (EC) no. 1606/2002 of the European Parliament and the European Council of 19 July 2002 concerning the adoption of international accounting standards in the currently valid version of the International Financial Reporting Standards (IFRS), applicable in the European Union. The IFRSs comprise the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) published by the International Accounting Standards Board (IASB), and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC). IFRS requirements have been fulfilled completely and result in a true and fair view of the net assets, financial position and results of operations of the REpower System Group.

The consolidated financial statements of the company and the combined management report are published in the electronic Federal Gazette (elektronischer Bundesanzeiger).

Individual items of the balance sheet and the income statement have been summarised to improve the clarity of presentation. These items are explained in the notes. The consolidated financial statements are prepared with the euro as the functional currency. The income statement is broken down according to the nature of expense method.

The consolidated financial statements were prepared on the basis of assets and liabilities recognised at amortised cost. This does not include derivative financial instruments, which are carried at fair value as at the balance sheet date.

On 25 August 2007, the Supervisory Board resolved to propose changing the fiscal year of the parent company to a period from 1 April to 31 March of the subsequent year. At an extraordinary General Meeting on 17 October 2007, the start of REpower Systems AG's fiscal year was moved, with the approval of 100% of the capital in attendance, to 1 April each year. Accordingly, the fiscal year will end on 31 March of the following year. The period from 1 January 2008 to 31 March 2008 is to be a short fiscal year. The figures reported in these notes to the consolidated financial statements compare the figures for the short fiscal year of 2008 with the figures for the full fiscal year of 2007. Owing to the different timeframes of three months in fiscal 2008 and twelve months in fiscal 2007, the figures in the income statement and segment reporting can only be compared to a limited extent.

2. Consolidation

2.1. Principles of consolidation

Included in these consolidated financial statements are all significant German and foreign subsidiaries at which REpower Systems AG has direct or indirect control of the financial and business policies of these companies.

Capital consolidation of subsidiaries is performed in line with the purchase method. In this process, the cost of investments acquired is offset against the fair value of the net assets of the subsidiary attributed to the parent company at the time of acquisition. An asset difference resulting from company purchases is capitalised as derivative goodwill. Negative goodwill arising from capital consolidation at the time of acquisition is taken directly to profit or loss. Derivative goodwill is examined for impairment at least once annually in subsequent periods and written down to the lower recoverable amount as required. Hidden reserves and charges disclosed as a result of the measurement at fair value of the assets and liabilities in first-time consolidation are carried, amortised or realised in subsequent periods in line with the development of assets and liabilities. Expenses and income, intragroup transactions and receivables and liabilities between the companies included in consolidation were eliminated in compliance with IAS 27.

Companies which the company manages jointly with other partners and associated companies in which the Group can exert a significant influence on the financial and business policy but which it cannot control are included at equity in the consolidated financial statements. In determining goodwill and the pro rata fair value of assets and liabilities, the principles of full consolidation apply. Inclusion at equity is based on the IFRS financial statements of these companies at the Group reporting date. Losses from associated companies which exceed the equity holding's carrying amount or other non-current receivables from financing these companies are not recognised as long as there is no obligation of supplementary payments. Significant intragroup transactions were eliminated.

At the date at which shares in companies included in the scope of consolidation were sold or at the date that the Group can no longer control these companies, these are withdrawn from the scope of consolidation. As part of deconsolidation, the pro rata assets and liabilities allocated to the Group are eliminated at amortised Group carrying amounts, including any goodwill. The difference between the disposal value and the disposal proceeds of the shares is recognised in income in the consolidated income statement. The income and expenses incurred from the beginning of the respective fiscal year up to the point of withdrawal from the scope of consolidation are recognised in the consolidated income statement.

The REpower Systems AG financial statements and those of the subsidiaries, associated companies and joint ventures are prepared in accordance with uniform accounting policies. The financial statements of companies included in the consolidation are prepared as at the REpower Systems AG reporting date. The assets and liabilities of subsidiaries whose functional currency is not the euro are translated at the exchange rate applicable at the balance sheet date. Income statement items are translated at the transaction rate for the respective year. Subsidiaries' equity components are translated at the corresponding historical rate as they occur. Differences resulting from currency translation are recognised as adjustment items for currency translation within consolidated equity.

2.2. Scope of consolidation

2.2.1. Fully consolidated companies

The scope of consolidation includes the following German and international companies, which are recognised as fully consolidated in the consolidated financial statements:

Project companies	Share in %
REpower Betriebs- und Beteiligungs GmbH, Rendsburg	100.00
REpower Investitions- & Projektierungs GmbH & Co. KG, Rendsburg	100.00
PowerBlades GmbH, Bremerhaven	51.00
Sales companies	
REpower Espana S.L., Madrid, Spain	100.00
REpower S.A.S., Courbevoie, France	100.00
REpower Italia SRL., Milan, Italy	100.00
REpower Australia Pty Ltd. Melbourne, Australia	100.00
REpower Wind Systems, Beijing, PR China	100.00
REpower USA Corp., Portland, U.S.A.	100.00
REpower Canada Inc., Montreal, Canada	100.00
REpower Benelux b.v.b.a., Brussels, Belgium	100.00
REpower UK Ltd., Edinburgh, UK	67.00
REpower Diekat, Athens, Greece	60.00

REpower Investitions- & Projektierungs GmbH & Co. KG, Rendsburg was founded as a project company and implemented its first reference project for 5-MW class turbines at Büttel in Schleswig-Holstein, Germany in December 2007. REpower Betriebs- und Beteiligungsgesellschaft mbH, Rendsburg is a fully liable partner with no business activities of its own in German wind farm companies and has the legal form of a partnership.

In future, Power Blades GmbH, Bremerhaven will operate a manufacturing site in Bremerhaven for the manufacture of blades for wind turbines. The company commenced operations on a modest scale in 2007. The completion of the manufacturing site is scheduled for mid-2008.

There are investments in ten foreign sales and service companies with the purpose of marketing REpower Systems AG wind turbines in Europe (previous year: ten). In fiscal 2008, the company REpower Canada Inc. was founded in Montreal, Canada, by way of cash subscription, and commenced operations. The purpose of the company is to develop the sales market in Canada. It has won tenders to supply wind turbines with an output of 954 MW for a consortium between the parent company and other partners.

The liquidation of the two companies Windpark Großvargula GmbH and FEdeF S.A.S. is currently under way or has been concluded respectively. The companies withdrew from the scope of consolidation by way of deconsolidation. The deconsolidation resulted in a gain on deconsolidation of EUR 2 thousand for Windpark Großvargula Betriebs GmbH and of EUR 245 thousand for FEdeF S.A.S. The proceeds from deconsolidation are reported under other operating income. The carrying amounts of the investments were written down on account of their liquidation. This is reported under interest and similar financing expenses.

2.2.2. Jointly managed and associated companies

The following material jointly controlled entities and associated companies are carried at equity in the consolidated financial statements:

	Group share of nominal capital	
	31.03.2008	31.12.2007
	in %	in %
REpower Portugal – Sistemas Eólicos S.A., Oliveira de Frades, Portugal	50.00	50.00
REpower (North) China Ltd., Baotou, PR China	50.01	50.01

The companies serve as sales companies to develop sales markets in foreign countries.

3. Accounting policies

The accounting policies applied in the consolidated financial statements for 2008 are unchanged as against fiscal 2007.

The following reporting changes were made as against the previous year's financial statements, which led to an adjustment of the information on the previous year in these financial statements to ensure comparability. The following information relates to figures from the previous year:

In the previous year's financial statements, advance payments on work in progress (EUR 14,667 thousand) were deducted from inventories under assets. In the financial statements for the short fiscal year, these advance payments are shown under the balance "advance payments received" balance sheet item.

Advance payments on construction contracts (EUR 206,212 thousand) are deducted from positive net construction contract receivables; these were netted against trade receivables in the previous year.

In the previous year's financial statements, own work capitalized (EUR 327 thousand) was netted against sales. In the financial statements for the short fiscal year this is assigned to its own item in the income statement.

3.1. Cash and cash equivalents

Cash and cash equivalents consist primarily of bank balances and are carried at nominal value. Amounts in foreign currency are measured as at the reporting date.

3.2. Shares in project companies

Shares in project companies are classified as available for sale as defined by IAS 39 and recognised on the reporting date at fair value or, if this cannot be reliably measured, at amortised cost.

3.3. Receivables and other financial assets

Trade receivables, intra-group receivables, receivables from project companies and other primary financial assets allocated to the loans and receivables category are carried at fair value plus transaction costs on first-time recognition. Subsequent measurement is at amortised cost using the effective interest rate method. Risks of default are taken into account with appropriate valuation allowances, which are determined on the basis of empirical values and individual risk assessments.

3.4. Inventories

Inventories comprise raw materials and supplies and work in progress. Raw materials and supplies are carried at the lower of cost or net realisable value. Work in progress for which no legally effective, customer-specific order exists is measured at the lower of cost or net realizable value. In addition to material and production overheads, manufacturing costs comprise overheads attributable as per IAS 2, but not financing costs.

3.5. Property, plant and equipment

Items of property, plant and equipment are carried at cost and depreciated on a straight-line basis over their useful life. Cost includes all expenses for acquiring the assets, insofar as these can be reliably calculated or estimated. The manufacturing costs of internally generated equipment comprise direct costs as well as attributable overheads. Loan interest costs are not included.

Depreciation is measured on the basis of the following estimated useful lives:

	Useful life in years
Buildings	10-50
Technical equipment and machinery	2-21
Operating and office equipment	3-10

3.6. Intangible assets

Acquired intangible assets are measured at cost and amortised on a straight-line basis over the respective useful life.

Research costs are reported as current expenses. Development costs for future products and other internally generated intangible assets are capitalised at cost, provided that the manufacture of these products is likely to generate an economic benefit for the REpower Systems Group. In the event that the requirements for capitalisation are not satisfied, expenses are recognized directly in income in the year in which they occur.

Capitalised development costs comprise all direct costs and overheads attributable to the development process. Financing costs are not capitalised. Amortisation is recognised on the basis of quantity or on a straight-line basis. If the volume of sales can be estimated with reasonable assurance, amortisation is recognised according to quantity as a ratio of wind tur-

models recognised in sales to the total sales volume expected. With development costs not related to quantity, amortisation is recognised on a straight-line basis from the start of production for the expected duration of the developed models.

The following economic lives were used as a basis:

	Useful life in years
Capitalised development costs	5*
Licences, software	3-10

* in years or quantity-based

3.7. Impairment of property, plant and equipment and intangible assets

REpower Systems AG submits property, plant and equipment and intangible assets to impairment tests.

When carrying out impairment tests, derivative goodwill is allocated to the same reporting entities for which allocation of derivative goodwill is implemented in the Group's internal reporting system. The reporting units generally correspond to individual Group companies. The cash flows of the reporting entities are discounted by a cost of capital rate based on comparable companies. Impairment is recognised if the capital value of cash flows is less than the carrying amount of intangible assets and property, plant and equipment and the net current assets of the reporting unit including the allocated derivative goodwill.

Impairment is recognised on other intangible assets and property, plant and equipment if certain events or developments result in the carrying amount of the asset no longer being covered by expected disposal proceeds or the discounted net cash flows from any further use. Cash flows are also discounted at a cost of capital rate based on comparable companies. If the recoverable amount of individual assets cannot be calculated, the cash flow is calculated for the next highest group of assets for which such a cash flow can be calculated. Impairment is reversed if the reasons for it no longer apply in subsequent periods.

Impairment cannot be reversed any higher than the carrying amount that would have been if no impairment had been recognised. Impairment on goodwill cannot be reversed.

3.8. Loans granted

Loans granted are allocated to the loans and receivables category and carried at fair value on first-time recognition. Subsequent measurement is at amortised cost using the effective interest rate method.

3.9. Share options

In the consolidated financial statements, share options granted to members of executive bodies and executives are carried in line with the regulations of IFRS 2. Share options grant subscription rights to new company shares from contingent capital and are a form of remuneration. Transactions which are to be fulfilled by granting shares are measured at fair value as at the day they are granted. The fair value of share options on the day they are granted is determined by an external assessor using the Monte Carlo simulation method. The calculated expense is distributed over the period in which the options can be exercised on a straight-line basis and the attributable staff costs of the relevant fiscal year are recognised directly in income in the capital reserves.

3.10. Provisions

Provisions are recognised for all obligations to third parties where it is probable that the fulfilment of the obligations will result in outflows of resources and a reliable estimate of the amount of the obligation can be made.

Warranty provisions are made both for known individual risks and for general risks. Specific technical warranty risks can be individually quantified on the basis of comprehensive documentation and are accounted for by individual provisions. The economic risk and the amount of provisions are evaluated on an ongoing basis in coordination with the technical departments taking into account existing risks.

Provisions are recognised for general risks on the basis of experience. The system for establishing collective warranty provisions is as follows:

For turbines erected, provisions are recognised for the anticipated actual costs per year of the warranty of the contractual warranty period. The actual costs are determined on the basis of past experience and examined on an ongoing basis.

For wind farm projects (turnkey), project-specific provisions are recognised for guarantee commitments for the farm infrastructure. The amount of the provision depends on the size and location of the farm in Germany or internationally.

Provision amounts are discounted if material.

3.11. Liabilities

Liabilities are measured at amortised cost, making them equal to the repayment amount. If the liability amounts are material they are discounted using the effective interest rate method.

3.12. Transaction costs incurred for issuing equity instruments

If transaction costs are incurred for issuing equity instruments these are deducted in equity from the issue proceeds less any related income tax benefits. Only directly attributable external costs are recognised as costs for an equity transaction.

3.13. Sales recognition

Sales include all proceeds from the sale of wind energy turbines, license revenues and revenues from service and maintenance contracts.

For wind turbine construction contracts for which both a specific legally effective customer order exists and where the order outcome and the expected total costs can be reliably estimated on the basis of Group budgeting and cost accounting as at the balance sheet date, the percentage of completion method is used in accordance with IAS 11. The percentage of completion is calculated according to the cost-to-cost method. Only the costs relating directly to the service rendered are taken into account. Borrowing costs are recognised as an expense. Advance payments received for contracts are deducted directly from future receivables from construction contracts. Contracts for the delivery of wind turbines to customers are considered completed from the initial installation of the equipment. If no installation is agreed, sales are recognised at the time that the benefits and risks are passed on to the purchaser and the payment is probable.

Licence proceeds result not only from quota licences but also single licences independent of time or quantity. Proceeds from quota licences are realised on installation. In the case of single licences, sales are realised when the licence is granted. Advance payments received on quota licences are deferred in equity and recognised in income in line with the economic substance of the contract.

Proceeds from service and maintenance contracts are realised insofar as the respective services have been rendered.

3.14. Taxes on income

REpower Systems AG recognises current taxes when they are caused at the level of the amount due. Deferred taxes are recognised according to the liability method, after deferred tax assets or deferred tax liabilities are carried with future tax effects which arise as a result of differences between IFRS and tax accounting of assets and liabilities. The effects of tax rate changes on deferred taxes are recognised in income in the reporting period in which the legislation mandating the

change in tax rate is passed. However, the effects of tax changes on equity are also recognised in equity. If the realisation of deferred tax assets does not appear reasonably likely in the future they are not recognised.

3.15. Borrowing costs

Borrowing costs are recognised as an expense and not included in cost.

3.16. Government grants (investment subsidies)

Government grants are recognised according to the character of the subsidised expenses. Insofar as subsidies relate to capitalised assets, the grants received reduce the cost of the subsidised assets. Grants provided as an expenditure allowance are recognised in the income statement of the fiscal year in which the subsidised expenses are incurred.

3.17. Transactions in foreign currencies

Purchases and sales in foreign currencies are translated using the current price applicable at the time of the transaction. As at the balance sheet date, these are recognised using the exchange rate valid at this time. The gains and losses resulting from foreign currency exchange in the translation are recognised in income.

3.18. Financial instruments

Financial assets are recognised on delivery, i.e. the date of order fulfilment.

Financial instruments consist on the one hand of cash and cash equivalents, receivables and other financial assets as well as financial liabilities and loans insofar as these relate to a contract. First-time recognition of financial assets is at fair value plus directly attributable transaction costs, insofar as the financial assets are not allocated to the category of "at fair value through profit and loss". The REpower Group has no financial assets that can be allocated to this category. Subsequent measurement of financial assets is either at fair value or amortised cost using the effective interest rate depending on the allocation of the individual financial instruments to the categories of IAS 39.

On first-time recognition, financial liabilities are carried at fair value less transaction costs and at amortised cost on subsequent measurement.

Financial assets are derecognised provided that either the rights to cash flows resulting from assets have expired or virtually all risks have been passed on to a third party so that the criteria for derecognition are met. Financial obligations are derecognised if obligations have either expired or have been cancelled.

3.19. Use of assumptions

The preparation of these consolidated financial statements requires that the management make estimates and assumptions that act as a basis for the value of assets and liabilities, contingent liabilities and other financial obligations as at the balance sheet date and sales and expenses in the fiscal year. Key estimates and assumptions relate to impairment tests (see note 4.2), warranty provisions (see note 4.3.2), measurement of share options (see note 4.5.2), the realisation of sales according to the percentage-of-completion method (see note 4.1.2) and the value of deferred tax assets (see note 4.2.5). The actual situation which occurs may differ from these assumptions. Also, changes in the current economic conditions and other events may have a material impact on the actual figures.

3.20. New accounting standards and their application

The following standards published by the IASB and the IFRIC were applied by the company for the first time in the 2008 short fiscal year:

In November 2006, IFRIC 11 „IFRS 2 – Group and Treasury Share Transactions“ was published. This regulation deals with the issues of how group-wide, share-based remuneration should be recognised, what the effects of employee changes within a group are, and how share-based remuneration should be treated when the company issues treasury shares or acquires third-party shares. IFRIC 11 is mandatory for fiscal years beginning on or after 1 March 2007. The adoption of this standard did not have any material effect on the Group's assets, liabilities, financial position or results of operations.

In November 2006, IFRIC 12 „Service Concession Agreements“ was also published. Service concession agreements are agreements which are made between the government and private companies in order to provide public services such as roads, energy supply and transport. The interpretation prescribes the accounting policies of such agreements between government and private companies. IFRIC 12 is mandatory for fiscal years beginning on or after 1 January 2008. As the Group does not maintain any service concession agreements as defined by IFRIC 12, IFRIC 12 has no material effect on the Group's net assets, financial position or results of operations.

In July 2007, IFRIC 14 „The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction“ was published. IFRIC 14 contains general guidelines for determining the excess limit of a pension fund which can be recognised as an asset in accordance with IAS 19 „Employee Benefits“. The interpretation also describes how regulatory or contractual minimum financing regulations can have an effect on a pension fund's assets or liabilities. IFRIC 14 is mandatory for fiscal years beginning on or after 1 January 2008. As the Group does not maintain any pension funds as defined by IAS 19, IFRIC 14 has no material effect on the Group's net assets, financial position or results of operations.

The application of the following standards and interpretations published by the IASB in 2006, 2007 and 2008 is not yet mandatory for the REpower Systems Group in the consolidated financial statements as at 31 March 2008:

In November 2006, the IASB published IFRS 8 „Operating Segments“. IFRS 8 replaces IAS 14 „Segment Reporting“ and adapts the regulations for segment reporting to the US Statement of Financial Accounting Standards regulation (SFAS) 13 „Disclosures about Segments of an Enterprise and Related Information“ with the exception of minor differences. This standard requires that companies disclose quantitative and qualitative information with regards to their reporting segments. Reporting segments are operating segments or combinations of operating segments which fulfil particular criteria. Operating segments are the components of a company for which separate financial information is available, which is regularly examined by the company's chief operating decision maker to evaluate the success of the company and decided how resources are to be distributed. In general, this financial information must be reported on the basis of internal management. On this basis the management can assess the business success of operating segments and decide how to allocate resources to the operating segments. IFRS 8 is mandatory for fiscal years beginning on or after 1 January 2009. Earlier adoption is permitted. The company has not yet fully assessed the possible effects of IFRS 8 on segment reporting.

In March 2007, the IASB published amendments to IAS 23 „Borrowing Costs“. The material changes to the standards concern the discontinuation of the option of directly recognising borrowing costs as an expense which can be attributed to the acquisition, construction or production of a qualifying asset. Such borrowing costs must be capitalised as part of the cost of the qualifying asset. This standard applies for the first time to borrowing costs for qualifying assets where capitalisation occurs on or after January 2009. Earlier adoption is permitted. The company has not yet definitively assessed the effect of introducing the changes in accordance with IAS 23 on its net assets, financial position and results of operations.

In September 2007, a revised standard, IAS 1 „Presentation of Financial Statements“ was published. The revision aims to improve the possibilities for analysis as well as aiding comparison of financial statements for their users. IAS 1 prescribes the presentation and structure of the financial statements. In addition, it contains the minimum requirements for the content of financial statements. The new standard is mandatory for fiscal years beginning on or after 1 January 2009. Earlier adoption is permitted. The company has not yet definitively assessed the effect of introducing the changes in accordance with IAS 1 on its net assets, financial position and results of operations.

In June 2007, IFRIC 13 „Customer Loyalty Programmes“ was published. IFRIC 13 prescribes the accounting policies for revenues from sales processes, and related expenses for obligations arising from customer loyalty programmes such as

award, bonus or loyalty programmes. IFRIC 13 clarifies that such business is to be regarded as multi-component transactions where the part of sales which is due to premiums is recognised as a liability until the customer either exercises his premium right or forfeits it. IFRIC 13 is mandatory for fiscal years beginning on or after 30 June 2008. Earlier adoption is permitted. Due to the nature of the Group's business activities, IFRIC 13 has no material effect on the Group's net assets, financial position or results of operation.

In January 2008, amendments to the IFRS standard IFRS 3, „Business Combinations“, and additions to IAS 27, „Consolidated and Separate Financial Statements“, were published. These amendments must be adopted for fiscal years beginning on or after 1 July 2009. Earlier adoption is permitted. The effect of introducing the amendments to IAS 27 and IFRS 3 will depend on the corporate acquisitions and disposals of shares in companies that the Group effects when the standards are in effect.

In January 2008, the draft of an amendment to IFRS 2, „Share-based Payment: Vesting Conditions and Cancellations“, was published. The amendments are mandatory for fiscal years beginning on 1 January 2009. The adoption of the amendments is not expected to have any significant effect on the Group's net assets, financial position or results of operations.

In February 2008, amendments to IAS 32, „Financial Instruments: Presentation“, and IAS 1 were published. These additions permit exceptions to the classification of financial instruments that grant the bearer a claim to repayment as liabilities. These are not expected to have a material effect on the Group's net assets, financial position or results of operations.

4. Notes to individual balance sheet items

4.1. Current assets

4.1.1. Cash and cash equivalents

The company has only limited access to bank balances of EUR 177,578 thousand (2007: EUR 144,909 thousand) as an amount of EUR 40,256 thousand (previous year: EUR 40,401 thousand) is serving as collateral for payment, contract performance and warranty guarantees granted by banks to customers.

4.1.2. Construction contracts carried as assets

	31.03.2008	31.12.2007
	in TEUR	in TEUR
Receivables	325,157	245,472
Less advance payments received	-206,212	-101,325
	118,945	144,147

This item includes work in progress as at the reporting date which was reported using the Percentage-of-completion method in compliance with IAS 11. Advance payments on contracts recognised are deducted directly. These contracts incurred material costs of EUR 75,513 thousand (previous year: EUR 207,165 thousand) in the short fiscal year 2008. The net contribution of sales and costs of materials to operating earnings from these projects in 2008 was EUR 4,182 thousand (previous year: EUR 38,307 thousand).

4.1.3. Trade receivables

Trade receivables relate primarily to receivables from customers resulting from the delivery of wind turbines.

	31.03.2008	31.12.2007
	in TEUR	in TEUR
Trade receivables	51,193	117,425
	51,193	117,425

In the short fiscal year 2008, specific valuation allowances of EUR 92 thousand were recognised on trade receivables (31 December 2007: EUR 2,239 thousand).

	2008 in TEUR	2007 in TEUR
Development of specific valuation allowances:		
As at the start of the fiscal year	5,560	4,030
Reversals	-87	-709
Additions	92	2,239
As at the end of the fiscal year	5,565	5,560

4.1.4. Receivables from investment companies

This item breaks down as follows:

	31.03.2008 in TEUR	31.12.2007 in TEUR
Receivables from investment companies		
Loan to Windpark Finsterwalde GmbH, Finsterwalde	357	364
Loan to Sister Ltd., Portugal	99	99
Loan to Energy Wind Czech s.r.o., Czech Republic	71	71
	527	534

4.1.5. Receivables from associated companies and joint ventures

Receivables from associated companies of EUR 21,278 thousand comprise EUR 16,737 thousand from REpower Portugal – Sistemas éolicos, S.A. (Portugal) and EUR 4,541 thousand from REpower North (China) Ltd., Baotou, People's Republic of China. Receivables essentially relate to the delivery of wind turbines.

4.1.6. Inventories

Valuation allowances for inventories amounted to EUR 395 thousand as at 31 March 2008 (previous year: EUR 1,523 thousand). Of this, EUR 395 thousand was recognised in 2008.

	31.03.2008 in TEUR	31.12.2007 in TEUR
Raw materials and supplies	116,102	86,119
Work in progress	19,747	26,059
Finished goods and goods for resale	8,991	0
	144,840	112,178

Raw materials and supplies relate to inventories for the production of wind energy turbines. Work in progress relates to turbines under construction.

4.1.7. Other current assets

	31.03.2008	31.12.2007
	in TEUR	in TEUR
Other assets		
Advance payments	32,854	40,599
Sales tax refund receivables	15,924	18,489
Loaned equipment	3,094	2,548
Income tax receivables from the tax office	2,641	0
Prepaid insurance premiums (ISK)	806	801
Creditors with debit balances	292	541
Others	5,351	404
	60,962	63,382
Other financial assets		
Receivables from insurance companies	2,584	3,211
Loans	161	280
Others	91	1,534
	2,836	5,025
	63,798	68,407

4.2. Non-current assets**4.2.1. Non-current assets**

Land and buildings relate primarily to production sites internal to the company.

Technical equipment and machinery relate primarily to facilities for the production of wind turbines.

As at the balance sheet date, assets under construction essentially relate to expenses for expanding production locations, the construction of rotor moulds and the construction of a 5M prototype in Bremerhaven.

The development of property, plant and equipment is shown in the statement of changes in consolidated fixed assets.

4.2.2. Other intangible assets

In fiscal 2008, research and development expenses amounted to EUR 4,035 thousand (previous year: EUR 13,375 thousand), EUR 2,021 thousand of which was capitalised (previous year: EUR 7,123 thousand).

4.2.3. Joint ventures and associated companies

Joint ventures and associated companies carried at equity generated earnings of EUR 102 thousand (previous year: EUR -235 thousand) in fiscal 2008 and sales of EUR 19,656 thousand (previous year: EUR 13,085 thousand). The non-current assets of these companies as at 31 March 2008 amounted to EUR 6,354 thousand (previous year: EUR 6,519 thousand). Current assets amounted to EUR 63,154 thousand (previous year: EUR 56,353 thousand), non-current liabilities to EUR 4,823 thousand (previous year: EUR 15,481 thousand) and current liabilities to EUR 55,370 thousand (previous year: EUR 34,164 thousand).

The average number of employees as at 31 March 2008 was 98 (previous year: 65).

4.2.4. Loans granted

This item includes loans granted to wind farm project companies. If the loans are interest bearing, the interest rates fluctuate in between 2.05% and 7.0% per annum.

4.2.5. Income tax

The current taxes on income in the individual countries and deferred taxes are reported as income taxes. Income tax expense comprises the following:

	2008 in TEUR	2007 in TEUR
Current taxes	299	3,734
Current taxes from previous years	375	-319
Deferred taxes	1,362	4,589
Income taxes	2,036	8,004

Current taxes are calculated using the respective tax rates applicable in the individual countries.

Deferred taxes result from temporary differences in the carrying amount in the companies' tax accounts and the carrying amounts in the consolidated accounts. They are calculated using the liability method used in financial statements and the tax rates applicable in the respective countries at the dates on which the differences are reversed, to the extent that they apply as at the balance sheet date or are reasonably assured to apply.

The corporation tax rate for companies in Germany was 15.0% for 2008 (previous year: 25.0%) plus the solidarity surcharge of 5.5% (previous year: 5.5%). The total rate for corporation tax was therefore 15.825% (previous year: 26.375%). Including trade taxes, the total tax rate was 30.0% (previous year: 40.0%).

The corporation tax credit of EUR 301 thousand that has not been paid out as a result of a moratorium in German tax law will be paid to REpower Systems AG in instalments from 30 September 2008. The corporation tax credit was discounted using an interest rate of 6%.

The current income tax expense in the short fiscal year of EUR 2,036 thousand (previous year: EUR 8,004 thousand in total) is EUR 1,086 thousand higher than the expected income tax expense of EUR 950 thousand (previous year EUR 11,649 in total). The reasons for the deviation between the Group's expected and actual tax expense are shown below. Expected tax expense is calculated using the total domestic tax rate of 30% for fiscal 2008 and 40% for fiscal 2006:

	2008 in TEUR	2007 in TEUR
Expected tax expense	950	11,649
Employee option programmes/share options	464	2,124
Income taxes for previous years	375	178
Ineligible foreign withholding taxes	189	0
Other tax effects	54	-252
Non-recognition of capitalised deferred taxes on loss carryforwards	27	190
Non-deductible operating expenses	17	32
Different tax rates	-40	-729
Lowering of tax rates in Germany	0	-1,463
Initial recognition of loss carryforwards not recognised in previous years	0	-3,707
Actual tax income	2,036	8,022

Expenses from employee option programmes have influenced the Group's tax rate as these expenses are not deductible as expenses for tax purposes. The tax effect of this for the short fiscal year was EUR 464 thousand (previous year: EUR 2,124 thousand in total). Please see the notes on the share option programme.

The reduction of tax rates resulted in a reduction in deferred tax assets and liabilities at the German companies in the previous year. This resulted in deferred tax income of EUR 1,463 thousand, which was fully recognised in income.

Deferred tax assets and deferred tax liabilities break down into the following items:

	31.03.2008	31.12.2007
	in TEUR	in TEUR
Deferred tax assets:		
Tax loss carryforwards	3,926	3,977
Provisions	785	827
Cash and cash equivalents	166	0
Property, plant and equipment	123	0
Intercompany profits	0	36
Others	-38	169
Total deferred tax assets	4,962	5,009
Netting	-3,922	-4,141
Deferred tax assets after netting	1,040	868
Deferred tax liabilities:		
Construction contracts carried as assets	5,181	4,372
Development costs	4,631	4,025
Property, plant and equipment	1,090	990
Others	25	13
Total deferred tax liabilities	10,927	9,400
Netting	-3,922	-4,141
Deferred tax liabilities after netting	7,005	5,259

Deferred taxes on tax loss carryforwards are recognised in the amount of the tax impact of the expected usable tax losses of the German and international Group companies. The key factor for determining the value of deferred tax assets is the estimation of probability of a reversal of measurement differences and the utility of tax loss carryforwards which led to deferred tax assets. These depend on the occurrence of future taxable profit during the periods in which measurement differences relating to tax are reversed and tax loss carryforwards can apply. According to the current status, tax loss carryforwards can be carried forward without restriction in subsequent years in all countries where tax loss carryforwards occur. Due to the expected taxable income situation, it is assumed that appropriate benefits can be realised from deferred tax assets.

In the fiscal year, tax loss carryforwards amounting to EUR 27 thousand were not recognised (previous year: EUR 190 thousand) as their realisation is unlikely.

4.3. Current liabilities

4.3.1. Advance payments received

Advance payments received relate to advance payments by customers which are not related to construction contracts.

4.3.2. Provisions

Provisions relate primarily to deferrals for warranty expenses. Assuming a level of EUR 19.2 million in the previous year, utilisation of EUR 1.7 million and additions of EUR 1.2 million, as at the balance sheet date, taking reversals of EUR 0.4 million into account, there are warranty provisions for of EUR 18.3 million.

Taking utilisation and additions of EUR 0.6 million into account, other provisions increased from EUR 1.5 million to EUR 2.1 million.

4.3.3. Deferred sales

Advance payments are reported as deferred sales.

4.3.4. Income tax liabilities

Income tax liabilities primarily relate to current deferred taxes for the fiscal year.

4.3.5. Other current liabilities

Other current liabilities comprise the following:

	31.03.2008 in TEUR	31.12.2007 in TEUR
Other financial liabilities		
Liabilities to employees	4,977	6,199
Customers with credit balances	63	1,685
Others	157	177
	5,197	8,061
Other liabilities		
Sales tax	2,941	1,454
Other liabilities to the tax office	839	537
Social security liabilities	358	340
Others	915	30
	5,053	2,361
	10,250	10,422

4.4. Non-current loans and profit participation certificates

Of total of non-current loans and profit participation certificates of EUR 11,375 thousand (previous year: EUR 11,407 thousand), EUR 10,000 thousand relates to a profit participation right taken up in May 2004 with a term until 2011 and amounts due to banks of EUR 1,375 thousand. For profit participation certificates, a basic interest rate of 7.9 % in addition to a variable interest rate dependent on net income is paid. In fiscal 2008, this amounted to EUR 0 thousand (previous year: EUR 200 thousand). The interest rate for bank loans was between 6.25 % and 7.25 % per year. Non-current bank liabilities amounting to EUR 1,375 thousand (previous year: EUR 1,407 thousand) are secured by liens and assignments of electricity proceeds and insurance claims for security.

4.5. Equity

The change in equity components is shown in the statement of changes in equity.

4.5.1. Issued capital

The share capital of REpower Systems AG as at 31 March 2008 was EUR 8,993,576 (previous year: EUR 8,993,576) and is divided into 8,993,576 (previous year: 8,993,576) no-par value ordinary bearer shares, each with a notional share of capital of EUR 1.00.

Authorised capital

By way of resolution of the Annual General Meeting on 30 May 2006, the Executive Board was authorised, with the approval of the Supervisory Board, to increase the share capital of REpower Systems AG on one or several occasions by issuing new shares against cash or non-cash contributions by up to EUR 4,050,898 until 29 May 2011. After partial utilisation of EUR 810,179 in fiscal 2007, EUR 3,240,719 is still available for future capital increases.

Contingent capital

The share capital has been contingently increased by up to EUR 2,475,000.00. The contingent capital increase is only to be carried out in the event of the issue of an option or convertible bond.

Furthermore, the share capital has been contingently increased by up to EUR 438,900 (previous year: EUR 504,300). The contingent capital increase is implemented by issuing of up to 438,900 new, ordinary bearer shares to the extent that holders of subscription rights exercise their rights in the context of employee option programmes. In fiscal 2007, EUR 65,400 of contingent capital was utilised in the share option programme.

Issue of profit participation certificates

The company was authorised by the Annual General Meeting on 9 June 2004 to issue further profit participation certificates amounting to up to EUR 20,000,000 until 8 June 2009. REpower Systems AG has not yet exercised this right.

4.5.2. Capital reserves

The EUR 1,546 thousand rise in capital reserves resulted from share-based payment recognised in the short fiscal year 2008.

The development of capital reserves is shown in the statement of changes in equity.

Share option programme

REpower Systems AG operates a share option programme which offers beneficiaries the right to acquire one share per option at an established basis price. Cash settlement is not possible. The options can be exercised within an agreed period of five years but not until two years after they are granted (blocking period). Options may only be exercised on the condition that the relevant employee is still employed at REpower Systems Group at the time of exercise and that the XETRA share price of REpower Systems AG has been at least 120% of the basis price at any given time (for options issued in 2007: at least 21 days).

As at 31 March 2008, share options had been issued to the Executive Board and key employees in the years 2005 to 2007 as part of the share option programme. As shown by the table below, there were no changes in the short fiscal year 2008 as no share options were issued or lapsed and no new share options were issued.

	Number	Basis price or share price upon exercise (weighted average) in EUR
Options outstanding at the start of the fiscal year	426,200	80.40
Granted	0	0
Exercised	0	0
Forfeited/lapsed	0	0
Options outstanding at the end of the fiscal year	426,200	80.40
Of which exercisable	1,750	9.34

The exercise price ranges between EUR 9.34 and EUR 112.20, though only 1,750 option rights with an exercise price of EUR 9.34 are outstanding. The exercise price is EUR 42.54 for roughly 45% of the option rights and EUR 112.20 for the others. The fair values of share options granted on the grant date are determined by an external assessor on the basis of the following assumptions and factors:

Granted in fiscal year	2007	2006
Base price	EUR 112.20	EUR 46.79
Share price of REpower Systems AG shares	EUR 122.50	EUR 44.32
Risk-free interest rate	4.47%	3.71%
Expected volatility	43.37%	43.30%
Remaining blocking period (in months)	24	24
Remaining maturity	60	48
Fair value per share option	EUR 50.32	EUR 13.91

Expected volatility is based on historical volatility which is determined from daily closing prices for REpower Systems AG shares. The REpower Systems share performance in the first half of 2007 was influenced significantly by a takeover battle for REpower Systems AG carried out by two companies. Due to the one-off nature of this event and the extreme share price fluctuations involved, the historical data was adjusted for the period of the takeover battle.

The Monte Carlo simulation method used maps the performance target in the form of an increase in the share price of REpower Systems by at least 20% compared to the basis price and allows for the possibility of early exercise within the time period for exercising options and the beneficiaries' early exercise behaviour, i.e. the possibility that employees exercise their option before the end of the term.

At the Annual General Meeting of 21 June 2007, a resolution was made to adjust the option conditions for the 2006 share option plan in line with the conditions for the newly established 2007 share option plan. The fair value of amended share options as at 21 June 2007 is determined by an external assessor on the basis of the following assumptions and factors:

Granted in fiscal year	2006	
	20.03.2007	21.06.2007
Base price	EUR 42.54	EUR 42.54
REpower Systems AG share price	EUR 150.89	EUR 127.93
Risk-free interest rate	3.88%	4.48%
Expected dividend – 2008	EUR 0.41	EUR 0.41
Expected dividend – 2009	EUR 0.73	EUR 0.73
Expected dividend – 2010	EUR 0.80	EUR 0.80
Expected volatility	38.79%	41.30%
Remaining blocking period (in months)	24	24
Remaining maturity (in months)	48	60
Fair value per share option	EUR 111.84	EUR 91.43

In the short fiscal year 2008, the company recognised staff costs from share-based payments totalling EUR 1,546 thousand (previous year: EUR 5,310 thousand).

4.5.3. Minority interests

Minority interests relate to the shares of third parties in German and international Group companies.

5. Notes to the income statement

5.1. Sales

In 2008 and 2007, the operations of companies of the REpower Systems Group related almost exclusively to developing and manufacturing wind turbines and wind turbine projects. Of sales in the turbine business, 11.7% (previous year: 34.9%) were generated on the German market and 88.3% (previous year: 65.1%) on international markets.

	2008 in TEUR	2007 in TEUR
Proceeds from the sale of wind turbines	102,527	592,157
Contract revenue recognised in line with IAS 11	28,890	38,585
Service/maintenance and materials purchasing	6,427	30,288
Licence revenue	2,091	8,614
Electricity proceeds	654	1,607
Others	6,817	8,582
	147,406	679,833

5.2. Other operating income

Other operating income breaks down as follows:

	2008 in TEUR	2007 in TEUR
Income from the deconsolidation of subsidiaries	748	0
Income from the reversal of provisions	424	0
Other reimbursement receivables	411	0
Income from exchange rate differences	278	450
Insurance payments/compensation	29	5,212
Income from the disposal of fixed assets	7	56
Land income	3	12
Investment subsidies, research and development subsidies	0	368
Others	536	905
	2,436	7,003

5.3. Staff costs

	2008 in TEUR	2007 in TEUR
Wages and salaries	11,921	42,316
Social security contributions	2,353	7,239
	14,274	49,555

The average annual number of employees was:

	2008	2007
Salaried employees	720	714
Waged employees	366	372
	1,086	1,086

5.4. Other operating expenses

Other operating expenses are composed as follows:

	2008 in TEUR	2007 in TEUR
Legal and consulting costs	1,824	7,541
Travel expenses	1,812	4,922
Purchased services	1,394	4,667
Office and land costs	1,317	4,023
Administrative expenses	1,029	2,459
Costs of training and recruitment	822	2,857
IT & telecommunication costs	786	2,390
Guarantee expenses	723	10,125
Vehicle costs	687	2,195
Costs of payment transactions	557	1,077
Advertising and trade fair expenses	372	1,234
Repairs and maintenance	290	979
Insurance costs	163	402
Derecognition/impairment of receivables	28	1,530
Others	1,019	2,298
	12,823	48,699

5.5. Net finance costs

The net finance costs break down as follows:

	31.03.2008 in TEUR	31.12.2007 in TEUR
Interest and similar finance income		
Other interest and similar income	2,160	6,237
Income from other loans and securities	15	0
	2,175	6,237
Interest and similar finance expenses		
Write-downs on financial assets	-693	-210
Other interest and similar expenses	-1,221	-4,657
	-1,914	-4,867
Earnings from associates and joint ventures	102	-114
Net finance costs	363	1,256

The write-downs on financial assets and securities essentially relate to the deconsolidation of FEDEF S.A.S., Suresnes, France and Windpark Großvargula Betriebs GmbH, Breydin. These write-downs are offset by proceeds from the deconsolidation of the above companies of EUR 748 thousand. In addition, the write-downs on financial assets included write-downs on loans to investment companies.

Interest expenses essentially relate to guarantee commissions and interest on borrowed loans.

EUR 347 thousand of earnings from associated companies and joint ventures results from REpower Portugal – Sistemas Eólicos S.A. and EUR 245 thousand results from REpower (North) China Ltd.

5.6. Earnings per share

Basic earnings per share are calculated by dividing the REpower Systems AG shareholders' share of earnings and the weighted average number of shares in circulation during the fiscal year. Earnings per share are diluted by what are known as potential shares. This includes option rights which only dilute earnings if they result in shares being issued at a value below the average share price. Both tranches of the share option plan had a dilutive effect on earnings per share.

	2008 in EUR	2007 in EUR
Consolidated net profit assigned to REpower Systems AG shareholders	1,479,447	21,222,168
Plus: dilutive effects of share options	-	-
Fully diluted consolidated net profit (loss) assigned to REpower Systems AG shareholders	1,479,447	21,222,168
Weighted average number of shares outstanding (basic)	8,993,576	8,731,325
Effect of share options	619,549	588,938
Weighted average of shares outstanding (fully diluted)	9,613,125	9,320,263
Earnings per share (basic)	0.16	2.43
Earnings per share (fully diluted)	0.15	2.28

6. Contingent liabilities and other financial obligations:

	31.03.2008 in TEUR	31.12.2007 in TEUR
Other financial obligations		
Obligations from lease and rental contracts		
Due within one year	4,173	3,720
Due between 1 and 5 years	11,404	10,765
Due between 1 and 5 years	3,563	334
	19,140	14,819
Contingent liabilities		
Land charges	3,068	3,068
Letters of comfort	12,240	12,412
	15,308	15,480

At REpower Systems AG and in the companies included in the scope of consolidation, all leases are operating leases. Lease payments are recognised on a straight-line basis directly in income over the contract period. Obligations from lease and rental contracts relate primarily to obligations from the rental of office and warehouse space. Expenses amounting to EUR 557 thousand (previous year: EUR 2,424 thousand) were recognised for lease and rental contracts in 2008.

As at the balance sheet date, letters of comfort for associated companies and joint ventures amounted to EUR 12.2 million (previous year: EUR 12.4 million). The figure of EUR 12.2 million includes Chinese renminbi yuan of CNY 56,890,857 measured at the reporting date rate.

As at the balance sheet date, there were purchase commitments of around EUR 640.7 million (previous year: EUR 551.6 million) to purchase inventories and approximately EUR 19.8 million (previous year: EUR 21.4 million) to purchase property, plant and equipment.

7. Financial risks and financial instruments

7.1. Principles of risk management

With regard to its assets, financial liabilities and planned transactions, REpower Systems AG is subject to risks from changes in the price of raw material and purchasing prices, exchange rates, interest rates and share prices. The aim of financial risk management is to limit the market risks through ongoing operating and financially oriented activities. In order to do this, specific hedging instruments are used according to the assessment of risk. Risks are only hedged if they affect the Group's cash flow. Derivative financial instruments are only used in exceptional circumstances to hedge exchange rate risks in customer contracts and are not used for trading or speculative purposes.

The principles of financial policy are agreed on an annual basis by the Executive Board and monitored by the Supervisory Board. The implementation of financial policy as well as ongoing risk management is the responsibility of Group Treasury, with the involvement of Group Controlling. Certain transactions require only the prior consent of the Executive Board, which is also regularly informed of the scope and amount of current risk exposure. Treasury regards effective management of financial instruments as one of its main functions. In order to assess the effects of different events on the market, simulation calculations using various worst-case and market scenarios are undertaken.

7.2. Information on the nature and extent of risks associated with financial instruments

Primary financial instrument assets in line with IFRS 7 include receivables and other assets, provided that they are based on a contract, as well as cash and cash equivalents. Primary financial instrument liabilities in line with IFRS 7 include all sub-groups of liabilities with the exception of provisions, deferred sales and deferred taxes as well as liabilities from income taxes. Furthermore, those items which do not relate to a contract are also not included. Derivatives are only used to a limited extent.

The credit and default risk of financial assets is monitored on an ongoing basis. Before closing transactions, the Group checks the customer's rating and also has corresponding collateral provided. The credit and default risk of financial assets corresponds to the maximum amounts posted on the assets side. There is no material concentration of default risks in the Group.

Currency risks exist only insofar as deliveries are made outside the euro zone countries. Risks as per IFRS 7 arise through financial instruments which are denominated in a currency other than the functional currency and are of a monetary nature. Differences due to exchange rates arising from the translation of financial statements in the Group currency are not taken into account. No hedging transactions were used in the short fiscal year 2008. Gains and losses from hedging transactions are reported in the income statement. The company does not use hedges.

The liquidity risk is monitored as part of ongoing liquidity planning.

Interest rate risks are not generally hedged. As at 29 November 2006, REpower Systems AG had utilised individual loans with a total value of EUR 2,368 thousand. In an effort to streamline interest payments, these individual loans were converted into a variable-rate euro loan of the same amount, the interest on which was optimised by entering into a swap. The term of the interest rate swap covers the period from 1 December 2006 to 2 December 2013.

The interest derivatives concluded have the following fair values as at 31 March 2008 including accrued interest which was calculated according to a mark-to-market valuation:

Product	Nominal in million in Mio. EUR	Final maturity	Fixed interest rate/strike	Measurement at reporting date in EUR
Cap	0.66	28.06.13	5	855
Swap	1.59	02.12.13	3.5	32,155

Within the Group, interest rate changes result in an increase or decrease of the interest for loans and overdrafts. Other than the interests rate derivatives shown below, currently no interest risks are hedged.

As part of the disclosure of market risks, IFRS 7 requires information on how hypothetical changes to risk variables affect the price of financial instruments. The purchase price for components as well as the share or index prices are particularly significant risk variables. The material market risk from component price development is offset by contracts with suppliers related to time or quantity, or by direct participation of suppliers in joint ventures.

7.3. Information on the significance of financial instruments for the consolidated financial statements

Based on the relevant balance sheet items, the relationships of the categorisation of financial instruments as per IFRS 7 and the financial instrument carrying amounts are listed in the following tables. Cash and cash equivalents that are not allocated to any IAS 39 category are also shown. For comparison, the figures from the previous year as at 31 December 2007 are shown separately in the following table.

2008	Category*	Category amount in TEUR	Amortised cost in TEUR	Fair value directly in equity in TEUR	Fair value in income in TEUR
Cash and cash equivalents		177,578	177,578	0	0
Construction contracts carried as assets	L+R	118,946	118,946	0	0
Trade receivables	L+R	51,193	51,193	0	0
Receivables from associates and joint ventures	L+R	21,278	21,278	0	0
Loans granted	L+R	6,729	6,729	0	0
Other financial assets – other	L+R	2,675	2,675	0	0
Other financial assets – loans	L+R	1,758	1,758	0	0
Other financial assets	AFS	626	626	0	0
Receivables from investment companies	L+R	527	527	0	0
Investments in project companies	AFS	26	26	0	0

* AFS: available-for-sale
L+R: loans and receivables

2007	Category	Carrying amount	Amortised cost	Fair value directly in equity	Fair value in income
		in TEUR	in TEUR	in TEUR	in TEUR
	Cash and cash equivalents	144,909	144,909	0	0
	Construction contracts carried as assets	L+R 144,147	144,147	0	0
	Trade receivables	L+R 117,425	117,425	0	0
	Receivables from associates and joint ventures	L+R 10,536	10,536	0	0
	Loans granted	L+R 7,003	7,003	0	0
	Other financial assets – other	L+R 4,745	4,745	0	0
	Other financial assets – loans	L+R 1,743	1,743	0	0
	Other financial assets	AFS 626	626	0	0
	Receivables from investment companies	L+R 534	534	0	0
	Investments in project companies	AFS 15	15	0	0

The carrying amounts of the financial assets measured at fair value are the market values. Financial instruments measured at amortised cost are listed with their fair value and carrying amount in the following table and the figures for the previous year are listed for comparison:

Category	31.03.2008		31.12.2007	
	Carrying amount	Fair value	Carrying amount	Fair value
	in TEUR	in TEUR	in TEUR	in TEUR
Cash and cash equivalents	177,578	177,578	144,909	144,909
Construction contracts carried as assets	L+R 118,946	118,946	144,147	144,147
Trade receivables	L+R 51,193	51,193	117,425	117,425
Receivables from associates and joint ventures	L+R 21,278	21,278	10,536	10,536
Loans granted	L+R 6,729	6,729	7,003	7,003
Other financial assets – other	L+R 2,675	2,675	4,745	4,745
Other financial assets – loans	L+R 1,758	1,758	1,743	1,743
Other financial assets	AFS 626	626	626	626
Receivables from investment companies	L+R 527	527	534	534
Investments in project companies	AFS 26	26	15	15

Cash and cash equivalents, construction contracts carried as assets, intragroup receivables, receivables from associated companies and joint ventures, trade accounts receivable and other financial assets generally have a period of not more than twelve months. Therefore, the carrying amounts on the reporting date correspond closely to the fair values. This also applies to liabilities.

The fair values of non-current receivables and financial investments classified as available for sale with a period of more than one year correspond to the present value of the payments related to these assets, taking into account the current parameters which reflect the conditions and expectations related to the market and partners.

The fair values of amounts due to banks and other financial liabilities are determined on the basis of the present value of payments relating to the liabilities applying the current rate of interest.

The following table shows financial liabilities:

2008	Category*	Carrying amount	Amortised cost	Fair value directly in equity	Fair value in income
		in TEUR	in TEUR	in TEUR	in TEUR
Trade payables	OL	92,369	92,369	0	0
Liabilities from associates and joint ventures	OL	11,473	11,473	0	0
Profit participation certificates	OL	10,000	10,000	0	0
Other current financial liabilities	OL	5,197	5,197	0	0
Non-current loans	OL	1,849	1,849	0	0
Current loans	OL	195	195	0	0

* OL Other liabilities

2007	Category	Carrying amount	Amortised cost	Fair value directly in equity	Fair value in income
		in TEUR	in TEUR	in TEUR	in TEUR
Trade payables	OL	108,117	108,117	0	0
Profit participation certificates	OL	10,000	10,000		0
Other current financial liabilities	OL	8,061	8,061	0	0
Non-current loans	OL	1,407	1,407	0	0
Liabilities from associates and joint ventures	OL	494	494	0	0
Current loans	OL	474	474	0	0

Category	31.03.2008		31.12.2007	
	Carrying amount in TEUR	Fair value in TEUR	Carrying amount in TEUR	Fair value in TEUR
Trade payables	92,396	92,396	108,117	108,117
Liabilities from associates and joint ventures	11,473	11,473	494	494
Profit participation certificates	10,000	10,000	10,000	10,000
Other financial liabilities	5,197	5,197	8,061	8,061
Non-current loans	1,849	1,849	1,407	1,407
Current loans	195	195	474	474

Loans are calculated as the present value of cash flow expected in the future. The normal market interest rate is used for discounting based on maturities. For loans it is assumed that the carrying amount corresponds closely to the fair value.

Due to the short term of trade payables and other financial liabilities, it is assumed that the carrying amounts are the fair value.

Net gains or losses for loans and liabilities consist primarily of results from impairment losses and reversals thereof. With regard to impairment, please see the notes on trade receivables (4.1.3) and other current assets (4.1.7). Specific allowance for bad debts amounting to EUR 108 thousand were written off under receivables from associated companies beside the write offs described in article 4.1.3. The net results of impairment losses and reversals thereof are primarily reported as other operating expenses.

Net gains or losses of available for sale financial assets consist primarily of net income from investments.

For information on the collateral provided, please see note 4.4.

The Group holds collateral from customers amounting to EUR 614,981 thousand (previous year: EUR 426,244 thousand), which corresponds to the fair value of the security. These are standard industry guarantees which are provided by our customers and suppliers in order to secure the fulfilment of contractual obligations.

8. Capital management

The aim of the Group's capital management is to ensure that it maintains a good equity ratio and high credit rating in order to support its business activities and maximise shareholder value. This is especially significant in the context of growth targets.

REpower Systems AG has a balanced capital structure. Equity capital covers non-current assets by more than 100%.

The Group monitors its capital with regards to the equity ratio as the ratio of equity reported in the IFRS consolidated financial statements to total assets.

The company is not subject to any statutory capital requirements.

9. Notes to segment reporting

The activities of the REpower Group consist of the development, production and marketing of wind turbines. In addition to development and production, preliminary work for project development is done to support sales, appropriate rights are acquired and the infrastructure is created to erect turbines at appropriate locations.

The primary segment reporting format at the REpower Group is geographic segments as it is essentially a single-purpose enterprise in terms of business activities. REpower distinguishes between the two reporting segments „Germany“ and „Rest of world“. The „Rest of world“ reporting segment includes the segments of Asia, Europe (not including Germany) and Australia.

The information on segment reporting includes data on segment income, assets, liabilities, investments, depreciation and amortisation for each reporting geographic segment.

10. Notes to the cash flow statement

In compliance with IAS 7, the consolidated cash flow statement is divided into the areas of operating activities, investing activities and financing activities. The funds reported in the cash flow statement include cash and cash equivalents. Current bank liabilities were deducted.

Cash and cash equivalents are composed as follows:

	2008 in TEUR	2007 in TEUR
Cash and cash equivalents at the start of the period		
Cash, bank balances	144,909	120,067
Less current amounts due to banks	-474	0
Total	144,435	120,067
Cash and cash equivalents at the end of the period		
Cash, bank balances	177,578	144,909
Less current amounts due to banks	-669	-474
Total	176,909	144,435

The indirect method was used to determine the cash flow from operating activities. The cash flow statement begins with the income for the period before taxes. The outflow of funds from interest and taxes was allocated to operating activities and reported separately in that item.

Cash flow from investing activities includes payments for investments in intangible assets, property, plant and equipment and financial assets and proceeds from disposals of fixed assets.

11. Related party disclosures

In line with IAS 24, related parties of the REpower Systems AG Group are those that control the Group or exercise a significant influence on it or those that are controlled by the Group or over which it can exercise a significant influence.

In addition to the business relationships with the subsidiaries included in the consolidated financial statements by way of full consolidation, the following relationships existed with related parties.

To a minor extent, REpower Systems AG purchased components from AREVA Group companies, which were settled at market prices. In addition, turbines were sold to the associated company REpower Portugal S. A. for a total amount of EUR 19.3 million (previous year: EUR 6.5 million). These turbines were then resold to third-party customers.

The following legal transactions were entered into with the shareholder Suzlon:

Company	Content	Volume
Suzlon Energy Ltd.	Delivery agreement dated 1 November 2007 for delivery of RE40 blades to REpower Systems AG in the period from 2008 – 2010 with a volume of around EUR 62 million	No transactions arose from this agreement in the short fiscal year 2008
Suzlon Energy Ltd.	Delivery agreement dated 18/31 January 2008 for delivery of RE45 blades to REpower Systems AG in the period from 2008 – 2011 with a volume of around EUR 77 million	No transactions arose from this agreement in the short fiscal year 2008
SE Drive Technik GmbH	Disposal of shares agreement dated 6 February 2008 on the disposal of 50% of shares in RETC Renewable Energy Technology Centre GmbH (formerly Verwaltungsgesellschaft einhundertvierundvierzigste Alster mbH) to SE Drive Technik GmbH	Sale price: EUR 12,500
Suzlon Energy Ltd./ SE Drive Technik GmbH	Joint venture agreement dated 6 February 2008 on the cooperation for joint fundamental wind energy research and training	No transactions arose from this agreement in the short fiscal year 2008

REpower Systems AG signed a memorandum of understanding providing for the negotiation of master agreements with a volume of up to 1,900 MW with the subsidiary of the RWE Group specialising in renewable energies, RWE Innogy – the managing director of which is Prof. Fritz Vahrenholt, former CEO and now Deputy Chairman of the Supervisory Board of REpower Systems AG. This will break down as roughly 250 offshore 5M/6M type series turbines and around 200 more on-shore 2 MW class turbines.

The remuneration of the Executive Board and the Supervisory Board is stated in detail under note 14.

12. Disclosures on the executive bodies of REpower Systems AG, Hamburg

The following are/were appointed as members of the Supervisory Board:

- Mr. Tulsi R. Tanti, Pune, India (Chairman)
- Mr. Bertrand Durrande, Paris, France (Deputy Chairman until 7 February 2008)
- Prof. Fritz Vahrenholt, Hamburg (member since 10 January 2008, Deputy Chairman since 7 February 2008)
- Mr. Andre Horbach, Amsterdam, Netherlands, operations technician (member since 10 March 2008)
- Mr. Oliver Heinecke, Hamburg
- Mr. Alf Trede, Schwesing

The following persons are/were appointed as members of the REpower Systems AG Executive Board in fiscal 2006:

- Prof. Fritz Vahrenholt, Hamburg (Chairman until 31 December 2007)
- Mr. Per Hornung Pedersen, Hamburg, (Chairman from 1 January 2008)
- Mr. Matthias Schubert, Rendsburg
- Mr. Pieter Wasmuth, Hamburg
- Mr. Lars Rytter Kristensen, Hamburg (from 1 April 2008)

13. Declaration of conformity with the German Corporate Governance Code

The declaration of conformity with the German Corporate Governance Code was submitted by the Executive Board and Supervisory Board and published promptly on the company's Web site. This declaration is permanently accessible.

14. Remuneration of the Supervisory Board and the Executive Board of REpower Systems AG

In line with the Articles of Association of REpower Systems AG, the remuneration paid to the members of the Supervisory Board for the short fiscal year 2008 is as follows:

Name	Attendance fees for 2008	Fixed remuneration for 2008	Total 2008	Total 2007
	EUR	EUR	EUR	EUR
Tulsi R. Tanti	2,000	5,000	7,000	15,000
Prof. Dr. Fritz Vahrenholt	1,500	3,333	4,833	0
Bertrand Durrande	1,250	2,917	4,167	28,500
Oliver Heinecke	1,000	2,500	3,500	16,000
Alf Trede	1,000	2,500	3,500	16,000
Andre Horbach	0	833	833	0
			23,833	119,750

Please see the next page for information on the share option rights of Prof. Fritz Vahrenholt.

The members of the Executive Board of REpower Systems AG are paid fixed remuneration, the amount of which can be derived from the following table. In addition to a fixed annual salary, each member also receives a performance-based bonus of 30 % of the fixed annual salary if REpower Systems AG's EBIT amounts to at least 75% of the figure planned in the budget each year. This bonus rises to 40 % of the fixed annual salary if EBIT reaches the amount planned in the budget. It rises further to 50 % of the fixed annual salary if EBIT reaches 125 % of the amount planned in the budget (maximum bonus). The Supervisory Board granted the Executive Board flat-rate, variable remuneration for the short fiscal year 2008.

As part of the existing share option programme (see note 4.5.2), share option rights were also granted to members of the Executive Board in the 2006 and 2007 fiscal years. The options can only be exercised if the share price of REpower Systems shares rises to at least 120 % of the base price on at least 21 days before exercise. At the time of the granting in 2006, the fair value per option was EUR 13.91, for 2007 the fair value per option was EUR 50.32. Due to changes of the stock option plan conditions in 2007 the fair value of the stock options granted in 2006 has increased to EUR 91.43.

Name	Option rights 2006	Option rights 2007	Total
	Quantity	Quantity	Quantity
Prof. Dr. Fritz Vahrenholt	20,000	24,000	44,000
Matthias Schubert	15,000	14,000	29,000
Pieter Wasmuth	15,000	19,000	34,000
	50,000	57,000	107,000

The total remuneration of the members of the Executive Board for the short fiscal year 2008 was as follows:

Name	Fixed remuneration	Variable remuneration	Pension	Non-recurring payments*	Total remuneration	Share options
	EUR	EUR	EUR	EUR	EUR	Quantity
Per Hornung Pedersen	100,000	18,500	0	15,000	133,500	0
Matthias Schubert	45,000	12,000	15,000	0	72,000	0
Pieter Wasmuth	45,000	12,000	15,000	0	72,000	0
	190,000	42,500	30,000	15,000	277,500	0

* The non-recurring payment was the reimbursement of moving costs.

The payment of residual claims of EUR 1,631,500 as at the 2007 balance sheet date were agreed for Prof. Fritz Vahrenholt, who left his position as Chairman of the Executive Board. EUR 1,072,500 of this was paid in 2007, the remaining amount of EUR 559,000 was transferred to provisions.

As at 31 March 2008, the shares held by the Executive Board are as follows:

Name	As at 1 January	Additions and dis-	As at 31 March
	Quantity	posals in SYF 2008	Quantity
Per Hornung Pedersen	0	0	0
Matthias Schubert	10,000	0	10,000
Pieter Wasmuth	0	0	0
	10,000	0	10,000

15. Information on fees paid to auditors

A fee of EUR 197,500 (previous year: EUR 210,000) was recognised for the audit of the financial statements in the fiscal year. EUR 0 was paid for other assurance or advisory services in the fiscal year (previous year: EUR 3,144).

16. Proposal for the appropriation of the unappropriated surplus of REpower Systems AG

The Executive Board of REpower Systems AG, Hamburg, proposes that the unappropriated surplus reported in the annual financial statements as at 31 March 2008, prepared in accordance with the provisions of the German Commercial Code and the German Stock Corporation Act, be carried forward to new account.

The single-entity financial statements and consolidated financial statements of REpower Systems AG, Hamburg, will be published in the electronic Federal Gazette (elektronischer Bundesanzeiger).

17. Material events after the reporting date

Please see note 12 for information on the changes in the composition of the Executive Board and the Supervisory Board.

The consolidated financial statements were prepared by the Executive Board on 4 June 2008 and thus submitted to the Supervisory Board for approval. The consolidated financial statements will be presented to the Supervisory Board at the Supervisory Board meeting on 25 June 2008 for approval.

Hamburg, 4 June 2008

The Executive Board



Per Hornung Pedersen



Pieter Wasmuth



Matthias Schubert



Lars Rytter Kristensen

REpower Systems AG
Statement of consolidated fixed assets 2008

	Acquisition and production costs				Balance 31.03.2008 EUR
	Balance 01.01.2008 EUR	Additions EUR	Reclassifications EUR	Disposals EUR	
I. Property, plant and equipment					
1. Land, leasehold rights and buildings, including buildings on non-owned land	10,224,313	212,432	1,050,209	0	11,486,954
2. Technical equipment, plant and machinery	13,043,711	1,059,356	3,056,484	0	17,159,551
3. Other equipment, fixtures, fittings and equipment	22,449,059	1,566,777	0	-132,234	23,883,602
4. Advance payments and plant and machinery in process of construction	21,328,772	26,117,348	-4,106,693		43,339,427
Total property, plant and equipment	67,045,855	28,955,913	0	-132,234	95,869,534
II. Intangible assets					
1.1. Software and other licences	11,331,766	153,545	0	0	11,485,311
1.2. Development costs	13,899,564	2,164,394	0	0	16,063,958
1. Intangible assets	25,231,330	2,317,939	0	0	27,549,269
2. Goodwill	4,626,406	0	0	-1,343	4,625,063
Total intangible assets	29,857,736	2,317,939	0	-1,343	32,174,332
Total	96,903,591	31,273,852	0	-133,577	128,043,866

Balance 01.01.2008	Depreciation and amortization			Balance 31.03.2008	Book values	
	Additions	Reclassifications	Disposals		31.03.2008	31.12.2007
	EUR	EUR	EUR		EUR	EUR
1,547,376	64,339	0	0	1,611,715	9,875,239	8,676,937
4,941,089	552,810	0	0	5,493,899	11,665,652	8,102,622
10,822,989	874,924	0	-106,310	11,591,603	12,291,999	11,626,070
0	0	0	0	0	43,339,427	21,328,772
17,311,454	1,492,073	0	-106,310	18,697,217	77,172,317	49,734,401
4,308,809	335,430	0	0	4,644,239	6,841,071	7,022,957
482,298	143,179	0	0	625,477	15,438,481	13,417,266
4,791,107	478,609	0	0	5,269,716	22,279,552	20,440,223
3,237,696	0	0	0	3,237,696	1,387,367	1,388,710
8,028,803	478,609	0	0	8,507,412	23,666,919	21,828,933
25,340,257	1,970,683	0	-106,310	27,204,630	100,839,236	71,563,334

List of shareholdings

Disclosure in line with Article 313 (2) nos. 1 to 4 HGB

Companies	Shareholding in %	Equity as at end of the FY in EUR	Earnings in EUR
REpower Betriebs- und Beteiligungs GmbH, Rendsburg ⁹	100.00	17,665	-62,589
REpower Windpark Betriebs GmbH, Hamburg ^{1,3,6,9}	100.00	20,144	-400
REpower Investitions- & Projektierungs GmbH & Co. KG, Rendsburg ^{3,9}	100.00	-78,062	-32,066
Windpark Blockland GmbH&Co. KG, Hamburg ^{3,7}	100.00	-78,062	0
Windpark Meckel/Gilzem GmbH&Co. KG, Hamburg ^{3,7}	100.00	1,000	0
Windpark Großvargula Betriebs GmbH, Breydin ^{3,9} (in liquidation)	100.00	-1,667	0
REpower Espana S.L., Madrid, Spain ¹⁰	100.00	405,703	-30,727
REpower Italia S.r.l., Milan, Italy ¹⁰	100.00	856,600	71,776
REpower S.A.S., Courbevoie, France ¹⁰	100.00	1,786,022	-497,749
Eolis S.a.r.l., Suresnes, France ^{2,9}	100.00	1,915	-17,457
REpower Australia Pty. Ltd., Melbourne, Australia ¹⁰	100.00	-101,226	-19,515
REpower Diekat S.A., Athens, Greece ¹⁰	60.00	8,912	-1,566
REpower UK Ltd., Edinburgh, United Kingdom ¹⁰	67.00	121,979	91,061
REpower USA Corp., Portland, Oregon, USA ¹⁰	100.00	252,655	55,059
REpower Benelux bvba., Brussels, Belgium ¹⁰	100.00	21,141	-2,859
REpower Wind Systems Trading (China), Beijing, People's Republic of China ¹⁰	100.00	39,017	26,023
Powerblades GmbH, Bremerhaven ¹⁰	51.00	1,179,809	-251,575
REpower Canada Inc., Montreal, Canada ¹⁰	100.00	-1,513	-1,623
REpower North (China) Ltd., Qingshan, Baotou, People's Republic of China ¹⁰	50.01	6,319,876	-488,740
REpower Portugal Sistemas Eólicos S.A., Oliveira de Frades, Portugal ⁹	50.00	4,470,028	693,344
RETC Renewable Energy Technology Centre GmbH, Hamburg ^{4,9}	50.00	23,761	-645
Energy Wind Czech s.r.o., Mostkovice, Czech Republic ⁹	50.00	-12,101 ¹	-2,041 ¹
Sister Lda, Lisbon, Portugal ^{5,9}	37.50	-47,366 ¹	-13,528 ¹
Windpark Finsterwalde GmbH, Finsterwalde ⁹	30.00	1,676,220 ¹	-192,992 ¹
Wasserkraft Finowkanal, GmbH, Breydin ^{2,8,9}	100.00	-92,796	-36,954
REpower Geothermie GmbH, Breydin ⁹	24.90	-67,900 ¹	-5,093 ¹

¹ Figures from 31 December 2006² Figures from 31 December 2007³ Shares held indirectly through REpower Betriebs- und Beteiligungs GmbH⁴ Trading as at 31 March 2008 as Verwaltungsgesellschaft 144. Alster mbH, 50% owned by REpower Systems AG, 50% sold to SE Drive Technik GmbH. Renamed as RETC GmbH on 28 May 2008.⁵ A further 37.5% of shares were acquired by REpower Systems AG after the balance sheet date.⁶ REpower Windpark Betriebs GmbH traded until 9 April 2008 as BWU Projekt GmbH, headquartered in Trampe.

At the same time, the company was sold by REpower Systems AG to Betrieb- und Beteiligungsgesellschaft GmbH.

⁷ The company was formed in 2008. Therefore there are no figures for the past fiscal year.⁸ The company was sold in full on 21 May 2008.⁹ Calculated in line with national accounting standards.¹⁰ Calculated in line with IFRS – Group Accounting Manual REpower Systems AG.

Auditor's Report

We have audited the consolidated financial statements prepared by the Repower Systems AG, Hamburg, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the management report for the Company and the Group for the business year from January 1 to March 31, 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch „German Commercial Code“] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Article 317 HGB [Handelsgesetzbuch „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, June 4, 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft

Papenberg

Frahm

Auditor

Auditor

Executive Board



Per Hornung Pedersen

Chairman, born in 1953 in Copenhagen, Chairman of the Executive Board since January 2008, in charge of Business Development, Sales, Project Management, HR and Public Relations.



Pieter Wasmuth

Born in 1966, Executive Board member since 2005, in charge of Organisation, Finance and Accounting, Controlling, Treasury, Legal, Investor Relations, Risk Management, Project Financing, Organisation, IT, Location Development, Quality Management, Occupational Health and Safety and Service and Maintenance.



Matthias Schubert

Born in 1960, Executive Board member since 2001, in charge of Technology, Product Development, 5M/Offshore, the Support Centre, Quality Assurance and Technology.



Lars Rytter Kristensen

Born in 1966, Executive Board member since April 2008, responsible for Purchasing, Production and Logistics.

Supervisory Board



Tulsi R. Tanti
Chairman



Prof. Dr. Fritz Vahrenholt
Deputy Chairman



Bertrand Durrande



Andre Horbach



Oliver Heinecke



Alf Trede

Personnel changes

On 18 June, Dr. Rolf Bierhoff retired from the Supervisory Board. Tulsi R. Tanti was appointed to the Supervisory Board in his place on 21 June 2007 and was elected as Chairman of Supervisory Board at the meeting of the company's Supervisory Board on the same date.

At an extraordinary meeting on 2 November 2007, the Supervisory Board of REpower Systems AG decided to reorganise the management level.

As at the end of 2007, Dr. Hans-Joachim Reh and Dr. Jorge Martins resigned from the Supervisory Board. Prof. Fritz Vahrenholt, the longstanding Chairman of the Executive Board of the wind turbine manufacturer, retired from day-to-day operations at the end of the year and was legally appointed as a member of the Supervisory Board on 10 January 2008. On 7 February 2008, he was elected as Deputy Chairman of the Supervisory Board.

André Horbach, CEO of the Suzlon Energy Group, was also legally appointed as a member of the Supervisory Board on 10 March 2008.

The Supervisory Board appointed Mr. Per Hornung Pedersen as the new CEO from 1 January 2008.



Tulsi R. Tanti
Supervisory board
chairmanship

In the past short fiscal year, the Supervisory Board of REpower Systems AG focused intensively on the position of the company. The Executive Board reported to us comprehensively and in a timely manner at a total of two meetings in the reporting period.

In addition, there was regular reporting between these meetings on the economic situation of the company, business developments and policy, in which the subjects of risk management and corporate planning and development were also discussed. This allowed us to monitor the Executive Board on an ongoing basis. At the same time, we also advised the Executive Board.

The main topics of discussion in this fiscal year were again the growth strategy and the economic situation of the Group. Significant influencing factors such as the development of the global energy market and political and economic conditions for the global expansion of wind energy were the core topic of discussion in meetings in the short fiscal year. Furthermore, we discussed the options and limitations regarding the cooperation with the major shareholder Suzlon.

In the meeting on 7 February 2008, Professor Fritz Vahrenholt was elected as the Deputy Chairman of the Supervisory Board of REpower Systems. A further item on the agenda was the presentation of the business plan for fiscal 2008/2009.

The 2007 annual financial statements were adopted in the meeting on 20 March 2008; a new organization concept for the company was also presented and resolved. The resolution passed in the previous year to expand the Executive Board to five members was revised. The Executive Board will now only be extended by one further member and will consist of four people.

Corporate governance

The Supervisory Board regularly discusses the ongoing development of the company's corporate governance principles. We are confident that the company was in compliance with the recommendation of the German Corporate Governance Code during the past fiscal year as set forth in its declaration of compliance. The current declaration of conformity in line with Article 161 AktG includes no deviations from the recommendations of the Code and is reproduced in the „Corporate Governance“ section of the annual report. It is also available for download at the website www.repower.de.

Personnel changes within the Supervisory Board were implemented as advised in the last report. The Personnel Committee consists of Tulsi R. Tanti, Prof. Fritz Vahrenholt and Bertrand Durrande. The new Nomination Committee consists of Tulsi R. Tanti and Bertrand Durrande and the Audit Committee consists of Bertrand Durrande, André Horbach and Oliver Heinecke.

Annual financial statements adopted

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Hamburg audited the annual financial statements of REpower Systems AG and the consolidated financial statements as at 31 March 2008 and the combined management report for REpower Systems AG and issued them with an unqualified audit opinion.

The auditors' reports were immediately forwarded to the members of the Supervisory Board. After a preliminary discussion in the Audit Committee, the annual and consolidated financial statements, the management report and the audit report were discussed extensively with the auditor in the Supervisory Board meeting on 19 June 2008.

After examination of this year's annual and consolidated financial statements, management report and reports submitted, the Supervisory Board approved the auditors' findings and raised no objections subsequent to concluding its review.

The Supervisory Board approves and thereby adopts the annual financial statements prepared by the Executive Board as at 31 March 2008 and the IFRS (formerly IAS) consolidated financial statements as at 31 March 2008, including the combined management report. Additionally, the Supervisory Board hereby approves the proposal for the appropriation of the unappropriated surplus of REpower Systems AG.

The Supervisory Board would like to thank the Executive Board and all the employees of the company staff for their hard work and achievements.

Hamburg, June 2008
The Supervisory Board

Exclusive economic zone	The area adjacent to territorial waters of up to 200 nautical miles latitude measured from the coastline seawards.
CO2 certificates	Tradable emission certificates that entitle operators of power plants and other energy plants to emit carbon dioxide (CO2).
REA	Act on Granting Priority to Renewable Energy Sources (Renewable Energies Act). This act entered into force on 1 August 2004 as an amendment of the original version dated 1 April 2000 and is intended to promote renewable energies.
Renewable energy sources	In contrast to conventional energy sources, renewable energy sources refer to those that are inexhaustible, e.g. that are constantly 'renewed'. These include, for example wind energy, solar energy, geothermal energy, biomass, hydroelectric energy and wave power.
Fossil fuels	These energy sources were created over millions of years by the anaerobic decomposition of dead plants and animals at high temperatures and pressure. They include mineral oil and natural gas as well as lignite and hard coal.
Generator	The generator of a wind energy turbine converts mechanical energy into electrical energy. Generators for wind energy turbines differ from conventional power plant generators. One of the reasons for this is that the generator is connected to a power source (the rotor) that produces highly fluctuating mechanical power.
Gear	Also known as the torque converter. Using cogs, the gear convert the high torque of the slowly rotating rotor shaft into a lower torque with a higher rotational speed to be transmitted to the generator shaft.
Nacelle	The nacelle (or machine cabin) houses the most important parts of a wind energy turbine such as the gear and generator. The maintenance staff can enter the nacelle from the tower.
GWh	Gigawatt hour – equivalent to one million kWh (unit for energy or in this case electrical energy).
Kilowatt (kW)	1,000 watt – a watt is a unit of electrical power.
Conventional energy sources	Conventional energy sources can include fossil fuels.
Territorial waters	Territorial waters are the area of ocean extending up to 12 nautical miles seawards measured from the coastline.
kWh	Kilowatt hour – a unit of energy or in this case electrical energy.
Kyoto Protocol	UN protocol from December 1997 on legally binding emissions levels for industrialised nations. The Protocol was the first to advocate renewable energy.
Performance curve	The performance curve of a wind energy turbine indicates the amount of electrical power generated as a factor of wind speed.
Machine cabin	Nacelle.

MD series	The MD series from REpower features wind energy turbines with an electrical rated output of 1.5 megawatt, with a rotor diameter of 70 or 77 meters and pitch control. The MD series includes the MD70 and MD77 wind energy turbines.
Megawatt (MW)	Unit of power or in this case electrical power.
MM series	The MM series from REpower features wind energy turbines with an electrical rated output of 2 megawatt, with a rotor diameter of 70, 82 or 92 meters and pitch control. The MM series includes MM70, MM82 and MM92 wind energy turbines.
MMx series	The MMx series from REpower is a working title for a new series of wind energy turbines with an electrical rated output of around 3 megawatt, which is currently being developed by REpower.
Multi-megawatt turbine	This refers to wind energy turbines with a rated output of more than one megawatt.
MWh	A unit of energy or in this case electrical energy. 1 megawatt hour is equivalent to 1,000 kWh.
Hub	The hub refers to the part of the wind energy turbine on which the rotor blades are mounted. The hub is positioned at the middle of the rotor.
Rated output	The maximum possible constant output of a wind energy turbine.
Grid	Grid or electricity grid for electric power supply.
Grid operator	Operator of a transfer or public distribution grid.
Grid compatibility	Grid compatibility refers to the electronic reaction, in this case of wind energy turbines, on the grid.
Offshore/onshore	Offshore turbines are wind energy turbines erected on open sea. In contrast, onshore turbines are erected on land.
Pitch/pitch control	Pitch controlled wind energy turbines regulate their power output by altering the angle of their rotor blades (along their longitudinal axis to the wind).
REpower 5M/5M turbines	A prototype 5-megawatt wind energy turbine from REpower, currently in testing, primarily intended for offshore use.
Regenerative energies	Renewable energies.
REguard	A wind farm management system from REpower currently in testing, which goes one step further than the standard SCADA systems and, among other things, in addition to the conventional remote access to instantaneous wind farm operating data, is intended to integrate a Web-based central database.
REpowering	Replacement of older wind energy turbines with modern, more efficient state-of-the-art turbines at locations already in use.
Rotor	Part of the wind energy turbine, consisting of rotor blades mounted on the hub.

Rotor blades	Blades or wings of the wind energy turbine moved directly by the wind.
Rotor shaft	Mechanical component that transfers the rotation of the rotor to the gear or pistons of the generator.
SCADA system	Supervisory Control and Data Acquisition system used to record and monitor and operating data of a wind energy turbine or wind farm, as well as managing them.
Greenhouse effect	The so-called greenhouse effect refers to the anticipated increase in temperatures on earth caused by the emission and production of various substances and gases that cause increased reflection of heat radiation into the atmosphere.
Greenhouse gases	Greenhouse gases are gaseous substances that contribute to the greenhouse effect and may be of natural or anthropogenic origin. The most important natural greenhouse gases are water vapour, carbon dioxide and methane. Other greenhouse gases include chlorofluorocarbons, sulphur hexafluoride, nitrous oxide and ozone.
Turnkey business	Installation of turnkey wind farms. This includes the full installation of the wind farm with all necessary construction activities for the infrastructure and grid connection as well as, in individual cases, the evaluation of the location's potential and the farm's configuration (micrositing).
Wind park/wind farm	Installation of several wind energy turbines combined in an enclosed development project.
Certification	Inspection of wind energy turbines in accordance with recognised technical regulations or guidelines. In Germany, key certification offices include Germanischer Lloyd AG (GL) in Hamburg.

Key Figures

Financial Statements (IFRS)		Short fiscal year 2008	Fiscal 2007	Fiscal 2006	Fiscal 2005
Gross revenues	in tsd. EUR	150,162.1	678,153.2	461,540.5	335,069.6
Ebit	in tsd. EUR	3,050.9	28,202.3	12,185.1	-4,301.1
Earnings before tax	in tsd. EUR	3,414.2	29,459.1	11,200.2	-8,571.3
Net profit	in tsd. EUR	1,378.1	21,118.4	7,053.6	-6,752.2
Total assets	in tsd. EUR	693,513.8	688,363.5	408,651.2	275,217.7
Shareholders' equity	in tsd. EUR	329,117.7	326,264.6	187,829.8	99,935.9
Shareholders' equity ratio	%	47.0	48.43	45.96	36.31
Shares outstanding *	1 EUR	8,993,576	8,731,325	7,507,801	5,693,698
Earnings per share *	EUR	0.16	2.43	0.94	-1.19
Shares outstanding	1 EUR	8,993,576	8,993,576	8,101,797	5,941,198
Market capitalization **	in tsd. EUR	1,369,991.5	1,124,197.0	633,965.6	187,741.9
Closing price **	EUR	152.3	125.0	78.25	31.60
Staff (REpower Systems AG)	number	1,060	1,005	738	583

* Weighted average

** Last trading day

Financial Calendar

Annual report/Balance sheet press conference	30/06/2008
Interim report 1 st Quarter/Conference call	14/08/2008
Annual General Meeting	20/08/2008
Interim report 2 nd Quarter/Conference call	13/11/2008
Interim report 3 rd Quarter/Conference call	12/02/2009



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