



Annual Report | 2001 | **Renewable Energy** for the future

Key Figures

Financial Statements in EUR (IAS)

		Fiscal 2001
Total revenues	'000 EUR	146,6
Ebit	'000 EUR	18,4
Ebit-margin	%	12,5
Earnings before tax	'000 EUR	16,5
Net profit	'000 EUR	9,0
Total assets	'000 EUR	81,5
Shareholders' equity	'000 EUR	15,8
Shareholders' equity ratio	%	19,4
Staff	number	260

Milestones	4
Company Portrait	5
Foreword from the Managing Board	7
Market Environment	8
Business Model	10
Operating Divisions	12
Strategy and Goals	18
Report of the Supervisory Board	20
Group and Company Report	23
Group Attachment	39
Attachment in Accordance with German GAAP	83

Company History

1991	Jacobs Energie GmbH, Husum, founded as an independent producer of wind turbines
1993	Major contract with MAN, for worldwide maintenance of a total of 450 Aeroman wind turbines
1994	Roll-out of the first in-house developed 500 kilowatt turbine, later developed into a 600 kilowatt turbine
1995	Founding of the project development and operating company Regenerative Energien Denker & Dr. Wulf KG (now Denker & Wulf AG), Sehestedt
1996	Founding of BWU-Brandenburgische Wind- und Umwelttechnologien GmbH, Britz
1996	Licensing agreement between Jacobs Energie GmbH and BWU-Brandenburgische Wind- und Umwelttechnologien GmbH to construct a 43/600-type wind turbine
1997	Founding of the engineering office pro + pro Energiesysteme GmbH & Co. KG, Rendsburg
1998	Founding of BWU-Anlagenfertigung und -service GmbH, Trampe
1998	Completion of the bwu 57/1000 by BWU-Wind- und Umwelttechnologien GmbH with a power rating of 1 megawatt
1998	Construction of the MD 70 prototype with a power rating of 1.5 megawatts and a rotor diameter of 70 meters
1998	Licensing agreement for the MD 70 between pro + pro Energiesysteme GmbH & Co. KG and the manufacturing consortium BWU-Anlagenfertigung und -service GmbH, Husumer Schiffswerft, Inh. Gebr. Kröger GmbH & Co. KG, Jacobs Energie GmbH and Fuhrländer GmbH (now Fuhrländer AG)
1999	Start of production of the bwu 48/600-750
2000	Purchase of the wind energy operating division of Husumer Schiffswerft, Inh. Gebr. Kröger GmbH & Co. KG by Jacobs Energie GmbH
2000	Series production of the MD 70 and MD 77 models with a power rating of 1.5 megawatts – designed for low-wind sites
2001	Merger of Jacobs Energie GmbH (Husum), Denker & Wulf AG (Sehestedt), BWU-Brandenburgische Wind- und Umwelttechnologien GmbH and BWU-Anlagenfertigung und -service GmbH (both Trampe), and pro + pro Energiesysteme GmbH & Co. KG (Rendsburg) to form REpower Systems Group
2002	Initial Public Offering of REpower Systems AG



Total competence in wind energy

The primary challenge of our time in the field of energy lies in the development of technologies to make use of renewable energy. Given the scarcity of fossil fuels, this is a far-sighted undertaking, not only ecologically but also economically. Wind energy will make a significant contribution to the dynamic development of the market for renewable energy.

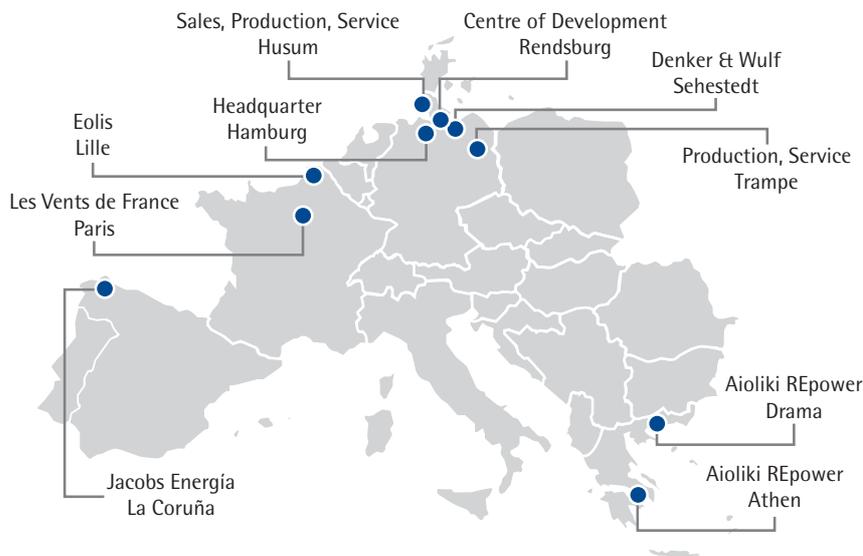
With its high-quality and innovative products, REpower is optimally positioned in the wind energy market. Continuous development of the outstanding technologies we already employ ensures that we will continue to play a major role in this growth market in the future. Our total competence in the field of wind energy gives us a decisive advantage in exploiting the tremendous potential of this promising market.

REpower overview

REpower Systems Group is active in the following areas:

- System development
- Licensing
- Production and sales of wind turbines
- After-sales service and
- Project development of wind parks.

- REpower Systems Group was officially founded on January 1, 2001, and had 260 employees in Germany at five sites, Hamburg, Rendsburg, Husum, Trampe and Sehestedt as of December 31, 2001.
- We have successfully used a combination of various entry strategies to grow internationally: REpower is already present in several key European markets.
- REpower's product portfolio includes five different types of turbines with power ratings ranging from 600 to 1500 kilowatts. Of these five types, the MD 70/77 model, with a power rating of 1.5 megawatts and a global market share of approximately 10 percent, including licensees, is seen as a "flagship" among turbines.
- Licensing is a strategically important component of our business model: Licenses from REpower form the basis of many products manufactured by leading producers of wind turbines both within Germany and abroad.
- A targeted research and development program assures the growth of our product portfolio: REpower is focusing these efforts on the development of multi-megawatt class turbines.





Prof. Dr. Fritz Vahrenholt

REpower Systems AG, Chairman of the Managing Board
Federal Chancellor's Council for Sustainable Development

Previously:

Deutsche Shell AG, Managing Board, Chemicals and Renewable Energies

HEW, Chairman of the Supervisory Board

Hamburg Environmental Authority, Environmental Senator

Hamburg Environmental Authority, State Council

Matthias Schubert

REpower Systems AG, Managing Board, Technology and Development

Previously:

CEO, pro + pro Energiesysteme GmbH & Co. KG

Development engineer, Engineering Office of aerodyn Energiesysteme GmbH

Atlantis, Division Manager for Wind/Solar Hybrid Systems

Consultant to the Federal Research Ministry

Hugo Denker

REpower Systems AG, Managing Board, Sales and Production

Previously:

Co-founder, Regenerative Energien Denker & Dr. Wulf KG (now Denker & Wulf AG)

Commerzbank AG, Branch Director, Brunsbüttel

Commerzbank AG, Wind energy project financing

Jens-Peter Stöhr

REpower Systems AG, Managing Board, Finance

Previously:

Shell Europe Oil Products, Finance Manager, Supply

Deutsche Shell AG, Division Manager, Finance

Ladies and gentlemen:

In many respects, fiscal year 2001 was a crucial year for REpower – in no small part because it was the year in which our Company was founded. Five established, medium-sized companies merged to combine their activities under the umbrella of the REpower Systems Group. The newly created group structure covers a broad spectrum of the wind industry's value chain, allowing the Company to exploit opportunities in the wind energy market more effectively.

Rapidly and smoothly integrating these companies into the REpower Systems Group's new corporate structure was a high priority. This meant streamlining internal processes and developing potential synergies. The existing medium-sized organizational and management structures were adapted to the requirements of a group. At the same time, we focused on strengthening our core competencies in the areas of technology, production, project development, and service and on expanding our positions in national and international markets.

Our development team in Rendsburg was successful at optimizing our product mix – with an emphasis on developing multi-megawatt turbines. In 2002, we will begin delivering multi-megawatt turbines with a power rating of 2 megawatts.

As the REpower Systems Group, we have been able to position ourselves well in the rapidly growing wind energy market. In the meantime, every tenth wind turbine in the world originates from our system developers. Our licensees include a number of prominent names. Nordex, which is listed on the Neuer Markt, and the Spanish company Gamesa, the second largest manufacturer of wind turbines, both rely on the proven technology of REpower. Their confidence in our know-how underscores the strong market position REpower has gained for itself in the past year.

The Company's progress in international expansion was marked by the establishment of new joint ventures in France and Greece. We beat out well-known competitors for a wind park project in Greece. Our share of the installation – 43.5 megawatts of power –

will be the largest provided by foreign suppliers (with the exception of the energy giant E.on). Another major order received last year was for the delivery of 50 wind turbines with a total power rating of 100 megawatts to Sardinia.

Our success in fiscal 2001 is also reflected in our earnings. With an 89 percent increase in revenues to EUR 146.6 million, we posted an EBIT of EUR 18.4 million, surpassing our own ambitious goals. This growth was accompanied by an increase in the number of employees from 171 to 260.

We give special thanks to our employees – many of whom have long been employed by our predecessor companies – for making our Company's success possible through their extraordinary dedication.

From this positive start, we are optimistic about the future for turbines. We want to expand our technological leadership in the area of multi-megawatt turbines and develop new dimensions, based on this strong beginning, particularly with the 5-megawatt turbine. We will steadfastly continue to internationalize our business. To further stimulate growth, we intend to make an initial public offering in 2002.

In implementing all our plans, we are committed to the principles of our long-term corporate policy. These include increasing the Company's value, offering first-class products and services to our customers, and offering job security and interesting professional prospects to our employees. In addition, we want to contribute to improving the ecological situation through environmental protection policies that are integrated into all divisions of our Company. We hope you will join us on this path.

Sincerely yours,



Energy is scarce and becoming ever scarcer. This is why inexhaustible energy sources such as wind are taking on ever-greater importance.

The global energy market's growing use of renewable energy sources is a trend that is becoming increasingly apparent.

Rising cost of fossil fuels

The world's rising energy needs cannot be met solely by extracting fossil resources. More remote deposits – that are expensive to extract – will have to be accessed. The resulting price increase anticipated for fossil fuels over the long term will help to make renewable energy more competitive.

Rising dependence on imports

The predicted increase in OECD countries' dependence on fossil fuel imports will intensify the trend toward use of renewable energy sources. The EU Commission alone anticipates primary energy imports for Europe will grow from approximately 50 percent to approximately 70 percent over the next 20 to 30 years (*Energy Report of the German Federal Ministry of Economics, 2001*).

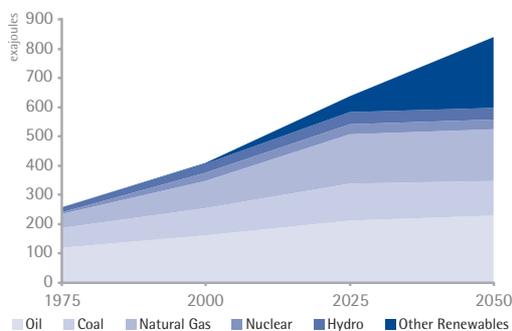
Government support

Renewable energy is also benefiting from growing political support for climate protection. The internationally agreed reduction in CO₂ emissions calls for an increase in renewable energy's share of total

power generation. (*Kyoto Protocol of the "United Nations Framework Convention on Climate Change," December 1997; EU White Book on Renewable Energy, November 1997*). Programs have been initiated that explicitly promote renewable energy through investment incentives, tax benefits and guaranteed prices. In Germany, the Renewable Energy Act (EEG) of April 1, 2000, fixes the feed-in compensation at a minimum of 9.1 EUR cents per kilowatt-hour of power for the first five years. Beginning January 1, 2002, this amount is reduced by 1.5 percent every year for each new wind turbine.

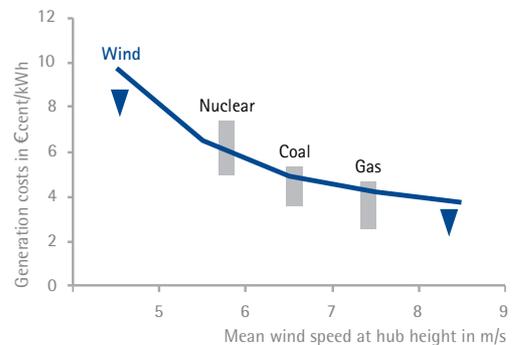
Wind energy is the fastest growing market in the renewable energy field, with average growth rates estimated at 19.4 percent per year over the next five years. (*International Wind Energy Development, World Market Update 2000, Forecast 2001-2005, BTM Consult ApS, March 2001*). In Germany, wind energy's share of total electricity generation was 3.35 percent in 2001. (*"Wind energy in Germany", German Wind Energy Institute, DEWI, January 2002*).

Shell Energy Szenario 2001



Source: "Energy Needs, Choices and Possibilities", Shell 2001, Scenario "Dynamics as usual"

Cost of Electricity Generation



Source: Windpower monthly, January 2001; European Commission 2001

Wind power adds up. Even today, there's money to be made in ecology – and even more in the future.

The following factors will contribute to the growth of the wind energy market:

Attractive international sites

In windy areas such as Greece, Scotland, Ireland, Norway and the Atlantic coast of France, commercial use of wind energy is just beginning to develop. Construction of wind turbines at promising sites in these areas would make wind energy competitive even with very low levels of government support.

Modern and efficient technology

Favorably situated wind turbines equipped with the most modern technology already compete successfully with newly constructed coal-fired power plants. This development is due to the combination of larger turbines, more carefully targeted site selection, and, in particular, the improved economic efficiency of the turbines. These factors are expected to lead to a further 15 percent reduction in costs versus 1999 over the next few years (*International Wind Energy Development, World Market Update, BTM Consult ApS, March 2001, p.18*).

Offshore

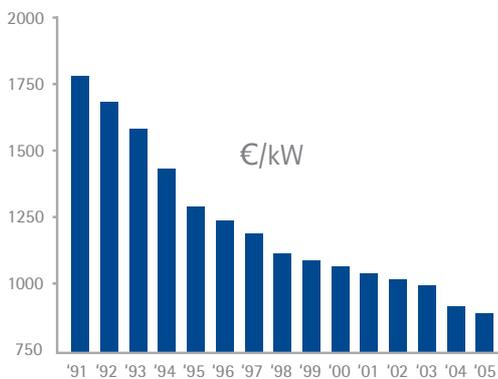
Because of the limited number of suitable onshore sites in more developed wind energy markets, an increasing number of wind park projects are being planned on the open sea. It is estimated that in Europe offshore resources totaling approximately 300 terawatts per year are available (*International Wind Energy Development, World Market Update, BTM Consult ApS, March 2001*). It is expected that offshore facilities with a total capacity of 2,400 megawatts will be installed in Europe by the year 2005, bringing the share of offshore-generated wind power to 11.3 percent. The greatest number of offshore projects is being planned in Germany (*International Wind Energy Development, World Market Update, BTM Consult ApS, March 2001*).

Repowering

In mature markets such as Germany or Denmark, future growth will be generated by what is known as "repowering," the re-equipping of older wind turbines with larger, more efficient models. This can significantly increase installed capacity at existing sites. According to our own estimates, the potential for repowering in Germany is approximately 500 megawatts between 2001 and 2006.

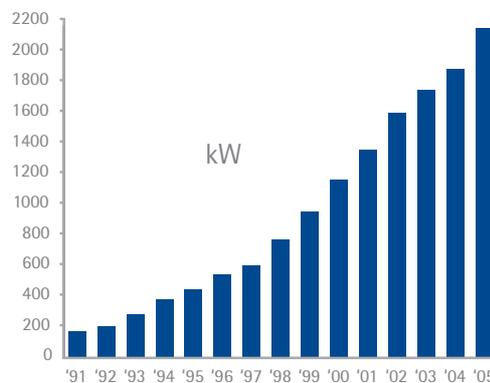


Average Price per kW Installed Capacity in Germany

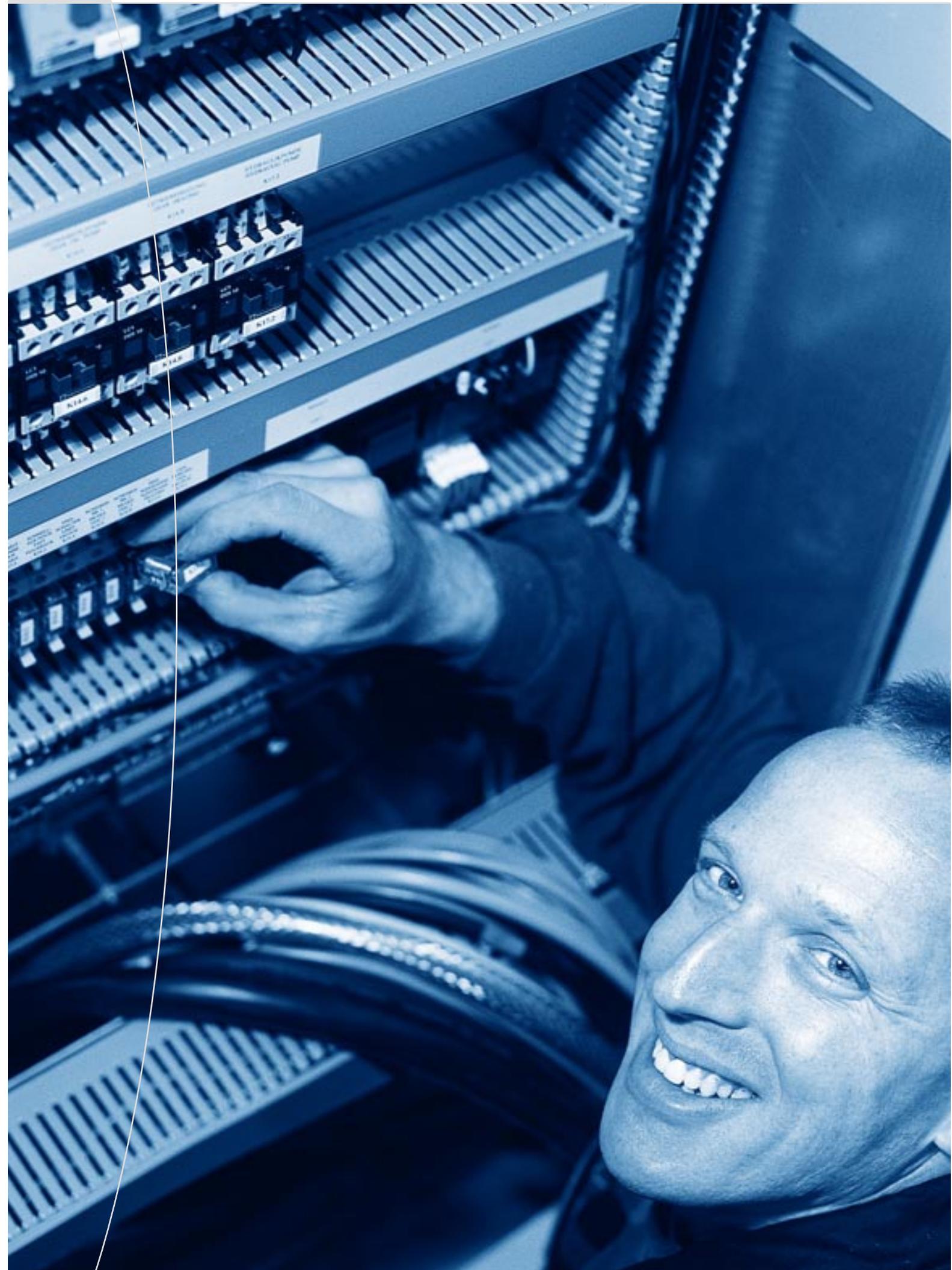


Source: Klimaschutz durch Nutzung Erneuerbarer Energien, BMU 2000

Average Size of Newly Installed Turbines



Source: Bundesverband Windenergie, as of December 31, 2001



REpower focuses on the strategically important elements of the value chain



In its quest for added value, REpower emphasizes the development, production and construction of turnkey wind turbines. Project development and the operation of wind parks is handled by REpower affiliate, Denker & Wulf AG. Comprehensive after-sales service rounds out the Company's portfolio of products and services. REpower pays special attention to the elements of the value chain that bring added synergy, as well as higher profits. A continuous transfer of know-how among our individual operating divisions makes it possible for REpower to have the total competence of the wind industry at its disposal, which is necessary to maintain both high quality standards and an ambitious growth strategy.

REpower's success factors

■ Product quality

Its expertise in the technological development of wind turbines and their components that has helped to shape the market for many years – and its broad spectrum of existing turbines places REpower in a technologically strong position. REpower's product portfolio currently includes five different types of turbines with power ratings ranging from 600 to 1500 kilowatts, all distinguished by proven product quality. New worldwide technology standards were set with the 1.5-megawatt MD 70/77-type wind turbine developed in 1998. The market acceptance of our products can be especially seen in the fact that leading wind turbine manufacturers such as Gamesa and Nordex rely, in part, on licenses from REpower Systems AG in their production.

■ Low vertical integration

REpower pursues a production strategy that focuses on system design and the manufacture of wind turbines. Components such as towers, generators, rotors and gear units are not produced by us, but are delivered by third-party manufacturers, partly using our proprietary know-how. As a result, compared to our competitors, we have less capital tied up in the manufacture of wind turbines. This low vertical integration also facilitates rapid technology transfer to licensees and flexible entry into foreign markets.

■ Project development know-how

In contrast to most producers of wind turbines, REpower, through its affiliate Denker & Wulf AG, also has competence in the field of project development and in the operation of wind turbines. In addition to its low degree of capital intensity and its comparatively high margins, the project development business represents an important avenue for developing new markets both domestically and abroad. Equally as important, the knowledge gained in operating wind parks flows directly into the development and production process of wind turbines.

■ International focus

REpower uses various strategies flexibly to develop in foreign markets: Depending on a given market's conditions, the business model focuses on developing international markets through licensing, joint ventures with local partners or our own subsidiaries and affiliates. By adapting to individual market conditions, REpower is successful at exploiting foreign growth markets quickly and effectively.





Research, Development and Licensing

With its highly qualified employees, our research and development division plays a key role in developing know-how relating to wind turbines. At its Rendsburg development center, REpower employs 26 engineers and technicians, who have an aggregate of more than 120 years of experience in the emerging wind energy industry. They acquired their special engineering know-how by designing turbines and developing components over many years.

The emphasis of our research and development has been on optimizing existing wind turbines and developing new multi-megawatt wind turbines. In addition, REpower makes its technological know-how available to others through license packages.

New developments

REpower is currently developing three types of multi-megawatt turbines: the 2-megawatt MM turbine, the MMM turbine – with a power rating of 3 megawatts – and the REpower 5M turbine, with a power rating of 5 megawatts. A prototype of the 2-megawatt turbine will be ready in the first half of 2002. The 3-megawatt turbine is expected to be completed in 2003. REpower would like to tap new markets with the 5-megawatt turbine, which was designed for use in offshore wind parks that have an expected output equivalent to a conventional power station. An initial prototype of the 5-megawatt model should be set up – on land – in early 2004.

Optimizing our products

REpower is working on a large number of projects aimed at increasing the value-added-input of the production division. The goal is to reduce production costs for existing 48/750- and MD 70/77-type turbines. Another project is to develop new market segments, e.g., by adapting the product line to the use of lattice towers. The development of our own know-how with regard to cost-sensitive components is of strategic importance. REpower is developing improved rotor blades, controls, and electronic systems for its own wind turbines to this end. These will be produced by subcontractors, reducing the Company's dependence on suppliers and improving its profitability.

Licensing

Some REpower products are available as a complete license package. The licensee receives direct access to a finished, tested, measured, and certified product with full technical documentation for production and purchase. This allows the licensee to enter new markets rapidly. The sale of license products offers an attractive business opportunity, particularly in foreign markets, and makes an important contribution to REpower's goal of geographical expansion. The licensing business also helps to refinance development projects. Important competitors, such as Gamesa and Nordex, rely, in part, on licenses from REpower Systems AG in their production. This demonstrates their acceptance of the technology developed by REpower.

Licensees

Manufacturer	System type	No. of systems manufactured
Gamesa	MD 70/77	Starting in 2002
Fuhrländer	MD 70/77	19
Südwind (Nordex Group)	MD 70/77	99
Jeumont	MD 70/77	Starting in 2002
LVDF	MD 70/77	Starting in 2003
Goldwind Sc. & Technology Stock & Co	48/600 & 48/750	Starting in 2002
Zhejiang Windey Technology Com.	48/600 & 48/750	Starting in 2002





Production, Distribution and After-Sales Service

High value product portfolio

REpower's current product portfolio includes five wind turbines that can be utilized under a wide variety of geographic and economic conditions.

The 48/600 and the 48/750 turbines, with power ratings of 600 kilowatts and 750 kilowatts, respectively, generate good output with relatively low wind velocities, even at inland sites, because of the characteristically large rotor and correspondingly high towers. The 57/1000 wind turbine has a power rating of 1,000 kilowatts, a rotor diameter of 57 meters, and output is regulated using the pitch principle. With its compact construction, the 57/1000 model also generates comparatively good output at inland sites under low velocity wind conditions. The MD 70/77 model has set new standards for economic efficiency and reliability. The modular construction of the types MD 70 and MD 77 turbines, with a rated capacity of 1.5 megawatts, enables site- and application-specific adjustments to the rotor diameter and hub height.

Low vertical integration

In the production operating division, REpower works with low vertical integration i.e., components are purchased from third party manufacturers. This increases its flexibility as it enters foreign markets and also promotes the rapid development of new turbine types. In order to protect its self-sufficiency, REpower makes a point of using several suppliers for its major components.

Modern production sites

With its sites in Husum and Trampe, REpower has two very modern and productive manufacturing facilities in close proximity to important domestic market regions. The Husum site lies on a harbor with direct access to the North Sea, thus offering considerable logistic advantages. The distribution of wind turbines is also handled out of Husum. Trampe, northeast of Berlin, is the site through which REpower will develop its future eastern European markets. It is at these two production sites where the heart of the wind turbine, the housing, is assembled. The final steps in production take place at the site where the turbine is actually built, with the rotor blades and tower being delivered on a just-in-time basis. Both sites were expanded and modernized during the past fiscal year. With just a small amount of investment, production volume can be increased from its current 125 turbines per year to 400.

Comprehensive after-sales service

Next to product quality and reliability, comprehensive service is very important in maintaining exemplary business practices and a high level of technical availability of the turbines. REpower's service portfolio includes the operation, servicing and maintenance of wind turbines. These services are not restricted to REpower's own products, but extend to the turbines of other wind turbine manufacturers as well. The knowledge gained in providing after-sales service flows back into the development and production of REpower's turbines.



REpower product portfolio



Model	48/600 and 48/750	57/1000	MD 70 and MD 77	MM 70
Rotor Diameter	48 m	57 m	70 / 77 m	70 m
Power	600 / 750 kW	1.050 kW	1.500 kW	2.000 kW
Prototype	1997	1995	1998 / 2000	II / 2002
Units sold (w/o licenses)	84	96	83	-
Units sold (under licenses)	-	-	118	-



Project Development

The Group's turbines domestic project development business is carried out primarily through Denker & Wulf AG, which is majority owned by REpower and has many years' experience in the development of wind parks.

To date, more than 215 individual turbines – with a total output of over 165 megawatts – had been installed under the overall supervision of Denker & Wulf. For the most part, the purchasers were individual investors. Thus, the Company could avoid the use of expensive investment product marketing and gain a higher return as compared to the fund marketing of our competitors. With a low capital intensity and comparatively high margins, Denker & Wulf AG makes a significant contribution to the earnings of the REpower Systems Group.

Range of project development services

The services offered by the planning division consist of

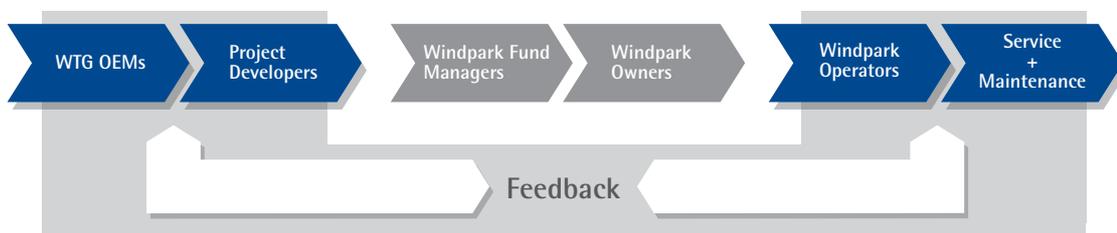
- acquiring suitable locations, including entering into lease agreements with the real estate owners, or – in certain cases – purchasing space,
- planning and scheduling wind turbines,
- supporting the customer in its financing decisions,
- selling turbines to turbine operators,
- coordinating the construction of turn-key turbines,
- operation and service.

Secured Sites

Through its affiliate Denker & Wulf AG, REpower Systems AG has a large number of secured sites in Germany at its disposal. If the necessary permits are granted and the technical prerequisites are met, new wind turbines with a total output of about 600 megawatts can be installed. For the most part, Denker & Wulf uses REpower wind turbines in its projects. Due to the large number of sites under contract, the project development business makes a significant contribution to assuring reliable planning and full utilization of production capacities.

The potential for growth abroad

Increasingly, Denker & Wulf is putting its accumulated know-how – acquired in the German market – to use in international markets. Overall, orders for the construction of new wind turbines with a total output of up to 170 megawatts have either been placed or are at an advanced stage of negotiations in important foreign markets. Thus, the project development division is a driving force in internationalizing the entire Group.



REpower uses the experiences gained in the Project Development operating division as valuable feedback in developing and manufacturing its own wind turbines.

To be a successful player in the future-oriented wind energy market, you must have clear goals: We do.

REpower's goal is to play an important role in the future exploitation of wind energy. To attain this goal, the Company relies on its technological lead, particularly in the multi-megawatt class and on national and international growth.

Growth through technological innovation

Feasible, innovative technologies are the keys to future growth. High-quality products, speed, and a feel for the needs of the market are the decisive factors for success. Thus, at the REpower development center, a highly qualified team of engineers and technicians steadfastly works at upgrading the Company's assortment of turbines.

■ Development program

A primary focus of development activities is the optimization of existing turbines, to enable them to keep pace with the level of innovation demanded by REpower. Special emphasis is placed on developing the next generation of multi-megawatt turbines. In the first half of 2002, REpower will be ready to unveil its 2-megawatt turbine, REpower MM. The following year, we will begin installing the prototypes of the next larger class, REpower MMM, which will have a power rating of 3 megawatts.

■ 5 Megawatt system

The Company's vision for the future is the offshore turbine. The REpower 5M – with a 5 megawatt power rating and a 115-meter high tower – was specifically designed for use on water. In the coming years, REpower will invest EUR 18 million in research and development money to construct the REpower 5M, the first prototype of which is scheduled to be installed – on land – in early 2004.

Domestic growth

The German wind energy market is sure to grow, but the frenetic growth experienced in recent years will slow down over time due to the limited availability of attractive locations. Nevertheless, REpower intends to grow at an above-average rate in the German market as well. Development of new sites and those already

secured in Germany should contribute to this growth. The future potential lies in developing such new markets as offshore and "repowering" markets.

■ Offshore

The pioneering offshore wind park concept opens up a vast number of potential new locations. With outputs of up to 1,000 megawatts, a wind park on the open sea can supply as much electricity as a conventional power station. Other advantages are the higher and more constant wind speeds and a reduction in the problems of noise and unsightliness. With the 5M, REpower will become one of the first wind turbine manufacturers to produce technology for this promising market.

■ Repowering

Demand for land-based wind turbines will be revived by so-called "repowering", the re-equipping of older models with new ones. To successfully participate in this market, the Company must have adequate technology, including systems with higher power ratings. With its focus on the multi-megawatt class and the outstanding quality of its wind turbines, REpower has created a promising starting position in this future-oriented market.

International growth

Windy areas, such as Greece, Scotland, Ireland, Norway and the Atlantic coast of France, are just beginning to develop as markets. In contrast to Germany, these up-and-coming international markets have not yet been saturated on land. But here as well to be successful, a company must be able to adapt quickly and flexibly to the requirements of the particular market. The goal of REpower is to have a presence in the key international markets in order to take advantage of their growth potential.

With its broad range of goods and services, REpower has many ways of entering international markets. These include establishing foreign subsidiaries and affiliates, setting up joint ventures and granting licenses.



■ Subsidiaries and affiliates

REpower has founded subsidiaries and affiliates in foreign countries to distribute wind turbines and provide after-sales service. This presence allows REpower to adapt optimally to the needs of the particular market. Additional company formations are already planned for key European markets. Likewise, the major wind park projects that have been scheduled abroad will be handled by on-site affiliates.

■ Joint ventures

REpower also intends to establish international joint ventures with strategic partners, such as local project developers or wind turbine manufacturers, in order to guarantee cost-effective domestic production in accordance with German standards and to reduce logistics costs. Another benefit of collaborating with

international partners is the strengthening of REpower's local market position.

■ Licensing

Foreign markets in which REpower presently does not want to establish sales or production facilities – such as China and Japan – are developed by granting licenses. This also makes sense in markets that can be tapped into more rapidly in conjunction with a partner.

This flexible market entry policy made it possible for REpower to greatly expand its international presence in 2001 by entering into a large number of agreements. REpower will also be able to build on this base to successfully pursue further geographic expansion in the future.



Status of the Company's internationalization drive

	Germany	France	Belgium	Greece	Spain	China	Italy	Poland Czech	Other
Production	✓	2003					2003		
Marketing	✓	✓	✓	✓	✓		✓		2002
Licensing	✓	✓	✓		✓	✓			2003
Project development	✓	✓	✓	✓	✓		2002	2002	
Service	✓	2003	2003	2003	2003		2003		
Entry Strategy	Own presence Licensing	Joint Venture Licensing	Licensing	Own presence Joint Venture	Own presence Joint Venture Licensing	Licensing	Joint Venture	Joint Venture	Licensing



The course for future growth has been set. With its state-of-the-art technology, the REpower Systems Group is well equipped for tomorrow's markets to take advantage of the long-term opportunities in the wind energy sector. The Company will use its resources to implement its growth goals in a targeted and effective manner, while keeping its eye on the bottom line.

Report of the Supervisory Board

The REpower Systems AG Supervisory Board met on four occasions in 2001. The Management Board informed and consulted the Supervisory Board – through meetings, individual discussions, and reports – of the details of current business developments at the Company and its affiliates, significant business occurrences, and additional corporate plans.

On December 20, 2000, the annual shareholders' meeting appointed Mr. Johan Christian Traxel, Dr. Klaus-Detlef Wulf and Ms. Monika Kuck to serve as the Company's "first Supervisory Board." Mr. Traxel resigned his position on the Supervisory Board on March 27, 2001 at his own initiative. On April 27, 2001, an extraordinary shareholders' meeting appointed Mr. Udo Bandow to serve as a regular member of the Supervisory Board and Dr. Klaus-Walter Hardebeck to serve as an alternate.

The extraordinary shareholders' meeting held on June 28, 2001 adopted a resolution amending the bylaws to expand the Supervisory Board from three members to six. At the same time, Dr. Hans-Joachim Reh, Dr. Klaus Rave, and the former alternate member, Dr. Hardebeck, were appointed as regular members of the Supervisory Board. The latter resigned his position effective December 20, 2001, and an extraordinary shareholders' meeting appointed Dr. Rolf Bierhoff as his successor on December 21, 2001.

The Supervisory Board would like to thank Mr. Traxel and Dr. Hardebeck for their assistance.

The Supervisory Board's first matter for consideration was the appointment of three additional members to the Management Board.

The most important event was the merger of JACOBS Energie GmbH, BWU-Wind- und Umwelttechnologien GmbH, BWU-Anlagenfertigung und -service GmbH and pro + pro Energiesysteme GmbH & Co. KG into REpower Systems AG.

Pursuant to § 52 III of the German Stock Corporation Act [Aktiengesetz] (in conjunction with § 32 II and III), the Supervisory Board reviewed the sequence of events relating to the post-formation acquisition/merger through non-cash capital increase and on June 6, 2001 issued a post-formation report pursuant to statutory requirements. The Board came to the

conclusion that the newly issued no-par-value shares constituted fair consideration for the non-cash contributions and asset transfers.

In particular, the Board reviewed the May 29, 2001 capital contribution agreement between the Company and RE-DKW Beteiligungs GmbH and recommended that it be approved. The same action was taken with regard to the merger agreements by which JACOBS Energie GmbH, BWU-Anlagenfertigung und -service GmbH, BWU-Brandenburgische Wind- und Umwelttechnologien GmbH, and pro + pro Energiesysteme GmbH & Co. KG agreed to transfer all their assets to the Company by dissolution without liquidation pursuant to § 2 of the Transformation Act (Umwandlungsgesetz) ("UmwG") in exchange for shares in the Company. Another focus of the post-formation report was the capital contribution agreement by which RE-DKW Beteiligungs GmbH agreed to contribute its limited partnership interest in Regenerative Energien Denker & Wulf GmbH & Co. KG to the Company as a non-cash capital contribution in exchange for shares in the Company.

The aforementioned transfer, capital contribution, and merger agreements, and the capital increase in exchange for a non-cash contribution, were the subject of the June 27, 2001 report by the auditing firm of MDS Möhrle GmbH, Hamburg, pursuant to §§ 52 IV, 183 III of the German Stock Corporation Act and §§ 67 and 69 of the Transformation Act (each in conjunction with § 33 III of the German Stock Corporation Act).

To execute the merger and capital contribution agreements within the framework of the post-formation acquisition/merger, the Company increased its share capital from EUR 50,000 to EUR 3,401,198 pursuant to §§ 69 of the Transformation Act and 182 et seq. of the German Stock Corporation Act in exchange for a non-cash capital contribution and a cash capital increase. The right of the Company's shareholders under German law to exercise preemptive rights was excluded. To implement the merger, the Company first increased its share capital of EUR 50,000 by 564,333 shares, each with a nominal value of EUR 1, due to the contribution of pro + pro Energiesysteme GmbH & Co. KG's limited partnership interest and the management company pro + pro Energiesysteme



GmbH's shares. Then the Company issued the shareholders of the four merged companies a total of 1,324,685 no-par-value shares, each with a notional interest in the share capital of EUR 1, as consideration for the transfer of assets. The Company also issued 472,250 shares, each with a nominal value of EUR 1, in exchange for a cash capital contribution. Thereafter, the Company increased its share capital by issuing 989,930 shares, each with a notional interest in the share capital of EUR 1, in consideration for the contribution of a partial limited partnership interest in Regenerative Energien Denker & Wulf GmbH & Co. KG.

At the recommendation of the Management and Supervisory Boards, the shareholders' meeting adopted implementing resolutions on June 28, 2001.

On December 21, 2001, the shareholders' meeting (on the recommendation of the Management and Supervisory Boards) decided to do a further increase of the Company's share capital in consideration for a cash capital contribution to prepare for the Company's initial public offering. The right of the Company's shareholders under German law to exercise preemptive rights was excluded. In accordance with that resolution, the Company's share capital will be increased by up to EUR 2,598,802 (but not less than EUR 2,000,000) to up to EUR 6,000,000, by issuance of the appropriate number of no-par-value shares, each with an interest in the share capital of EUR 1, in consideration for a cash capital contribution.

In preparation for the initial public offering, the Company's bylaws were adapted to meet the special requirements placed on a corporation listed on the stock exchange, e.g., the purpose of the Company was expanded and the Company's stock was converted from registered to bearer shares.

The auditing firm of SUSAT & Partner OHG, Wirtschaftsprüfungsgesellschaft, Hamburg, selected for the 2001 fiscal year by the annual shareholders' meeting of June 28, 2001, audited the Company's annual financial statements, including the accounting and management report, and the consolidated financial statements and group management report and gave each an unqualified audit opinion.

The Management Board submitted the report on relations with affiliated companies to the Supervisory Board pursuant to § 312 of the German Stock Corporation Act. The audit report prepared by the auditing firm of SUSAT & Partner OHG, Hamburg, pursuant to § 313 of the German Stock Corporation Act was also submitted to the Supervisory Board. Based on the audit, which gave rise to no objections, the independent auditors issued the following attestation: "After our duly conducted audit and evaluation, we confirm that

1. the facts in the report are accurate, and
2. the consideration paid by the Company in the legal transactions listed in the report was not unreasonably high."

The Supervisory Board reviewed the Management Board's report on relations with affiliated companies pursuant to § 314 of the German Stock Corporation Act and had no objections. The Supervisory Board took note of the independent auditor's report on the management report with approval.

After reviewing the annual financial statements and reports submitted to it, the Supervisory Board approves the auditor's conclusions and raises no objections based on the results of its review. The Supervisory Board approves the annual financial statements and management report prepared by the Management Board.

In addition, the Supervisory Board approves the proposed appropriation of the net income available for distribution.

The Supervisory Board thanks the Management Board and all the Company's employees for the successful work they have performed.

Hamburg, March 2002

The Supervisory Board



Dr. Klaus-Detlef Wulf
(Chairman of the Board)



Table of contents

Business development	24
Presentation of the financial position	30
Anticipated development	34
Final declaration from the subordinate status report	38

1 Business development

In the past few years, the market for renewable energy sources has been supported by a series of fundamental growth factors:

Scarcity of fossil fuels: Although adequate reserves are available to cover demand over the next decades, it is expected that prices will increase because the easiest and most efficient sources are beginning to dry up, which means that sources that are further away and more difficult to extract will have to be exploited. The expected long-term rise in prices for fossil fuels will help to make renewable energy sources more competitive, the costs of which will sink markedly due to technical improvements and economies of scale.

Deregulation and privatization in the energy sector: As a result of worldwide privatization of the utility and energy industries, former monopoly holders are beginning to compete with each other by using sophisticated product offers as well as focusing on particular market segments. Deregulation and privatization have encouraged a number of large utility and energy companies to get more involved in the field of renewable energy, as consumers are increasingly choosing renewable energy sources due to a growing awareness of environmental matters.

Growing political support: Governments have taken a number of steps to support technological advancements in the field of renewables. The Kyoto Protocol of the "United Nations Framework Convention on Climate Change," which was signed in December 1997, includes legally binding emission limits for the industrial countries and is the first treaty to expressly identify support of renewable energy as a means to reduce greenhouse gas emissions.

Based on the above influence factors, wind power has experienced the highest growth in absolute numbers within the renewable energy sector. During the period 1996 to 2000, it showed an average annual growth rate worldwide of 32 percent.

1.1 Development of the industry and of the overall economy

In 2001, newly installed capacity of wind turbine generators in Germany reached a total of 2,659 megawatts (MW). It rose by almost 60 percent over the previous year's developments in wind power use. Accumulated installed capacity rose to about 8,750 MW and thus made Germany the number one wind power country. Because of annual average cost reductions of 10 percent in the past few years, wind power is developing increasingly into a competitive technology. It now contributes 3.3 percent of Germany's energy supply.

But the European neighbors, such as France, Greece, Italy and Spain, are showing encouraging trends in expansion of renewable energies. REpower Systems AG will begin to implement projects in these countries in the coming year.

In June of this year, a new electricity feed law was passed by the National Assembly in France to promote construction of smaller wind farms with a power rating of 12 megawatts (MW).

In Greece, a regulatory agency (Regulatory Authority of Energy: RAE) was founded in February 2001 in the course of liberalizing the energy market. This agency is supposed to intensify the expansion of wind power. Investors in Greece receive subsidies of up to 40 percent of the investment volume and also a price for their electricity linked to the prices to final consumers, as set by the electricity feed law in force since 1994.

Government support in Italy is currently based on an established electricity feed law, which is anchored in the directive 6/92 of the Interministerial Price Committee. It is supposed to be replaced in 2002 by the introduction of certificate trading. But this plan has not yet been implemented. For the coming year, it is expected that energy providers will be required to meet a quota (2 percent) for renewables.

Spain, like Germany, has an established energy compensation rule, but only for wind farms with a power rating under 50 megawatts. The Spanish model foresees two compensation options. The first option guarantees a fixed price for each kilowatt hour produced, while the second consists of a bonus, which is independent of the energy source, and a variable component, which is based on the average market price for electricity.

1.2 Important business transactions

The Company was founded in the form of a stock corporation when its by laws were approved on April 13, 2000. The founder was the DENALI Holding GmbH, Hamburg. It was entered into the Commercial Register at the District Court in Hamburg on May 19, 2000, under the name "DENALI Die III. Verwaltungs-Aktiengesellschaft." Share capital was originally EUR 50,000.00.

By resolution of the Shareholders' Meeting of December 20, 2000, the Company changed its name to "REpower AG." By resolution of the Shareholders' Meeting of April 27, 2001, the Company then changed its name to "REpower Systems AG."

REpower Systems AG has pursued its operating activities effective January 1, 2001, as long established, medium-sized companies in the area of wind power were merged into REpower Systems AG.

The Company's economic origins are in the wind turbine generator manufacturers Jacobs Energie GmbH, with its registered office in Husum, BWU-Anlagenfertigung und -service GmbH, registered office in Trampe, BWU-Brandenburgische Wind- und Umwelttechnologien GmbH, registered office in Trampe, and Engineering-company pro + pro Energiesysteme GmbH & Co. KG, registered office in Rendsburg. All the above companies were merged into REpower Systems AG through the merger contract of May 29, 2001 / June 28, 2001 (effective January 1, 2001), and their operations were incorporated into the Company.

The various operating sites of the REpower Systems Group perform different functions because of the historical origins of the Company:

- Hamburg is the headquarters of the Managing Board and some staff functions (controlling, legal affairs, marketing, public affairs and investor relations). All foreign business is conducted from Hamburg, including management and control of subsidiaries and joint ventures as well as the formation and acquisition of new companies outside Germany.
- Development activities are conducted in Rendsburg,
- Husum und Trampe are historic Company locations.

In addition, the Company's operative business is influenced by one of its most significant affiliates, Denker & Wulf AG, whose registered office is in Sehestedt. The Company was entered in the Commercial Register as the partnership Regenerative Energien Denker & Dr. Wulf KG until September 30, 2001, when its legal form was changed into a corporation (with continuation of book values) as of October 1, 2001. REpower Systems AG acquired its approx. 84 percent share in Denker & Wulf AG through a non-cash capital contribution effective January 1, 2001. Denker & Wulf AG is mainly active in the project development of wind farms in Germany.

As part of the merger and non-cash capital contribution transactions as well as a cash capital increase, the subscribed share capital in the amount of EUR 50,000.00 at the time of the Company's founding was increased, through several resolutions of the Shareholders' Meeting of June 28, 2001, by EUR 3,351,198.00 to EUR 3,401,198.00.

Of the 3,351,198 newly issued shares, 1,587,653 shares were subscribed and accepted by the RE-DKW Beteiligungs GmbH and 1,314,599 shares by the JE/BWU-Verwaltungs GmbH, both with registered offices in Sehestedt. The extraordinary Shareholders' Meeting of REpower Systems AG of June 28, 2001, confirmed its agreement with the capital contribution and transfer contract of May 29, 2001.

The foreign subsidiary Jacobs Energia S.L., La Coruna (Spain) is active in developing wind farm projects.

Two other foreign subsidiaries were founded during the fiscal year. Les Vents de France S.A., Paris (France) and Aioliki REpower A.E., Piraeus (Greece). Neither Company had significant operating activities in the 2001 fiscal year.

1.3 Developments in sales and orders

1.3.1 REpower Systems AG, Hamburg

Sales developed extraordinarily positively in the fiscal year. The Company achieved sales of EUR 126.7 million. Processing customer orders clearly demonstrates the seasonality of the wind power business. The following table shows fluctuations in orders in the years 2000 and 2001 by quarters:

Quartal	Q I	Q II	Q III	Q IV	Total
No. of WTG ¹ in 2000 ²	12 (16.7%)	13 (18.0%)	11 (15.3%)	36 (50.0%)	72 (100%)
No. of WTG ¹ in 2001	16 (12.8%)	22 (17.6%)	25 (20.0%)	62 (49.6%)	125 (100%)

Order processing by quarters in 2000 and 2001. WTG = wind turbine generator

The table shows that almost half of the order volume was achieved in the fourth quarter both in 2000 and 2001. The next table groups the orders by wind turbine generators types:

WTG Type	48/600-750	57/1000	MD 70/77	Total
No. of WTG ¹ in 2000 ²	47 (65.3%)	3 (4.2%)	22 (30.5%)	72 (100%)
No. of WTG ¹ in 2001	56 (44.8%)	9 (7.2%)	60 (48.0%)	125 (100%)

Order processing by wind turbine generators types in 2000 and 2001. WTG = wind turbine generators

This shows the encouraging trend that the newly developed wind turbine generators MD 70/77, with output of 1,500 kilowatts (kW), has taken the largest share of orders in 2001 with a total of 60 systems (48.0%) [previous year: 22 systems (30.5%)].

Almost all wind turbine generators of REpower Systems AG in fiscal year 2001 were installed in Germany. Only one system was sold abroad (Belarus). In the coming years, this relationship will shift clearly in favor of business abroad. Contracts were signed for various projects in Greece and Italy in no small measure due to the expansion of the international department.

1.3.2 REpower Systems Group

The inclusion of the financial data of the consolidated subsidiaries, in particular of Denker & Wulf AG, results in the sales developments of REpower Systems Group for fiscal year 2001. As with REpower Systems AG, developments were positive. Consolidated sales of EUR 141.6 million was achieved.

Processing of customer orders for the REpower Systems Group is shown in the following:

Quarter	Q I	Q II	Q III	Q IV	Total
No. of WTG ¹ in 2000 ²	12 (17.5%)	13 (18.8%)	11 (15.9%)	33 (47.8%)	69 (100%)
No. of WTG ¹ in 2001	16 (13.4%)	22 (18.5%)	25 (21.0%)	56 (47.1%)	119 (100%)

Order processing by quarters in 2000 and 2001. WTG = wind turbine generators

¹ Wind turbine generators placed in operation

² Numbers determined on a pro forma basis for the four merged companies Jacobs Energie GmbH, BWU-Brandenburgische Wind- und Umwelttechnologien GmbH, BWU-Anlagenfertigung and -service GmbH and pro + pro Energiesysteme GmbH & Co. KG

The following table shows the orders by wind turbine generators type:

WTG Type	48/600-750	57/1000	MD 70/77	Total
No. of WTG ¹ in 2000 ²	47 (68.1%)	3 (4.4%)	19 (27.5%)	69 (100%)
No. of WTG ¹ in 2001	56 (47.1%)	9 (7.5%)	54 (45.4%)	119 (100%)

Order processing by wind turbine generators types in 2000 and 2001. WTG = wind turbine generators

Compared to the order processing of REpower Systems AG in 2001, the table for order processing of REpower Systems Group in 2001 shows six fewer wind turbine generators. These systems were erected at the end of fiscal year 2001 and sold to the consolidated subsidiary Denker & Wulf AG. Negotiations for the sale of the six wind turbine generators to third parties were not completed at that time.

Orders on hand of the REpower Systems Group as of December 31, 2001, can be seen from the following table:

WTG Type	Number of WTG	Output Total in MW
MD 70	28	42.0
MD 77	49	73.5
57/1000	2	2.0
48/600	4	2.4
Total	83	119.9

Orders on hand of the REpower Systems Group as of December 31, 2001, WTG = wind turbine generators

The table shows that sales contracts for 83 wind turbine generators were already signed at the end of fiscal year 2001. These plants should be erected in 2002. In addition, the consolidated subsidiary Denker & Wulf AG expects to implement projects with a total of 80 wind turbine generators in 2002.

1.4 Procurement and production

1.4.1 REpower Systems AG, Hamburg

Because of the low vertical integration, REpower Systems AG works closely with component suppliers in producing its wind turbine generators.

REpower Systems AG has general agreements with several suppliers of similar components, which let it act flexibly in selecting the main components while simultaneously securing favorable purchase prices.

The Company was able to successfully start production of the modern 1.5 megawatt system MD70/77 by converting the factory building in Husum in 2000 and attaching an assembly hall at the Trampe site. Besides the variable-speed MD70/77, with rotor diameters of 70 or 77 meters, the Company successfully sold the stall system, with a 48-meter rotor diameter and 600 kilowatt generator.

¹ Wind turbine generators placed in operation

² Numbers determined on a pro forma basis for the four merged companies Jacobs Energie GmbH, BWU-Brandenburgische Wind- and Umwelttechnologien GmbH, BWU-Anlagenfertigung and -service GmbH and pro + pro Energiesysteme GmbH & Co. KG

1.4.2 REpower Systems Group

In creating wind farms for its customers, the subsidiary Denker & Wulf AG used products from REpower Systems AG exclusively. Denker & Wulf AG implemented a total of seven projects during the fiscal year. The Group provided customers a total of 119 wind turbine generators in 2001.

1.5 Investments and financing

1.5.1 REpower Systems AG, Hamburg

A modern assembly hall was built at the Trampe production site especially to meet the goal of producing the large systems (MD 70/77). Since its completion in December 2001, the simultaneous production of six large systems is now possible. The second production site in Husum has been equipped with a new materials storage facility. During the fiscal year, the Company made additional investments in factory and office equipment as well as IT equipment in connection with the expansion of all its divisions and the accompanying increase in staff. The need for adequate office space grew due to the constant increase in the number of employees. Investments in buildings were made especially for the Husum and Trampe production sites. In addition, new space was rented for the development team in Rendsburg and the central office in Hamburg. This, too, required conversion measures. Financing was largely through short-term loans or the Company's own funds.

1.5.2 REpower Systems Group

In addition to the investments of REpower Systems AG, Denker & Wulf AG acquired several plots of land for equalization measures and wind power locations.

1.6 Personnel

1.6.1 REpower Systems AG, Hamburg

Employees numbered 248 on December 31, 2001. An average of 205 employees worked at REpower Systems AG in the fiscal year. A total of 95 employees were hired in 2001. The increase took place in all Company divisions. In particular, the Company succeeded in attracting highly qualified employees, including some with wind power experience, so it could meet the increased order volume in a competent manner. Additional hiring is planned for the coming year.

1.6.2 REpower Systems Group

REpower Systems Group employed 260 people as of December 31, 2001. An average of 215 employees worked for REpower Systems Group in fiscal year 2001. The Group hired 99 employees. Additional hiring is planned for the coming year.

1.7 Research and development

The development division located in Rendsburg was substantially expanded in the fiscal year. At the end of 2001, a total of 26 employees worked there on the development of new wind turbine generators. The Company's goals in terms of further or new development of its products are as follows:

- Reducing manufacturing costs;
- Developing new market segments, for example by adapting product series to use lattice towers;
- Increasing the use of own know-how to create value. The Company is developing its own optimized components for REpower Systems wind turbine generators – rotor blades, control, electrical systems – that can be manufactured in job-order production. This can reduce the dependence on suppliers and increase profitability;
- Developing the next generation of multi-megawatt wind turbine generators (2 MW, 3 MW and 5 MW offshore plants).

We expect to construct the first prototype of the newly developed 2 MW plant (type name: MM 70) with a rotor diameter of 70 meters by the middle of 2002. The technical concept is oriented toward wind turbine generators of type MD 70/77.

Some REpower Systems AG products are available as a complete license package. This offers the licensee direct access to a finished, proven, tested, reviewed and certified product with complete technical documentation for manufacture and purchase. Thus the licensee can enter new markets rapidly with precisely defined costs and risks. Offering licensed products provides good business potential, especially in foreign markets. Four new licensees were gained in 2001. Licenses have now been granted to the following six companies:

- Südwind Energy GmbH (Nordex Group), S70/S77 (constructed in the same way as MD 70/77);
- Fuhrländer, FL MD 70/77 (constructed in the same way as MD 70/77);
- Gamesa, G70/77 (Spain – constructed in the same way as MD 70/77);
- Les Vents de France S.A.S. (France – MD 70/77);
- Jeumont S.A. (France – partial license for MD 70/77; i.e., the agreement does not cover the entire system but only the tower and the complete rotor, including pitch system and control (not including the generator, because Jeumont manufactures a gearless system) and
- Goldwind Sc. & Technology Stock & Co. and Zhejiang Windey Technology Co. (both in China – 48/600 and 48/750).

The above-named license agreements explain the acceptance of the technology developed by the Company, since even direct competitors, such as Nordex AG (through its subsidiary Südwind Energy GmbH) and Gamesa, rely on it.

1.8 Environmental protection

REpower Systems AG places great value on environmental protection. It is one of the Company's fundamental principles to improve the environmental situation in an enduring way. During the fiscal year, the Company continued its commitment to integrate environmentally conscious thinking and action in all areas of business activity.

The wind turbine generators correspond to the latest state of technology and take into account current environmental requirements and knowledge. To maintain this standard in the long term, REpower Systems AG constantly exchanges information with component suppliers, and also with the German Association of Machine and Plant Builders (VDMA), of which REpower Systems AG is a member.

The Company has achieved success in making its wind turbine generators even more noise- and reflection-free.

2 Presentation of the financial position

As a result of the merger effective January 1, 2001, the net assets, financial position, and operating results of REpower Systems AG for the fiscal year are not comparable to those of the previous year. Tec Company therefore refrains from a separate analysis of the net assets, financial, and operating results of REpower Systems AG.

In the REpower Systems consolidated financial statements, the numbers for 2001, in accordance with IAS, are compared to the unaudited pro forma numbers for 2000.

2.1 2.1 Net assets

Fixed assets

Consolidated fixed assets rose by EUR 4.2 million (+31.3%), from EUR 13.4 million as of December 31, 2000, to EUR 17.6 million as of December 31, 2001.

Intangible assets

Intangible assets consisted mainly of capitalized goodwill, capitalized development costs for the MD 70 and MD 77 wind turbine generators, and software licenses. The capitalized goodwill resulted primarily from the acquisition of a 49 percent share of pro + pro Energiesysteme GmbH & Co. KG.

Tangible assets

The increase in tangible assets in 2001 mainly took place at the Trampe site. In addition, properties were acquired as areas for equalization measures and as wind power locations. Investments were also made in machinery and equipment, furniture and fittings, and IT equipment to meet the expansion needs of all Company divisions. Additions in 2000 and 2001 also included individual wind turbine generators.

Financial assets

Financial assets primarily consist of investments in domestic and foreign companies. The drop in 2001 was largely related to a wind farm transformer station.

Current assets

Current assets fell EUR 6.9 million (-9.9%), from EUR 69.7 million as of December 31, 2000, to EUR 62.8 million as of December 31, 2001. This equaled 82.3 percent of total assets as of December 31, 2000, and 77.1 percent as of December 31, 2001.

The increase in inventories and trade receivables was primarily due to the growth in sales and the expansion of business activities.

Other assets included in current assets are basically short-term loans that in individual cases were granted to realize wind farms.

The item "securities and shares in project companies" comprises for the most part shares in companies to realize wind farms meant for sale.

The high amount of current assets as of December 31, 2000, was due in part to an extraordinarily high level of cash on deposit at banks.

Consolidated equity

Consolidated equity rose by EUR 6.1 million (+62.8%), from EUR 9.7 million as of December 31, 2000, to EUR 15.8 million as of December 31, 2001. This changed the equity ratio from 11.5 percent as of December 31, 2000, to 19.4 percent as of December 31, 2001.

In 2001, a cash capital increase raised the share capital of REpower Systems AG to EUR 3.4 million. A premium in the amount of EUR 0.7 million was added to additional paid-in capital.

Minority interest

The minority interest results mainly from the roughly 16 percent of shares of Denker & Wulf AG held by other shareholders.

Accruals

Accruals rose by EUR 9.0 million (+73.2%), from EUR 12.3 million as of December 31, 2000, to EUR 21.3 million as of December 31, 2001. In terms of total assets, this equals a share of 14.5 percent as of December 31, 2000, and 26.1 percent as of December 31, 2001.

Accruals for taxes primarily consist of trade taxes, corporate tax liabilities, deferred taxes, and real estate transfer taxes related to the merger transactions.

Other accruals mainly concern provisions for warranties as well as service and maintenance resulting from the sale of wind turbine generators.

Liabilities

Liabilities fell by EUR 18.0 million (-29.6%), from EUR 60.9 million as of December 31, 2000, to EUR 42.9 million as of December 31, 2001.

Liabilities due to banks represents the largest share. Of this, 87.4 percent is due in 2002, 5.7 percent from 2003 to 2006, and 6.9 percent later.

Payments received on account of orders refers mainly to deposits for wind turbine generators that were not yet placed in operation as of the reporting date.

The significant increase in trade payables is, as for receivables and other assets, due mainly to the expansion of business activities.

Other liabilities includes tax and social security-related liabilities.

Deferred income

Deferred income in the years 2000 and 2001 mainly consisted of prepaid licensing fees.

2.2 Financial position

Despite the strong increase in business activities and heavy investment, cash balances fell only slightly.

2.3 Operating results

Total operating performance consists of sales, changes in finished goods inventories and work in process, and other own work capitalized.

Sales

Producing and selling wind turbine generators generated 90.3 percent of the REpower Systems Group's sales in 2001. Sales from project development of wind farms contributed the second largest share. Sales was also generated from license income, service, maintenance and operational management fees, proceeds from power generation, and other income.

Consolidated sales rose EUR 65.6 million (+86.3%), from EUR 76.0 million in 2000 to EUR 141.6 million in 2001.

In addition to the number of wind farms realized and wind turbine generators produced, the rise was due to the increased contribution made by the newly developed MD 70/77, with an output of 1.5 MW. Its share of wind turbine generators orders rose from 27.5 percent in 2000 to 45.4 percent in 2001.

Other operating income

Other operating income rose EUR 0.9 million (+40.9%), from EUR 2.2 million in 2000 to EUR 3.1 million in 2001. Important items included reversal of accruals and itemized allowances for bad debts as well as insurance compensation.

Cost of materials

In relation to total operating performance, the cost of materials was the main expense item. The cost of materials consists of expenses for raw materials, consumables supplies and purchased merchandise as well as expenses for purchased services.

It rose EUR 51.5 million (+97.5%) from EUR 52.8 million in 2000 to EUR 104.3 million in 2001.

The strong rise in the cost of materials was basically due to the broad expansion of business activities. In terms of total operating performance, the cost-of-materials ratio was 69.0 percent for 2000 and 71.1 percent for 2001.

Personnel expenses

Personnel expenses rose by EUR 5.0 million (+89.3%), from EUR 5.6 million in 2000 to EUR 10.6 million in 2001.

The main reason for the rise in personnel expenses in 2001 was the increase in the number of employees from 171 as of December 31, 2000, to 260 in the Group as of December 31, 2001. The personnel expenses ratio was 7.2 percent in both 2000 and 2001.

Amortization of intangible fixed assets

Amortization of intangible fixed assets and depreciation of tangible assets rose EUR 0.4 million (+22.2%), from EUR 1.8 million in 2000 to EUR 2.2 million. As a percentage of total operating performance, this represents shares of 2.3% for 2000 and 1.5% for 2001.

Amortization of intangible fixed assets consisted mainly of amortization of capitalized goodwill and of capitalized development costs for the wind turbine generators MD 70 and MD 77, while depreciation of tangible assets referred mainly to buildings and technical installations.

Other operating expenses

	2001 EUR millions	Pro Forma 2000 EUR millions
Warranty costs	-3.7	-3.6
Legal and consulting fees	-2.2	-0.6
Sales commissions / outgoing freight	-2.0	-0.6
Advertising and travel costs	-1.3	-0.6
Write-offs / bad-debt charges	-1.0	-1.3
Rents, incidental rental charges, leases	-0.6	-0.5
Transaction costs / guarantee commissions	-0.5	-0.2
Repair and maintenance	-0.3	-0.0
Vehicle costs	-0.3	-0.2
Insurance expense	-0.2	-0.0
Mail, telephone, and fax	-0.2	-0.2
Other expenses	-2.0	-1.6
Total	-14.3	-9.4

Other operating expenses consist of the items named above. The sub-item other expenses basically includes, with different weighting in individual years, administrative and operating expenses, trade show costs, and expenses due to the formation of additional accruals.

Other operating expenses rose EUR 4.9 million (+52.1%), from EUR 9.4 million in 2000 to EUR 14.3 million in 2001. The rise in other operating expenses was basically due to the broad expansion of business activities. In terms of total operating performance, other operating expenses were 12.1 percent for 2000 and 9.7 percent for 2001. The trend in other operating expenses has been greatly influenced by the warranty costs. This item's share of other operating expenses amounted to 38.3 percent in 2000 and 25.9 percent in 2001. There is a special item in 2001 involving legal and consulting fees in connection with the reorganization of the Group.

Income from investments

Income from investments is largely income of Denker & Wulf AG for operating and business management due to its legal position. This income has been nearly constant: Both 2000 and 2001 showed income from investments of around EUR 0.1 million.

Earnings before interest, taxes, and depreciation and amortization (EBITDA)

EBITDA rose EUR 8.5 million (+69.7%), from EUR 12.2 million in 2000 to EUR 20.7 million in 2001. In terms of total operating performance, the EBITDA margins were 15.7% for 2000 and 14.1% for 2001. The main reasons for the margin's slight decrease in 2001 were special effects in other operating expenses.

Write-downs on financial assets and short term investments

Write-downs on financial assets and short term investments amounted in both 2000 and 2001 to EUR 0.2 million.

Earnings before interest and taxes (EBIT)

EBIT rose EUR 8.3 million (+82.2%), from EUR 10.1 million in 2000 to EUR 18.4 million in 2001. In terms of total operating performance, the EBIT margins were 13.0% for 2000 and 12.5% for 2001. Essentially the same reasons apply as for the change in EBITDA.

Interest result

Interest result was negative in both the 2000 and 2001 fiscal years. In 2000, it amounted to EUR – 1.2 million, and fell EUR – 0.7 million (–58.3%) to EUR – 1.9 million.

This decline is largely due to increased borrowing resulting from the expansion of business activities.

Income before taxes and minority interest

Income before taxes and minority interest increased EUR 7.6 million (+85.4%), from EUR 8.9 million in 2000 to EUR 16.5 million in 2001. In terms of total operating performance, this equaled 11.5 percent in 2000 and 11.2 percent in 2001.

Otherwise, essentially the same reasons apply as for the change in EBITDA.

Consolidated net income for the year

The Group was able to improve consolidated net income by EUR 4.2 million (+87.5%), from EUR 4.8 million in 2000 to EUR 9.0 million in 2001. In terms of consolidated total operating performance, the consolidated net income was 6.2 percent in 2000 and 6.1 percent in 2001.

The same reasons for the development in EBITDA apply to the development in the consolidated net income for the year.

Minority interest amounted to EUR 0.8 million in 2000. It rose EUR 0.4 million (+50.0%) in 2001 to EUR 1.2 million. This income basically relates to the roughly 16 percent of shares of Denker & Wulf AG held by other shareholders.

3 Anticipated development

3.1 Further development of REpower

The Company believes to be well positioned to grow substantially in the market for wind power. The strategic goal is to capture a significant market position in the wind power market. To achieve this goal, it is planned to expand the presence in the German and international markets and to improve already highly-regarded technological quality in the multi-megawatt class category of wind turbine generators. The Company intends to rely on the vertical integration of its supply chain to maximize its resources to achieve these growth targets.

The Company plans to use the following competitive advantages to achieve higher growth rates:

Recognized technological quality and proven product quality

The REpower Systems Group has secured a technologically strong position and has developed a strong reputation in the market for wind turbine generators by using its technological know-how to develop these wind turbine generators. Products of many of its important competitors such as Gamesa, Südwind (Nordex Group), Jeumont and Fuhrländer are based, in part, on its licenses. In the growing market of the "multi-megawatt class" wind turbines has the Company - by own valuation - a market share (including licensees) of approximate 17 percent in Germany and about ten percent worldwide by December 31st, 2001.

Narrow vertical range of production

The business of the REpower Systems Group is focused on the manufacturing of wind turbine generators, project development of turnkey plants and wind farms, and after-sales service. The Company believes to be occupy strategically the most important as well as the most profitable position in terms of capital used in the manufacturing chain in the field of wind power. The Group outsources components from suppliers and in the future it is planned to have own components manufactured by third parties based on its own know-how. As a result, the REpower Systems Group will be able to maximize the use of its capital resources more efficiently than the competitors. The narrow vertical range of production also increases flexibility, permits the rapid transfer of technology to licensees and allows to increase own production capacity outside Germany.

Long-standing know-how in project development

Active for many years in project development and in the operation of wind turbine generators and wind farms, the subsidiary Denker & Wulf AG has a steady flow of sales. Aside from Denker & Wulf AG, Gamesa, a competitor and licensee, is the only other Company among the leading wind turbine generators manufacturers that has a own strong project development business. The Company has made significant profits by leveraging the low capital intensity and high margins of this industry.

The REpower Systems Group intends to leverage its long-standing know-how which the Company has developed in the German market to strengthen its position in the international markets in which the Group operates.

Planning security

The REpower Systems Group has a large number of secured locations for wind turbine generators for which the Company has an exclusive right of use. If the Company is granted the necessary permits and is able to meet additional technical and contractual requirements, the REpower Systems Group should be able to construct new wind turbine generators with a total capacity of up to 600 megawatts. The Group has already signed or are currently negotiating contracts for the construction of new wind turbine generators with a total capacity of up to 170 megawatts in various markets outside Germany. As a result of the substantial lead times required for these projects and the large number of contractually fixed locations, project development ensures a high degree of planning security and allows to optimize the utilization of existing production capacities.

International Expansion

The Company aims to increase business activities internationally and nationally by developing new markets through flexible strategies:

- **Subsidiaries:** It is planned to form subsidiaries and/or affiliated companies for sales and on-site after-sales service in vital markets to meet requirements in various countries. The Company already has subsidiaries and/or affiliated companies in Greece, France, Spain, Poland and the Czech Republic, among others.
- **Joint Ventures:** It is planned to form joint ventures with local project developers who have access to site owners such as municipalities and public institutions, and with manufacturers of wind turbine generators who can provide on-site, cost-effective production based on German quality standards and who can reduce logistical costs for transporting the systems. One such example is its currently existing joint venture, Les Vents de France S.A.S., with the Belgian Company Turbowinds.
- **Licenses:** The Group intends to grant licenses in countries such as China where the REpower Systems Group do not currently intend to build its sales or production or in markets where partnership opportunities allow more rapidly to penetrate the market. In addition, the Company will cover a large portion of its costs for research and development with fees from licensing agreements.

The REpower Systems Group is also involved in many national and international organizations and pilot projects in renewable energy, which provide good networking opportunities and access to new and promising projects.

Developing new areas of growth**Repowering**

The REpower Systems Group has a leading position in terms of technology in the fast-growing area of the "multi-megawatt class" wind turbines. The technology that the Company has developed allows to re-outfit older wind farms with larger and more efficient wind turbine generators, a process which is called "repowering". In the medium term, the Group intends to play a significant role in this growth area.

Use of special locations

In the onshore segment of the wind power business, the Company is pursuing additional growth opportunities at special locations in Germany, such as landfills or former military sites.

Development of offshore systems

The REpower Systems Group intends to extend its business into the development of offshore wind turbine generators beginning with its first plant in 2005. The Company believes that standard agreements which are concluded for delivering machinery for five offshore wind farms in the North Sea and the Baltic Sea will encourage new growth in this area beginning in 2005.

Investments in other renewable energies

To help identify future areas of growth at an early stage, the Company has invested to a limited extent in other renewable energy areas. For example, the REpower Systems Group has participated in two studies on geothermal power generation in Germany. The Group has also been involved to a limited extent in the study of hydroelectric power.

3.2 Risks of future developments

Operators of wind turbine generators must rely on government support because the production of electricity from wind power is generally costlier than the production of electricity from fossil fuels. As a result, the sale of wind turbine generators depends indirectly on the existence of such assistance for wind turbine generators operators. The Law for the Priority of Renewable Energies ("EEG") provides assistance to wind turbine generators operators in Germany. It cannot be assured that the scope of this assistance will not, in the future, be reduced, changed, or completely discontinued. Reductions or other changes in the level of government assistance given to wind turbine generators operators could negatively impact the salability of the Company's products and thus have a material adverse effect on net worth, financial position, operating results and future prospects.

In addition, the operation of wind turbine generators may run afoul of certain environmental protection laws. Wind turbine generators are considered to cause certain types of environmental harm, including noise pollution caused by their operation, shadows or reflected light, casting off of ice particles in the winter, obstruction of the appearance of the countryside, and, in the view of certain nature conservation societies, harm to birds. These types of environmental harm/effects are largely regulated by engineering and environmental protection laws. These regulations or future amendments thereto or additional environmental laws or regulations may cause the construction and/or operation of wind turbine generators to be delayed, impeded or prevented and, as such, could have a material adverse effect on the current business, future prospects, financial position and operating results.

It is planned to invest significantly in research and development personnel for product development over the next few years. As a result, there is a risk that the Company's development of new and existing products may be delayed, may generate higher than expected costs or may fail technologically. Any of these factors could have a material adverse effect on net worth, financial position and operating results.

The REpower Systems Group is exposed to product liabilities which are inherent to the manufacturing and marketing of wind turbine generators. If the products of the Company are defective or fail to meet certain standards, the Group may be liable for damages to its customers under certain contractual, legal or guarantee claims. In addition to general warranties, the REpower Systems Group also generally guarantee its customers a specific performance curve, maximum noise level and availability of its wind turbine generators for power generation for a period of two to five years from delivery. The current contractual terms and conditions do not reflect recent changes in German law governing warranties and statute of limitations which do not permit limiting contractual liability. The new provisions of the German Civil Code do not permit contractually agreed limitations on statutorily prescribed warranty periods. In the past, some of the suppliers of the Company have delivered defective gear unit components and rotor blades back. Depending on individual contract with a supplier and applicable law, the REpower Systems Group may not always be able to successfully enforce a warranty claim against a supplier for defective components. This is especially true for suppliers located outside of Germany. In addition, some of the agreements the Company has with its suppliers contain provisions which may, in part, be unfavorable to the Company. Moreover, some of the suppliers may have a limited ability to pay warranty claims brought against them. These factors may complicate or prevent the enforcement of the warranty claims against these suppliers. The Company's inability to enforce warranty claims against or to obtain compensation from its suppliers could have a material adverse effect on net worth, financial position and operating results.

The REpower Systems Group depends almost entirely on outside suppliers for the components that are used to manufacture and install wind turbine generators. If the suppliers do not consistently deliver high quality components in the necessary quantities and in a timely manner, the business of the Company will suffer. One supplier's inability to deliver the components that were ordered from it could cause a delay in the completion of orders and the installation of wind turbine generators. If the Company fail to meet deadlines for the production and installation of wind turbine generators already ordered due to the fact that the suppliers the Group relies on fail to deliver the components that the Company needs in a timely manner, since no alternative supplier would be available in many cases, the REpower Systems Group could be forced to pay large contractual penalties, which could have a material adverse effect on net worth, financial position and operating results.

The customer base of the REpower Systems Group was cultivated over a number of years by predecessor companies.

The sales are highly dependent on certain key customers. If the Company lose several key customers to other wind turbine generators manufacturers without finding new customers who provide the REpower Systems Group with a comparable amount of business, the current business, future prospects, financial position and operating results could be adversely affected.

Denker & Wulf AG is the Company within the REpower Group that is primarily responsible for selling the turnkey wind turbine generators and wind farms to operators. Denker & Wulf AG bears the risk and expense of developing wind turbine generators until it transfers the systems to the operator. This also applies to wind farms installed by the Company and its subsidiaries, though the costs of installing wind farms in foreign markets are higher than the costs of installing them in Germany. There can be no guarantee that projects in which the REpower Group has already invested resources will not ultimately fail, which failure could have a material adverse effect on the REpower Group's net worth, financial position and operating results.

3.3 Transactions of special significance after close of the fiscal year

REpower Systems AG plans an initial public offering in 2002. The proceeds from the issue will be wholly used to strengthen the Company's equity capital position and provide the required financial clout to support planned growth and take advantage of further growth opportunities. This ensures an improved competitive position in the world market. The new capital opens additional opportunities to reduce costs by strengthening equity capital. This eliminates the expense of debt used in the costly advance financing of production and project development in Germany and, especially, abroad.

Proceeds from the issue will also be invested in improving technologies developed by REpower and developing new products, among others the 5-megawatt offshore plant.

Finally, sensible new acquisitions might be financed from the proceeds.

4 Final declaration from the subordinate status report

The Managing Board of REpower Systems AG has submitted a subordinate status report to the Supervisory Board in accordance with § 312 par. 1 German Companies Act (Aktiengesetz).

The Managing Board declares that the Company received appropriate compensation in each legal transaction according to the circumstances known at the time at which the legal transaction took place. No measures that are required to be reported were undertaken.

Hamburg, February 2002

The Managing Board



Prof. Dr. Fritz Vahrenholt



Hugo Denker



Matthias Schubert



Jens-Peter Stöhr

Introduction	46
Consolidation	48
Accounting and valuation	51
Notes to the Individual Balance Sheet Items	54
Notes to the Profit and Loss Statement	63
Leasing	66
Contingencies and Other Financial Obligations	67
Financial Instruments	67
Notes to the Cash Flow Statement	67
Information required by § 292a of the HGB [German Commercial Code]	68
Information on related parties	69
Information on the governing bodies of REpower Systems AG, Hamburg	69
Proposed appropriation of the earnings of REpower Systems AG	70

**CONSOLIDATED BALANCE SHEET as of December 31, 2001 according to IAS
and pro forma CONSOLIDATED BALANCE SHEETS
as of December 31, 2000 and December 31, 1999 according to IAS (unaudited)**

Assets	Notes	Pro forma (unaudited)		
		12.31.2001 in EUR	12.31.2000 in EUR	12.31.1999 in EUR
A. Fixed assets				
I. Intangible assets				
1. Software and licences	4.1.1.	266,157	39,580	15,769
2. Goodwill		1,958,820	2,440,623	2,715,466
3. Development costs		621,863	869,988	1,118,112
		2,846,840	3,350,190	3,849,347
II. Tangible assets	4.1.2.			
1. Land and buildings		4,992,143	2,053,221	693,957
2. Technical equipment and machines		5,794,146	4,949,375	4,450,622
3. Factory and office equipment		2,756,591	1,332,951	425,892
4. Prepayments on tangible assets and construction in progress		418,688	27,420	4,141
		13,961,567	8,362,966	5,574,613
III. Financial assets	4.1.3.			
1. Shares in affiliated companies		403,544	1,409,589	1,210,633
2. Investments		221,752	99,108	19,941
3. Long term securities		28,131	23,882	9,525
4. Other loans		169,437	201,151	244,841
		822,864	1,733,729	1,484,939
		17,631,272	13,446,886	10,908,899
B. Current assets				
I. Inventories	4.2.			
1. Raw materials and supplies		9,155,831	3,708,429	802,695
2. Work in process		12,749,185	7,727,095	6,149,325
3. Prepayments on inventories		1,369,346	868,726	810,704
		23,274,363	12,304,250	7,762,725
II. Gross amount due from customers for contract work	4.3.	2,664,050	2,113,260	156,274
III. Receivables and other assets	4.4.			
1. Trade receivables		26,383,101	22,863,498	5,789,659
2. Receivables from affiliated companies		161,504	6,387,566	5,228
3. Receivables from investments		152,992	0	0
4. Receivables from project companies		1,726,347	1,035,424	622,744
5. Other assets		3,594,264	7,190,400	5,350,090
		32,018,208	37,476,888	11,767,721
IV. Shares in project companies	4.5.	1,992,051	748,797	92,845
V. Securities		672	0	11,075
VI. Cash		2,869,069	17,089,062	3,277,282
		62,818,415	69,732,257	23,067,921
C. Prepaid expenses	4.6.	1,085,027	1,526,123	397,159
		81,534,714	84,705,266	34,373,979

Equity and liabilities	Notes	Pro forma (unaudited)		
		12.31.2001 in EUR	12.31.2000 in EUR	12.31.1999 in EUR
A. Equity	4.7.			
I. Share capital		3,401,198	2,928,948	2,928,948
II. Additional paid-in capital		3,376,482	0	0
III. Retained earnings		8,984,942	6,744,202	2,100,205
		15,762,623	9,673,150	5,029,153
B. Minority interest	4.8.	1,458,624	1,276,176	524,454
C. Accruals	4.9.			
1. Tax accruals		8,472,233	3,529,331	519,011
2. Other accruals		12,856,282	8,805,206	7,079,422
		21,328,515	12,334,537	7,598,433
D. Liabilities	4.10.			
1. Liabilities due to banks		21,870,662	34,207,156	8,612,531
2. Payments received on account of orders		861,327	10,656,604	1,804,288
3. Trade payables		10,765,881	8,758,135	4,474,322
4. Payables to affiliated companies		505,348	0	5,019
5. Payables to investments		47,038	0	2,722,629
6. Liabilities to project companies		825,201	0	0
7. Other liabilities		8,039,129	7,272,891	3,333,802
		42,914,587	60,894,787	20,952,591
E. Deferred income	4.11.	70,365	526,616	269,348
		81,534,714	84,705,266	34,373,979

CONSOLIDATED PROFIT AND LOSS STATEMENT for the period from January 1, 2001 – December 31, 2001 according to IAS and pro forma CONSOLIDATED PROFIT AND LOSS STATEMENT for the period from January 1, 1999 – December 31, 1999 according to IAS (unaudited)

	Notes	Pro forma (unaudited)		
		2001 in EUR	2000 in EUR	1999 in EUR
1. Sales	5.1.	141,639,598	76,039,522	47,740,490
2. Increase or decrease in finished goods inventories and work in process		5,022,090	1,577,770	1,820,347
3. Other own work capitalized		0	1,033	628,074
4. Total operating performance		146,661,688	77,618,326	50,188,910
5. Other operating income	5.2.	3,100,211	2,165,681	878,540
6. Cost of materials				
a.) Cost of raw materials, consumables and supplies and purchased merchandise		-48,817,326	-29,653,535	-25,674,742
b.) Cost of purchased service		-55,466,815	-23,123,863	-16,659,243
		-104,284,142	-52,777,397	-42,333,985
7. Personnel expenses	5.3.			
a.) Wages and salaries		-9,068,972	-4,626,940	-1,710,326
b.) Social security		-1,549,999	-955,105	-392,829
		-10,618,971	-5,582,045	-2,103,155
8. Depreciation and amortization				
a.) on intangible fixed assets and tangible assets		-2,184,158	-1,816,884	-1,118,855
b.) exceptional write downs on current assets		0	0	-269,897
		-2,184,158	-1,816,884	-1,388,752
9. Other operating expenses	5.4.	-14,275,704	-9,418,279	-3,340,311
10. Operating result		18,398,924	10,189,402	1,901,248
11. Income from investments		153,591	148,652	160,555
12. Other interest and similar income		560,680	349,160	347,630
13. Write downs on financial assets and short term investments		-181,941	-194,612	0
14. Interest and similar expenses		-2,475,804	-1,568,561	-662,813
15. Financial result	5.5.	-1,943,475	-1,265,361	-154,628
16. Income before taxes and minority interest		16,455,449	8,924,041	1,746,620
17. Taxes on income	5.6.	-6,288,491	-3,393,669	-522,484
18. Other taxes		-21,846	-12,632	-7,264
19. Net Income before minority interest		10,145,112	5,517,741	1,216,872
20. Minority interest		-1,154,736	-751,721	-245,545
21. Net income for the year		8,990,376	4,766,019	971,327
22. Retained profits / accumulated losses brought forward		-5,434	1,978,183	1,128,878
23. Retained earnings		8,984,942	6,744,202	2,100,205

CONSOLIDATED STATEMENT OF CASH FLOWS

for fiscal year 2001 and pro forma CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

for fiscal years 2000 and 1999

		2001	Pro forma	
		in tsd. EUR	2000	1999
			in tsd. EUR	in tsd. EUR
I. Cash flow from operating activities				
Net income before minority interest, interest expense and taxes on income	+	18,909	10,479	2,402
Depreciation of fixed assets	+	2,366	2,044	1,160
Profit from sale of fixed assets	-	-108	-145	-9
Increase/decrease in inventories	- / +	-10,970	-4,541	-193
Increase/decrease in gross amount due from customers for contract work	- / +	-551	-1,957	-156
Increase/decrease in shares in project companies	- / +	-1,243	-655	-93
Increase/decrease in trade receivables	- / +	-3,520	-17,074	-1,327
Increase/decrease in other receivables and other assets as well as prepaid expenses	- / +	9,420	-10,279	-2,560
Increase/decrease in accruals	+ / -	2,217	1,510	6,049
Increase/decrease in payments received on account of orders	+ / -	-9,795	8,853	-21,522
Increase/decrease in other liabilities	+ / -	3,682	6,218	-1,638
Interest paid	-	-2,535	-1,509	-663
Income taxes paid	-	-412	-167	-172
= Net cash provided by/used for operating activities	=	7,460	-7,223	-18,722
II. Cash flow from investing activities				
Cash inflows from the sale of tangible assets	+	188	2,143	72
Cash outflows for purchase of tangible and intangible assets	-	-7,359	-6,101	-3,433
Cash inflows from the sale of financial assets	+	1,309	53	593
ECash outflows for purchase of financial assets	-	-560	-532	-1,365
= Net cash used for investments	=	-6,442	-4,437	-4,133
III. Cash flow from financing activities				
Cash capital increase	+	1,221	0	0
Payments to original shareholders	-	-4,122	-122	0
Increase/decrease in long-term liabilities due to banks	+	589	4,214	878
= Net cash provided by/used for financing activities	=	-2,312	4,092	878
= Net increase/decrease in cash and cash equivalents less short-term bank overdrafts		-1,294	-7,568	-21,977
Cash and cash equivalents less short-term bank overdrafts at beginning of period	+	-9,444	-1,876	20,101
Cash and cash equivalents less short-term bank overdrafts at end of period	=	-10,738	-9,444	-1,876

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for fiscal year 2001 and pro forma CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)
for fiscal years 2000 and 1999

	Share capital tsd. EUR	Additional paid-in capital tsd. EUR	Retained earnings tsd. EUR	Total tsd. EUR
Balance as of 1/1/1999 (pro forma)	2,929	0	1,129	4,058
1999 Net income	0	0	971	971
Balance as of 12/31/1999 / 1/1/2000 (pro forma)	2,929	0	2,100	5,029
2000 Net income	0	0	4,766	4,766
Dividends paid	0	0	-122	-122
Balance as of 12/31/2000 (pro forma)	2,929	0	6,744	9,673
Transfer of pro forma consolidated equity as of 12/31/2000 to equity as of 1/1/2000 according to IAS				
Share capital	-2,879	0	0	-2,879
Allocation to additional paid-in capital	0	0	-2,627	-2,627
With drawals by original shareholders	0	0	-4,122	-4,122
Balance as of 1/1/2001	50	0	-5	45
Capital increase through contributions in kind	2,879	2,627	0	5,506
Cash capital increase	472	749	0	1,221
2001 Net income	0	0	8,990	8,990
Balance as of 12/31/2001	3,401	3,376	8,985	15,762



1. Introduction

REpower Systems AG and its subsidiaries were created in fiscal year 2001 from the structure and existing Group relationships that existed on December 31, 2001. REpower Systems AG was required to prepare consolidated financial statements for the first time as of the December 31, 2001. To provide comparability, the figures in these consolidated financial statements are contrasted with figures from the pro forma consolidated financial statements as of December 31, 2000 and December 31, 1999. The pro forma consolidated financial statements are unaudited.

The REpower Systems Group – with its parent company, Hamburg-based REpower Systems AG – develops, produces and sells wind turbine generators. The Group's activities also include project development of wind farms.

1.1. Creation of the parent company, REpower Systems AG

On April 13, 2000, REpower Systems AG, Hamburg, was founded as DENALI Die III. Verwaltungs-Aktiengesellschaft, with registered office in Hamburg. The initial share capital of EUR 50,000.00 divided into 50,000 no-par value shares of common stock with a computed value of EUR 1.00 each was acquired by DENALI Holding GmbH, Hamburg. Entry into the Commercial Register of the Hamburg District Court (HRB 75 543) was made on May 19, 2000.

By stock purchase contract dated December 20, 2000, a total of 13 buyers acquired all the common stock of the company from DENALI Holding GmbH, Hamburg. Thereafter, the main shareholder became JE/BWU-Verwaltungs GmbH, seated in Sehestedt, with 40,000 shares of common stock. By a vote of the Shareholders' Meeting that same day, the Company by-laws were completely revised and the name of the Company was changed to REpower AG. Later, on April 27, 2001, the Shareholders' Meeting voted to change the name of the Company to REpower Systems AG.

By merger agreement dated May 29, 2001 / June 28, 2001, the Company resolved an upstream merger, retroactively to January 1, 2001, of the following entities:

1. Jacobs Energie GmbH, Husum;
2. BWU-Anlagenfertigung und -service GmbH, Trampe;
3. BWU-Brandenburgische Wind- und Umwelttechnologien GmbH, Trampe; and
4. pro + pro Energiesysteme GmbH & Co. KG, Rendsburg.

The companies transferred their assets as a whole to REpower Systems AG by dissolution without liquidation. The shareholders' meetings of the transferring companies approved the merger on May 29, 2001 / August 10, 2001. The Shareholders' Meeting of the surviving Company approved the transfer on June 28, 2001.

The Company's initial share capital of EUR 50,000.00 was increased by EUR 3,351,198.00 through several resolutions of the Shareholders' Meeting, dated June 28, 2001. These capital increases included:

- a capital increase of EUR 564,333.00 to EUR 614,333.00 in exchange for a contribution in kind from RE-DKW Beteiligungs GmbH of all the limited partners shares in pro + pro GmbH & Co. KG (nominal value: EUR 360,000.00) as well as all the shares (DM 50,000.00) in its general partner Verwaltungsgesellschaft pro + pro Energiesysteme mbH;
- an additional capital increase of EUR 1,324,685.00 to EUR 1,939,018.00 to implement the merger of Jacobs Energie GmbH, BWU-Brandenburgische Wind- und Umwelttechnologien GmbH, BWU-Anlagenfertigung und -service GmbH and pro + pro Energiesysteme GmbH & Co. KG;
- an additional increase of EUR 472,250.00 to EUR 2,411,268.00 in exchange for a cash contribution; and
- an additional capital increase of EUR 989,930.00 to EUR 3,401,198.00 in exchange for a contribution in kind of a partial share in the limited partnership Regenerative Energien Denker & Dr. Wulf KG.

The share capital of REpower Systems AG is now EUR 3,401,198.00. The above-named capital increases for cash and contributions in kind were registered under HRB 75 543 at the Hamburg District Court on August 1, 2001.

The Shareholders' Meeting on December 21, 2001 voted to increase the share capital of the Company in exchange for cash contributions by issuing new no-par value shares, each with a computed value of EUR 1.00. This action would increase the Company's capital from the current EUR 3,401,198.00 by up to EUR 2,598,802.00 (but by at least EUR 2,000,000.00 up to EUR 6,000,000.00). The aforementioned capital increase resolution was entered into the Commercial Register on February 5, 2002.

The resolution of the Shareholders' Meeting dated December 21, 2001 authorized the Managing Board (with the consent of the Supervisory Board) to increase the share capital of the Company one or more times by up to EUR 2,700,599.00 by issuing new shares in exchange for a cash contribution or contribution in kind (authorized capital).

1.2. Consolidation adjustments

1.2.1. First consolidated financial statements (December 31, 2001)

For the fiscal year ending December 31, 2001, REpower Systems AG is required for the first time to prepare consolidated financial statements in accordance with [German] commercial law. In accordance with the exemption provided by § 292a of the German Commercial Code (HGB), the consolidated financial statements as of December 31, 2001 have been prepared in accordance with internationally recognized principles pursuant to International Accounting Standards (IAS). Pursuant to § 170 of the German Stock Corporation Act (AktG), this exemption may be used because an application for permission to trade in an organized market will be made by the date the consolidated financial statements are submitted to the Supervisory Board.

According to IAS 22 and IAS 27, the requirements for preparing consolidated financial statements were first met at the end of 2001. The recently (in 2000) formed REpower Systems AG started its business activities in 2001. Its subsidiaries were fully organizationally consolidated into the parent company as of that date. Thus, there is no requirement under commercial law to prepare consolidated financial statements for REpower Systems AG for the 1999 and 2000 reporting periods. There is likewise no requirement to prepare consolidated financial statements for these periods under internationally recognized accounting principles.

The consolidated financial statements as of December 31, 2001 and the pro forma consolidated financial statements as of December 31, 2000 and December 31, 1999 were prepared according to the rules of the International Accounting Standards Board (IASB) in effect as of the December 31, 2001 balance sheet date. In all essential points, the consolidated financial statements and the pro forma consolidated financial statements conform to IAS rules.

1.2.2. Pro forma consolidated financial statements as of December 31, 1999 and December 31, 2000

To provide comparable figures for the items on the balance sheet and profit and loss statement as of December 31, 2001, pro forma consolidated financial statements are prepared according to IAS for the 1999 and 2000 periods. These pro forma consolidated financial statements differ from the factual, legal and economic conditions in fiscal years 1999 and 2000. The pro forma consolidated financial statements were prepared using the following presumptions:

- The legal and economic structure of the Group that emerged in fiscal year 2001 already existed in 1999 and 2000.
- The parent company already held shares in its subsidiaries during the 1999 and 2000 periods, provided the sub-

sidiaries had already been formed as of the balance sheet date.

- The 2000 and 1999 pro forma periods report the actual amount of share capital as of the end of the 2001 period minus the 2001 cash capital increases.
- Minority interest in the pro forma periods are reported according to their shares that existed in 2001.
- Goodwill that resulted from the real capital consolidation in 2001 was extrapolated for one or two years for the pro forma statements. Thus, the same amount of amortization of goodwill is reported in the pro forma consolidated profit and loss statements as is reported in the 2001 IAS consolidated financial statements.
- A corporate income tax of 25% plus a solidarity surcharge of 5.5% on the corporate income tax is assumed for every consolidated company, regardless of its actual legal form. In addition, a flat-rate trade tax of 13.625% was applied, resulting in a total income-tax burden of 40%.
- Applying SIC-8, each consolidated company prepared an opening balance sheet as of January 1, 1999 according to IAS as if they had always applied IAS rules.

2. Consolidation

2.1. Scope of consolidation

2.1.1. Companies included in the consolidation

In the reporting years shown below, the scope of consolidation included the following German companies:

	Group share of nominal capital		
	12.31.2001 in %	12.31.2000 in %	12.31.1999 in %
Denker & Wulf AG	84.15%	84.15%	84.15%
Regenerative Energiewandlung REW Wind Geschendorf GmbH & Co. KG ²⁾	84.15%	84.15%	0.00%
Regenerative Energiewandlung REW Wind Westerau VI GmbH & Co. KG	73.68%	73.68%	73.68%
Regenerative Energiewandlung REW GmbH	84.15%	84.15%	84.15%
Jacobs Energie GmbH ¹⁾	100.00%	100.00%	100.00%
BWU-Anlagenfertigung und -service GmbH ¹⁾	100.00%	100.00%	100.00%
BWU Brandenburgische Wind- und Umwelttechnologien GmbH ¹⁾	100.00%	100.00%	100.00%
pro + pro Energiesysteme GmbH & Co. KG ¹⁾	100.00%	100.00%	100.00%

¹⁾ merged into REpower Systems AG in 2001

²⁾ formed in fiscal year 2000

Jacobs Energie GmbH, BWU-Brandenburgische Wind- und Umwelttechnologien GmbH, and BWU-Anlagenfertigung und -service GmbH manufacture and sell wind turbine generators, pro + pro Energiesysteme GmbH & Co. KG develops wind turbine generators. All four companies were merged into REpower Systems AG by merger agreement dated May 29, 2001 / June 28, 2001, effective internally as of January 1, 2001.

Denker & Wulf AG develops wind farm projects. Previously, the company was entered in the Commercial Register as the trading partnership, Regenerative Energien Denker & Dr. Wulf KG. Effective October 1, 2001 (entry in the Commercial Register), the company's legal form was changed to a corporation.

Regenerative Energiewandlung REW Wind Geschendorf GmbH & Co. KG and Regenerative Energiewandlung REW Wind Westerau VI GmbH & Co. KG are both companies that operate wind turbine generators. Regenerative Energiewandlung REW GmbH is both a general partner of other wind farm companies and an operator of a wind

turbine generator. REW Geschendorf GmbH & Co. KG (formed in 2000) was first included in the group of consolidated companies in 2000.

2.1.2. Unconsolidated companies

Not included in the consolidated financial statements are:

	Interest held	Results (unaudited)		
		12.31.2001 in tsd. EUR	Pro forma period 12.31.2000 12.31.1999 in tsd. EUR	
Jacobs Energia S.L. Spain, La Coruña	100%	-169	-176	0
Wasserkraft Finowkanal GmbH, Trampe	80%	-168	-4	-3
ENAT Denker & Wulf spzoo, Poland	100%	*)	0	0
Güstow Wind GmbH, Sehestedt	100%	-1	-51	-176
Eolis S.A.R.L. France, Lille	51%	-2	0	0
GREE GmbH, Sehestedt	100%	0	-2	0
EEB Erneuerbare Energie Beteiligungs-GmbH, Sehestedt	100%	-1	-1	0
Windpark Wernikow GmbH & Co. KG, Wernikow	100%	-4	-1,463	-3
Umspannwerk Güstow Betriebs GbR mbH, Sehestedt	84%	25	-1	-1
Van Meegen Regenerative Energien GmbH, Barby	0%	0	**)	-6

*) Annual financial statements as of 12/31/2001 not yet available

***) Interest sold in 2001

The companies reported above are affiliated companies. They were not consolidated for reasons of materiality.

In addition, the following shares of project companies in which the Company holds an equity interest, either directly or indirectly through Denker & Wulf AG, are reported under current assets:

Company	registered office	Interest held %	Equity **) in tsd. EUR	Result 2001**) in tsd. EUR
REW GmbH & Co. Eins Wind-KG	Sehestedt	100	0	-1
REW GmbH & Co. Zwei Wind-KG	Sehestedt	100	0	-1
REW GmbH & Co. Vier Wind-KG	Sehestedt	100	0	-1
REW GmbH & Co. Fünf Wind-KG	Sehestedt	100	0	-1
REW GmbH & Co. Sechs Wind-KG	Sehestedt	100	0	-1
REW GmbH & Co. Sieben Wind-KG	Sehestedt	100	0	-1
REW GmbH & Co. Acht Wind-KG	Sehestedt	100	0	-1
REW GmbH & Co. Neun Wind-KG	Sehestedt	100	0	-1
REW GmbH & Co. Zehn Wind-KG	Sehestedt	100	0	-1
REW GmbH & Co. Elf Wind-KG	Sehestedt	100	0	-1
REW GmbH & Co. Zwölf Wind-KG	Sehestedt	100	0	-1
REW GmbH & Co. Dreizehn Wind-KG	Sehestedt	100	0	-1
REW GmbH & Co. Vierzehn Wind-KG	Sehestedt	100	0	-1
REW GmbH & Co. Fünfzehn Wind-KG	Sehestedt	100	0	-1
REW GmbH & Co. Sechzehn Wind-KG	Sehestedt	100	0	-1

REW GmbH & Co. Siebzehn Wind-KG	Sehestedt	100	0	-1
REW GmbH & Co. Achtzehn Wind-KG	Sehestedt	100	0	-1
REW GmbH & Co. Neunzehn Wind-KG	Sehestedt	100	0	-1
REW GmbH & Co. Zwanzig Wind-KG	Sehestedt	100	0	-1
WP Grömitz GmbH & Co KG	Grömitz	90	-427	-19
WP Grömitz Zwei GmbH & Co KG	Grömitz	90	-229	-29
WP Grömitz Drei GmbH & Co KG	Grömitz	90	-227	-28
WP Grömitz Vier GmbH & Co KG	Grömitz	100	73	-81
WP Grömitz Fünf GmbH & Co KG	Grömitz	100	65	-89
WP Grömitz Acht GmbH & Co KG	Grömitz	100	0	-2
Aioliki REpower A.E.	Piraeus (GR)	51	1,467	*)
Eolica Menorca S.L.	Palma (E)	70	3	*)
CEE Le Coruña/Eolicos Tourinam	La Coruña (E)	10	601	*)
Windfeld Ludwigshöhe Erschl. GmbH	Nechlin	50	23	-1
REW WP Alsleben GmbH & Co. KG	Sehestedt	100	-1	-1
REW Wittstock-Kraatz GmbH & Co. KG	Sehestedt	100	-1	-1
WP Uckermark GmbH & Co. KG 2	Sehestedt	100	-2	-1
REWE LTD.	Ankara (TR)	90	112	*)
Güstow Wind GmbH & Co. KG	Güstow	100	-176	-2
REW Gross Pinnow GmbH & Co. KG	Sehestedt	100	0	-1
REW Coppanz GmbH & Co. KG	Coppanz	100	-1	-1
REW Eixen GmbH & Co. KG	Sehestedt	100	-1	-1
REW Oederquart Zwei GmbH & Co. KG	Sehestedt	100	0	-1
REW Blüten-Premslin GmbH & Co. KG	Sehestedt	100	-2	-1
REW Kränzlin GmbH & Co. KG	Sehestedt	100	-12	-7
REW Oederquart GmbH & Co. KG	Oederquart	50	-3	-2
Heidewind Fläming GmbH	Pätz	25.10	26	*)
Heidehof Verwaltungsgesellschaft GmbH	Pätz	24.90	26	*)
Verwaltungsgesellschaft pro + pro Energiesysteme mbH	Sehestedt	100	26	*)

*) Annual financial statements as of 12/31/2001 not yet available

**) Results and equity are based on preliminary annual financial statements as of 12/31/2001

The above companies are used for the development of wind farms. After the development of a wind farm is completed, the REpower Systems-Group intends to sell their shares in this respective company. Because of the intention to sell, the companies were not consolidated.

"Interest held" indicates the direct share held by REpower Systems AG or its subsidiary, Denker & Wulf AG.

2.2. Principles of consolidation

For purposes of presentation, the current 2001 consolidated financial statements and the 2000 and 1999 pro forma consolidated financial statements assume that REpower Systems AG was the economic owner of the consolidated subsidiary either at the beginning the fiscal year or on the date the subsidiary was founded.

Pursuant to IAS 22, the assets and liabilities, expenses and income of companies included in consolidated financial statements and pro forma consolidated financial statements must be reported in consolidated financial statements only from the date a majority of voting rights in these companies was acquired. This requirement applied for the first time to the 2001 consolidated financial statements.

In contrast to IAS 22, the companies listed under 2.1.1. were taken into consideration for the pro forma consolidated financial statements for fiscal years 2000 and 1999 either on January 1 or on the later date on which the company was founded.

In accordance with IAS 22, both the capital consolidation and the pro forma capital consolidation were carried out using the book value method. In this method, the purchase price of the shares acquired is offset by the book value of the subsidiary's equity. The asset-side difference created by the offset is capitalized as goodwill and amortized over its estimated useful life of five years. The goodwill resulting from the capital consolidation was increased for the 2000 and 1999 pro forma capital consolidations by amortization over one or two periods. Thus, the same amount of amortization of goodwill reported in the 2001 consolidated profit and loss statement is reported in the 2000 and 1999 pro forma profit and loss statements.

Using the principles of common control, completed contributions are shown at book value in the consolidated financial statements. The differences between share capital granted as part of the contribution and the equity held by the subsidiaries is reported in the consolidated financial statements as of December 31, 2001 as additional paid-in capital within equity.

Intragroup income and expenses and the receivables and liabilities existing between consolidated companies were eliminated pursuant to IAS 27. For consolidation entries recognized as income or expense, the effects of taxes on income are taken into account and deferred tax assets or liabilities are recognized.

3. Accounting and valuation

3.1. General

The consolidated financial statements and the pro forma consolidated financial statements were developed from the individual financial statements of consolidated companies, which were prepared in accordance with the German Commercial Code and adapted to IAS standards. The required consolidation entries were taken into account and applicable IAS rules regarding valuation and capitalization were observed.

The accounting and valuation methods used by REpower Systems AG were used consistently in the 2001 consolidated financial statements and the 2000 and 1999 pro forma consolidated financial statements. Better data available when the pro forma consolidated financial statements were prepared was taken into account as adjusting events after the balance sheet date.

The underlying individual financial statements were prepared using euros or translated at the official exchange rate.

3.2. Accounting and valuation methods

3.2.1. Balance sheet and profit and loss statement items

Intangible assets acquired are valued at acquisition cost and amortized on a scheduled basis over their economic useful life using the straight-line method.

Self-generated intangible assets are capitalized at cost of production and amortized on a scheduled basis over their projected useful life if they meet the following requirements:

- The intangible asset can be technically realized and thus will be available for use;
- The intangible asset is expected to be completed and subsequently used;
- It is possible to use the intangible asset;
- It is demonstrated that the intangible asset will generate probable future economic benefits;
- There are adequate and available technical, financial and other resources to complete development and allow use of the intangible asset; and
- The cost of producing the intangible asset can be reliably measured and allocated during its development.

Generally, goodwill is amortized using the straight-line method over a useful life of between five and ten years. The value of the goodwill is examined on a regular basis. If necessary, permanent reductions in value are taken into account.

The following useful lives are used to measure scheduled depreciation:

	Useful life	Amortization rate in %
Goodwill	5 - 10	10% - 20%
Capitalized development costs	5	20%
Licenses, software	3 - 10	33% - 10%

Tangible assets are stated at acquisition cost or cost of production and are depreciated over its economic useful life on a straight-line basis. The cost of production includes all amounts expended to acquire assets, provided they can be reliably estimated. It does not include interest on debt.

The following useful lives are used to measure scheduled depreciation:

	Useful life	Rate of depreciation in %
Buildings	25 - 50	2% - 4%
Technical equipment and machines	6 - 21	5% - 16%
Factory and office equipment	3 - 10	10% - 33%

Shares in affiliated companies, investments, and loans are reported under **financial assets**. Shares in affiliated companies are assessed at fair value, which equals acquisition cost, except for two foreign investments. Investments are assessed at fair value, which equals acquisition cost, except for one domestic investment. Long-term securities and other loans are valued at amortized cost. Permanent reductions in value (impairment losses) were taken into account through write-downs.

Raw materials and supplies, work in process, and prepayments on inventories are reported under **Inventories**. Raw materials and supplies are stated at acquisition cost. Pursuant to IAS 2, work in process for which there is no specific customer order are valued at production cost. Prepayments on inventories are reported at nominal value.

Specific orders in existence on the balance sheet date for which the proceeds can be reliably estimated are reported as **gross amount due from customers for contract work**. Payments received on account of orders are deducted directly from the balance sheet item at nominal value. Pursuant to IAS 11, gross amount due from customers for contract work are valued according to the percentage-of-completion method. This method uses expected sales proceeds based on the degree of completion on the balance sheet date. The proceeds are applied to customer orders. The degree of completion of individual orders is determined by the cost-to-cost method. This method uses the ratio of the costs already incurred as of the balance sheet date to the total estimated costs of the order. Costs of the order include all costs of production directly or indirectly attributable to the order. Borrowing costs are recorded as an expense.

Trade receivables were valued at amortized cost, taking into account all recognizable risks for which valuation allowances for losses were formed.

Other assets, receivables from project companies and prepaid expenses are valued at amortized cost.

Shares in project companies are assessed at fair value.

Other securities are assessed at fair value, which equals the purchase price.

Cash on hand and cash on deposit at banks is reported at nominal value.

Accruals include both tax accruals and other accruals. Tax accruals include accruals for both current and deferred taxes. The accrual for current taxes relates to outstanding obligations for corporate taxes on income, trade taxes, the solidarity surcharge and other taxes. Also reported under this item in the pro forma period are accruals for fictive taxes on income on subsidiary business partnerships that are treated like corporations for pro forma purposes. Accruals for deferred taxes include deferred tax liabilities calculated according to IAS 12 that have been offset against deferred tax assets.

In accordance with IAS 37, other accruals are formed for all recognized obligations to third parties, which, when met, will lead to an outflow of Group resources and for which a reliable estimate of the amount of liability can be made. No discounting was performed for reasons of materiality.

Liabilities are valued at amortized cost, which equals the cost of repayment.

Not-yet-recognized license income and time-related investment subsidies are defined as **deferred income**.

3.2.2. Sales recognition

Proceeds from the sale of wind turbine generators, license income and income from service contracts (maintenance contracts, operation and management contracts) are reported under sales. In the case wind-turbine generators, a sale is realized when the customer accepts delivery or begins using the plant. For production orders that have not been completed by the balance sheet date and that are valued according to the percentage-of-completion method, sales are reported as sales in relation to the degree of completion. License income is generated from per unit royalties and from one-time licenses, which do not depend on time or the number of units. Per unit royalties are realized depending on use. With one-time licenses, sales is recognized on the date the license is granted. Prepayments of per unit royalties are not recognized as income when received; they are recorded as income according to the terms of the agreement. Income from service contracts is recognized, provided the appropriate services are rendered.

3.2.3. Accrual of deferred taxes

Deferred taxes are formed according to IAS 12 rules, according to which deferred tax assets or deferred tax liabilities are reported for temporary differences that result from differences in the assigned values for assets and liabilities between the IAS consolidated balance sheet and the respective values for tax purposes.

Deferred tax assets from recognizable losses carried forward for tax purposes are capitalized, provided positive taxable income is expected in the future. In preparing the 2000 and 1999 pro forma consolidated financial statements, deferred tax assets from tax losses carried forward were calculated for 1999 and prior years.

Deferred taxes are calculated using future tax rates on the temporary differences. The corporate income tax rate for domestic companies in Germany is currently 25%, with a solidarity surcharge of 5.5%. The trade tax charge calculated is 13.625% on average and the trade tax charge reduces taxable income. Combining the different taxes to calculate the deferred tax charge results in a flat tax rate of 40% on taxable income. To ensure comparability of the pro forma periods with the 2001 period, these tax rates were used for the 1999 and 2000 pro forma periods.

Because the group of consolidated companies exclusively contains domestic companies, deferred tax assets were offset against deferred tax liabilities.

3.2.4. Borrowing costs

Borrowing costs are recorded as an expense.

3.2.5. Foreign currency translation

Receivables and liabilities in foreign currencies are translated at the transaction rate. Because of the insignificant amounts involved, balance sheet items were not translated at the exchange rate in effect on the balance sheet date pursuant to IAS 21.

3.2.6. Financial instruments

According to IAS 32, original financial instruments include loans, receivables and other assets, and all subgroups of liabilities. The relevant principles describe the accounting and valuation of these financial instruments. There are no derivative financial instruments.

3.2.7. Contingent liabilities

Contingent liabilities as defined in IAS 37 are listed in the Notes, provided the outflow of resources is not remote and the amount of the obligation can be reliably estimated.

3.2.8. Subsequent events

No adjusting events that are required to take into account occurred after the balance sheet date. For additional information, please refer to the Group management report.

4. Notes to the Individual Balance Sheet Items

4.1. Fixed assets

Changes in the Group's fixed assets are shown in the Statement of Changes in fixed assets.

4.1.1. Intangible assets

Intangible assets primarily relate to goodwill from the purchase of shares in affiliated companies and the capitalized development costs for wind turbine generators.

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
Software and licenses	266	39	16
Goodwill	1,959	2,441	2,715
Development costs	622	870	1,118
Total	2,847	3,350	3,849

4.1.2. Tangible assets

Tangible assets consist of the following:

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
Land and buildings	4,992	2,053	694
Technical equipment and machines	5,794	4,949	4,451
Factory and office equipment	2,756	1,333	426
Prepayments on tangible assets and construction in progress	419	28	4
Total	13,961	8,363	5,575

4.1.3. Financial assets

The financial assets consist of the following:

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
Shares in affiliated companies	404	1,410	1,211
Investments	222	99	20
Long-term securities	28	24	10
Other loans	169	201	244
Total	823	1,734	1,485

Shares in affiliated companies are long-term equity holdings in domestic and foreign corporations, in which the Company holds more than 50% of the share capital or the majority of the voting rights. The reasons why these corporations were not included in the consolidation are stated under 2.1.2. above.

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
Jacobs Energia S.L. Spain	193	50	0
Wasserkraft Finowkanal GmbH	55	11	11
ENAT Denker & Wulf spzoo	43	0	0
Güstow Wind GmbH	26	12	0
Eolis S.A.R.L. France	26	0	0
GREE GmbH	25	25	0
EEB Erneuerbare Energie Beteiligungs-GmbH	25	25	0
Windpark Wernikow GmbH & Co. KG	8	8	2
Umspannwerk Güstow Betriebs GbR mbH	3	1,198	1,198
Van Meegen Regenerative Energien GmbH	0	81	0
Total	404	1,410	1,211

Investments are shares in domestic and foreign corporations and partnerships, in which REpower Systems AG and its subsidiaries hold between 19.9% and 50% of the voting rights, but in which they have no controlling interest.

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
Les Vents de France S.A.S.	183	0	0
Windpark Finsterwalde GmbH	15	15	15
UPM Umweltprojekt Management GmbH	13	13	0
REpower Geothermie GmbH	10	0	0
Enerj Wind Czech s.r.o.	1	0	0
Jacobs Enerji Anonim Sirketi	0	71	0
Falkenhagen GmbH & Co. KG	0	0	3
Umspannwerk Jabel GmbH	0	0	2
Total	222	99	20

Other loans primarily relate to long-term, interest-bearing loans.

4.2. Inventories

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
Raw materials and supplies	9,156	3,708	803
Work in process	12,749	7,727	6,149
Prepayments on inventories	1,369	869	811
Total	23,274	12,304	7,763

Raw materials and supplies are the materials used for the production of wind turbine generators.

Work in process relate to wind turbine generators under construction and advance services for project development in connection with the installation of wind turbine generators for which no specific customer order had been received as of the reporting date, or for which a reliable estimate of the total order result was not possible.

Prepayments on inventories are payments made to suppliers in advance.

4.3. Gross amount due from customers for contract work

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
Contract receivables	12,047	2,747	203
less payments received on account of orders	-9,383	-634	-47
Total	2,664	2,113	156

This item refers to unfinished orders as of the reporting date, reported in accordance with the percentage-of-completion method pursuant to IAS 11. Any payments received on account of orders were directly deducted.

4.4. Receivables and other assets

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
Trade receivables	26,383	22,864	5,790
Receivables from affiliated companies	162	6,388	5
Receivables from investments	153	0	0
Receivables from project companies	1,726	1,035	623
Other assets	3,594	7,190	5,350
Total	32,018	37,477	11,768

Trade receivables are primarily payments due from customers for the sale of wind turbine generators. As of December 31, 2001, allowances were made to these receivables for a total of EUR 731 thousand (12/31/2000: EUR 73 thousand, 12/31/1999: EUR 520 thousand). The receivables have a term of less than one year.

Receivables from affiliated companies are as follows:

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
Loan to Windpark Wernikow GmbH & Co. KG	0	6,251	0
Loan to van Meegen Regenerative Energien GmbH	0	102	0
Loan to Wasserkraft Finowkanal GmbH	66	0	0
Other	96	35	5
Total	162	6,388	5

In 2001, the **receivables from investments** consisted of payments due from Windpark Finsterwalde GmbH and REpower Geothermie GmbH.

Receivables from project companies consist of the following:

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
Loan to REW Blüten-Premislin GmbH & Co. KG	2	0	0
Loan to Eolica Menorca S.L.	215	0	0
Loan to REW Oederquart GmbH & Co. KG	3	0	0
Loan to Eolicos Tourinam	732	689	511
Loan to REW Kränzlin GmbH & Co. KG	112	112	0
Loan to Güstow Wind GmbH & Co. KG	225	222	112
Loan to Grömitz 4 GmbH & Co. KG	159	0	0
Loan to Grömitz 5 GmbH & Co. KG	255	0	0
Loan to Heidewind Fläming GmbH	23	12	0
Total	1,726	1,035	623

The following are reported under **other assets**:

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
Loans made	1,824	1,552	1,662
Receivables from the sale of project companies	894	964	0
Receivables from shareholders and related parties	159	1,962	1,720
Advance commission payments	371	505	420
Other assets	346	2,207	1,548
Total	3,594	7,190	5,350

Receivables and other assets are primarily payable within one year.

4.5. Shares in project companies

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
Aioliki REpower A.E.	748	0	0
WF Grömitz GmbH & Co. KG	242	207	0
WF Grömitz Zwei GmbH & Co. KG	242	207	0
WF Grömitz Drei GmbH & Co. KG	242	207	0
WF Grömitz Vier GmbH & Co. KG	156	3	0
WF Grömitz Fünf GmbH & Co. KG	156	3	0
19 project companies REW GmbH & Co. KG Wind-KG (1-20 without No. 3)	90	90	0
Eolica Menorca S.L.	72	0	0
18 other project companies	44	32	93
Total	1,992	749	93

The project company Aioliki REpower A.E., Greece is an investment held by REpower Systems AG, which is scheduled to be sold.

The item "shares in project companies" includes 43 other holdings, either as a limited partner in trading partnerships or as a limited liability shareholder in corporations. They are held primarily by Denker & Wulf AG, which is an affiliated company.

The purpose of a project company is the installation and operation of a wind farm. Some of these companies are established as a shell corporation to allow a speedy realization of future projects. Once the installation of the wind farms is completed the holdings will be sold.

Any additional liability interests held by an affiliated company, for which no capital contribution had to be made, are reported under other financial liabilities.

4.6. Prepaid expenses

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
Prepaid expenses	1,085	1,526	397
Total	1,085	1,526	397

Prepaid expenses primarily reflect advance payments of insurance premiums.

4.7. Equity

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
Share Capital	3,401	2,929	2,929
Additional paid-in capital	3,376	0	0
Retained earnings	8,985	6,744	2,100
Total	15,762	9,673	5,029

REpower Systems AG's **share capital** as of December 31, 2001 was EUR 3,401,198.00. The period 2001 started with a share capital of EUR 50,000.00. As a result of several resolutions at the Shareholders' Meeting of June 28, 2001, it was increased by EUR 3,351,198.00 to EUR 3,401,198.00. Please also see the comments under item 1.1 above.

The share capital is divided into 3,401,198 no-par value shares, each with a computed pro rata share of EUR 1.00 in the share capital. The shares are restricted shares.

Share capital of EUR 2,928,948.00 was reported for the pro forma periods 2000 and 1999, which corresponds to the share capital in the period 2001, including all non-cash capital increases, but excluding the cash capital increase.

Capital increases through public offering

The Shareholders' Meeting of December 21, 2001 resolved to increase the current share capital of EUR 3,401,198.00 by up to EUR 2,598,802.00, but at least by EUR 2,000,000.00, up to EUR 6,000,000.00 in return for cash contributions by issuing new no-par value bearer shares, each representing a computed pro rata share of EUR 1.00 in the share capital. The resolution was entered into the Commercial Register on February 5, 2002.

Authorized capital

In accordance with the resolution of the Shareholders' Meeting of December 21, 2001, the Managing Board was authorized to increase the Company's share capital one or more times by December 15, 2006 with the consent of the Supervisory Board by up to EUR 2,700,599 by issuing shares in return for cash and non-cash contributions.

Scheduled public offering

The Company intends to apply for admission to trading on the regulated market during the first quarter of 2002.

Additional paid-in capital

Additional paid-in capital in 2001 is the result of the differences in the amounts of contribution and merger transactions, capital consolidations and the premium from the cash capital increase. The contribution and merger transactions are treated as transactions under common control. Positive and negative differences in these amounts are netted and reported as an increase in additional paid-in capital.

Please see the "consolidated statement of changes in equity" for changes in individual items of equity.

Distributable equity is based on REpower Systems AG's retained earnings for the year 2001 pursuant to the German Commercial Code.

4.8. Minority Interest

Minority interest is interest in income and capital held by shareholders from outside the group. They relate to the subgroup Denker & Wulf AG.

4.9. Accruals

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
Tax accruals	8,472	3,529	519
Other accruals	12,856	8,805	7,079
Total	21,328	12,334	7,598

Tax Accruals primarily consist of trade taxes, corporate taxes, deferred taxes as well as real estate transfer taxes related to the merger transactions.

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
Corporate and trade taxes	6,459	2,385	0
Deferred taxes	1,911	1,144	519
Real estate transfer taxes	102	0	0
Total	8,472	3,529	519

During the pro forma periods 1999 and 2000, four domestic partnerships were included in the consolidated group in addition to the corporations. According to the applicable German tax laws, partnerships are subject only to the trade tax. The corporate taxes on the net income for the year of such companies (income tax) are solely payable by the partners. To allow a comparison with the period 2001, the taxes for the 2000 and 1999 pro forma periods were computed based on the principles of taxation that apply to the structure the consolidated group had in 2001.

Deferred tax liabilities are the result of temporary differences between the valuation in the tax-relevant financial statements and the book values in the group's financial statements. The following table explains the deferred tax liabilities, which are based on the valuation differences in the financial statements:

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
Capitalized development costs	249	348	447
Tangible assets	190	229	125
Gross amount due from customers for contract work	1,873	84	6
Trade receivables	-671	297	-59
Tax losses from investments	270	186	0
= deferred tax liabilities	1,911	1,144	519

Other accruals were established in accordance with IAS 37. These are legal or financial obligations whose settlement will most likely result in an outflow of financial resources and which can be reliably estimated. The item consists of the following:

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
Warranties	6,182	4,890	1,611
Earnings guarantees	1,612	327	0
Follow-up project costs	1,255	2,221	4,046
Planning and production expenses	972	92	988
Premiums	358	0	0
Vacation accruals	336	165	0
Maintenance	244	366	123
Litigation expenses	205	205	205
Annual financial statements	174	98	51
Insurance for occupational accidents	105	19	0
Leases	83	4	1
Bonus	65	150	0
Overtime	64	9	0
Settlements	51	26	26
Commissions	21	0	0
Bookkeeping fees	1	1	0
Equity holdings	0	9	0
Other	1,128	223	28
Total	12,856	8,805	7,079

4.10. Liabilities

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
Liabilities due to banks	21,871	34,207	8,613
Payments received on account of orders	861	10,657	1,804
Trade payables	10,766	8,758	4,474
Payables to affiliated companies	505	0	5
Payables to investments	47	0	2,723
Liabilities to project companies	826	0	0
Other liabilities	8,039	7,273	3,334
Total	42,915	60,895	20,953

The reported liabilities have the following maturities:

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
Remaining term:			
< 1 year	35,642	53,846	17,494
> 1 year and < 5 years	2,967	2,437	2,417
> 5 years	4,306	4,612	1,042
Total	42,915	60,895	20,953

Except for the liabilities due to banks all liabilities are short-term.

Liabilities due to banks consists of the following:

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
short-term liabilities (up to one year)	14,598	27,158	5,154
long-term liabilities (more than one year)	7,273	7,049	3,459
Total	21,871	34,207	8,613

The interest rates were between 7% and 12% for the short-term liabilities due to banks and between 5% and 9% p.a. for long-term liabilities. As of the reporting date, EUR 8.221 million of the liabilities due to banks was secured. The securities include mortgages, inventory security assignments, the assignment of income from power generation and insurance claims.

Payments received on account of orders are advance payments from customers.

The **other liabilities** consist of the following:

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
Tax liabilities	7,532	3,265	0
Social security liabilities	271	194	76
Liabilities to employees	140	94	12
Loan from REA AG	0	657	0
Dormant equity holdings	0	307	307
Loan from T. Levsen	0	153	153
Loan from Dr. Wulf	0	0	409
Liability from pro forma acquisition	0	2,200	2,200
Other	96	403	177
Total	8,039	7,273	3,334

4.11. Deferred Income

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
Deferred income	70	527	269
Total	70	527	269

Deferred income primarily relates to license fees collected before the reporting date, which will not result in actual income until the license is called for delivery after the reporting date, and time-related investment grants.

5. Notes to the Profit and Loss Statement

5.1. Sales

During the period 2001 and the pro forma periods 2000 and 1999, the companies in the REpower Systems Group were engaged in one segment only: designing, manufacturing and planning wind turbine generators. During these periods, sales were primarily generated in Germany. An increase in foreign activities is not expected until 2002. Therefore, sales were not reported by segment.

	2001 in tsd. EUR	Pro Forma	
		2000 in tsd. EUR	1999 in tsd. EUR
Sales from wind turbine generators	127,942	68,487	44,681
Project sales	5,120	443	1,231
Maintenance and sale of material	3,615	4,603	1,358
License fees	3,199	1,457	0
Sales from power generation	1,154	816	406
Services	239	146	35
Others	371	87	29
Total	141,640	76,039	47,740

5.2. Other operating income

Other operating income consists of the following:

	2001 in tsd. EUR	Pro Forma	
		2000 in tsd. EUR	1999 in tsd. EUR
Income from the reversal of accruals	1,010	243	30
Charges passed on	899	0	0
Insurance indemnification	164	383	544
Subsidies	119	375	0
Other	908	1,165	305
Total	3,100	2,166	879

5.3. Personnel expenses

	2001 in tsd. EUR	Pro Forma	
		2000 in tsd. EUR	1999 in tsd. EUR
Wages and salaries	9,069	4,627	1,710
Social security	1,550	955	393
Total	10,619	5,582	2,103

On average, the number of employees during the year was as follows:

	2001	Pro Forma	
		2000	1999
White collar employees	94	51	30
Blue collar employees	121	71	29
Total	215	122	59

5.4. Other operating expenses

	2001 in tsd. EUR	Pro Forma	
		2000 in tsd. EUR	1999 in tsd. EUR
Warranties	3,689	3,565	24
Legal and consultant fees	2,156	612	458
Sales commissions/freight out	1,946	591	797
Advertising and travel expenses	1,288	574	329
Write-off/allowances on receivables	1,018	1,277	792
Leases and incidental expenses	599	489	171
Fees for monetary transactions/ guaranty commission	502	199	147
Vehicle expenses	338	179	68
Maintenance and repair	302	89	45
Mail, telephone and telex expenses	234	198	128
Insurance	233	82	41
Other	1,971	1,563	340
Total	14,276	9,418	3,340

5.5. Financial result

	2001 in tsd. EUR	Pro Forma	
		2000 in tsd. EUR	1999 in tsd. EUR
Income from investments	153	149	160
Other interest and similar income	561	349	348
Write-downs on financial assets and short-term investments	-181	-195	0
Interest and similar expenses	-2,476	-1,568	-663
Total	-1,943	-1,265	-155

Income from investments relates primarily to compensation to Denker & Wulf AG for the business and operational management of 43 project companies organized in the legal form of non-trading partnerships [GbR] (participating interest without making a capital contribution).

Write down on financial assets and short-term investments consists of the following:

	2001 in tsd. EUR	Pro Forma	
		2000 in tsd. EUR	1999 in tsd. EUR
Windpark Finsterwalde GmbH	111	0	0
Jacobs Enerji Anonim Sirketi	71	0	0
REWE Turkey	0	190	0
Amortization of loans	0	5	0
Total	182	195	0

5.6. Taxes on income

Taxes on income consist of current taxes payable by the consolidated companies and deferred taxes, as follows:

	2001 in tsd. EUR	Pro Forma	
		2000 in tsd. EUR	1999 in tsd. EUR
Taxes on income	5,520	2,829	211
Deferred taxes	768	565	0
Total	6,288	3,394	522

The deferred taxes for the 2001 period as well as for the pro forma periods 2000 and 1999 were computed based on future tax rates, which will apply as of 2002.

The expected tax rate for the period 2001 and for the pro forma periods 2000 and 1999 is 40 percent and was computed as follows:

Trade taxes (flat rate)	13.625%
Corporate taxes (25% of income after trade tax)	25.000%
Solidarity surcharge (5.5% of corporate taxes)	1.375%
Total income tax	40.000%

The difference between the expected and the actual taxes for the group is based on the following:

	2001 in tsd. EUR	Pro Forma	
		2000 in tsd. EUR	1999 in tsd. EUR
Expected taxes	6,582	3,570	699
Non-deductible amortization of goodwill	169	169	169
Difference in the trade tax rates	-379	-312	-57
Income from partnerships (exempt from trade taxes)	-44	0	0
Tax reduction due to losses	0	0	-257
Other tax effects	-40	-33	-32
Actual taxes	6,288	3,394	522
Effective tax rate	38.22%	38.03%	29.91%

5.7. Earnings per share

To allow a better comparison, in 1999 and 2000 pro forma periods, the result per share was computed based on a number of no-par value shares that corresponds to the number of shares issued under the non-cash capital increases in 2001.

	2001 in tsd. EUR	Pro Forma	
		2000 in tsd. EUR	1999 in tsd. EUR
Consolidated net income for the year	8,990,367	4,766,019	971,327
Number of no-par value shares	3,165,073	2,928,948	2,928,948
Earnings per share	2.84	1.63	0.33

The number of shares used to compute the result per share for the year 2001 was based on the weighted average of the outstanding shares in 2001.

6. Leasing

All lease agreements of REpower Systems AG and the companies in the consolidated group are operating leases and meet all the criteria of IAS 17. The lease payments are reported in the profit and loss statement and are directly recognized in income.

Future obligations arising under the above lease agreements are reported under "other financial obligations."

7. Contingencies and Other Financial Obligations

	12.31.2001 in tsd. EUR	Pro Forma	
		12.31.2000 in tsd. EUR	12.31.1999 in tsd. EUR
Other financial obligations			
Obligations from lease agreements	477	169	90
of which due within one year	194	42	16
of which due within 2 to 4 years	242	95	16
of which due after more than 5 years	41	32	26
Total	954	338	148
Contingencies			
Guarantees	8,221	9,503	6,975
Limited partner capital contributions	4,921	5,813	0
Total	13,142	15,316	6,975

Denker & Wulf AG, an affiliated company, holds a participating interest (without having made a capital contribution) in a total of 43 operating companies organized as non-trading partnerships. The companies operate a total of 56 wind turbine generators. Denker & Wulf AG is responsible for the business and operational management under a partnership agreement. As a result of this legal form, Denker & Wulf AG is subject to a potential liability risk.

8. Financial Instruments

Financial instruments, which, in accordance with IAS 32, include trade receivables and payables and other receivables or debt, are reported in the consolidated financial statements.

The market value of receivables and outstanding debts does not materially differ from the book value because of the short-term nature of these items.

The maximum credit and loss risks for financial instruments is equivalent to the amounts reported under assets. The foreign exchange risks from operating activities are of minor importance.

An interest risk due to changing market interest rates exists especially for receivables and liabilities with a term of more than one year. Such longer terms are especially relevant for financial debt. The interest rate risk arising from the absence of fixed interest rates is not hedged by derivative financial instruments because the risk is insignificant. No derivative financial instruments were used during the reporting period.

9. Notes to the Cash Flow Statement

The consolidated cash flow statement according to IAS 7 is divided into operating activities, investing activities and financing activities. The financial resources fund reported in the cash flow statement includes cash and bank deposits. Short-term bank overdrafts were offset.

The financial resources fund consists of the following:

	Pro Forma		
	2001 in tsd. EUR	2000 in tsd. EUR	1999 in tsd. EUR
Financial resources at the beginning of the period			
Cash, bank deposits	17,089	3,277	20,798
less short-term bank overdrafts	-26,533	-5,153	-697
Total	-9,444	-1,876	20,101
Financial resources at the end of the period			
Cash, bank deposits	2,869	17,089	3,277
less short-term bank overdrafts	-13,607	-26,533	-5,153
Total	-10,738	-9,444	-1,876

The indirect method was used to determine the cash flow from operating activities. The cash flow statement begins with the net income before minority interests, interest expenses and taxes on income. The outflow of funds for interest and taxes was allocated to operating activities and reported separately.

Cash flow from investing activities consists of payments for investments in intangible assets, tangible assets, and financial assets as well as incoming payments from the disposal of fixed assets. Cash flow from financing activities is the result of contributions received under a cash capital increase and payments to original shareholders. The change in long-term liabilities due to banks was also included in this item.

10. Information required by § 292a of the HGB [German Commercial Code]

The consolidated financial statements as of December 31, 2001 were prepared as exempting consolidated financial statements in accordance with internationally accepted IAS principles. The differences compared to the reporting, valuation and consolidation methods under German law (German Commercial Code) are as follows:

- First-time consolidation of Denker & Wulf AG into the group as of January 1, 2001: According to IAS, this is a "transaction between companies under common control". Therefore, the book values of each individual company were carried forward. According to the German Commercial Code, the capital consolidation would have resulted in a negative goodwill.
- Merger of Jacobs Energie GmbH, BWU-Brandenburgische Wind- und Umwelttechnologien GmbH, BWU-Anlagenfertigung und -service GmbH and pro + pro Energiesysteme GmbH & Co. KG into REpower Systems AG as of January 1, 2001: Unless the shares are acquired from a third party, this is treated as a "transaction between companies under common control" according to IAS with the result that the book values of each individual company are carried forward. According to the German Commercial Code, this transaction would result in an income-reducing merger loss.
- The capitalization of self-produced intangible assets: According to IAS, the development costs for wind turbine generators are capitalized and amortized over the expected useful life. Under the German Commercial Code, recognition of self-produced intangible assets is not permitted.
- Differences in the reported amount and in the valuation of inventories and receivables: According to IAS, finished goods and work in process are valued according to the percentage-of-completion method (partial profit realization), provided that a specific customer order has been received. They are reported as gross amount due from customers from contract work. According to the German Commercial Code, finished goods and work in process are valued at production costs.

- According to IAS, deferred taxes are valued according to the liability method for temporary differences.
- According to IAS, depreciation on tangible assets according to the declining balance method is not allowed if the depreciation is purely tax driven; low value assets are not allowed to be completely written off in the period in which the assets were acquired.

11. Information on related parties

In addition to the above mentioned contribution and merger transactions, in which related individuals or companies within the meaning of IAS 24 were involved, the following information is provided on dealings with such related parties in accordance with IAS 24:

The Managing Board and the Supervisory Board of the Company, and companies in which these individuals are the controlling shareholders, are deemed related parties within the meaning of IAS 24.5. During fiscal 2001, the following business relationships existed between related parties and companies included in the consolidated financial statements:

- 323,500 no-par value shares were issued to members of the Managing Board and the Supervisory Board and related parties under a capital increase in return for a cash contribution of EUR 838 thousand. The value of the contribution was determined based on the principles of taxation in accordance with the Stuttgart method.
- During fiscal 2001, contracts for the sale of wind turbine generators were signed or carried out at market prices between members of the Managing Board and the companies that are included in the consolidated financial statements for a total of EUR 2.300 million (2000 pro forma period: EUR 1.584 million). The transactions are reported in the profit and loss statement under sales.
- As of December 31, 2001, loans of EUR 263 thousand (2000 pro forma period: EUR 428 thousand) were outstanding to members of the Managing Board and the Supervisory Board. The loans are subject to standard interest rates of 5% p.a. or 7% p.a. and are reported in the balance sheet under other assets.
- Purchase of shares in REpower Geothermie GmbH, Trampe, of nominal EUR 33 thousand and in Van Meegen Regenerative Energien GmbH, Barby, of nominal EUR 81 thousand at acquisition costs by a related company.
- During fiscal 2001, the Managing Board received remuneration of EUR 876 thousand. Total remuneration payments to the Supervisory Board during the period 2001 amounted to EUR 25 thousand.
- Except for the above mentioned loans, no payments are due to or from the members of the Managing Board and the Supervisory Board as of the reporting date, December 31, 2001. Accruals for salaries payable to the Managing Board and the Supervisory Board in the amount of EUR 155 thousand were reported in the financial statements.

12. Information on the governing bodies of REpower Systems AG, Hamburg

The following are the members of the Supervisory Board of REpower Systems AG appointed for the fiscal year ending December 31, 2001:

- Mr. Johan Christian Traxel, Hamburg (Member and Chairman until March 27, 2001)
- Dr. Klaus-Detlef Wulf, Aachen (Chairman as of April 27, 2001)
- Mr. Udo Bandow, Hamburg (Member and Vice-Chairman as of April 27, 2001)
- Mrs. Monika Kuck, Aachen
- Dr. Klaus Rave, Kronshagen (as of August 1, 2001)
- Dr. Hans-Joachim Reh, Hamburg (as of August 1, 2001)
- Dr. Klaus-Walter Hardebeck, Aachen (until December 20, 2001)
- Dr. Rolf Bierhoff, Essen, (as of December 21, 2001)

The following are the members of the Managing Board of REpower Systems AG appointed for the fiscal year 2001:

- Prof. Dr. Fritz Vahrenholt, Hamburg (Chairman as of April 27, 2001)
- Mr. Jens-Peter Stöhr, Hamburg (as of April 27, 2001)
- Mr. Matthias Schubert, Rendsburg (as of April 27, 2001)
- Mr. Hugo Denker, Hamburg (as of December 20, 2000)

13. Proposed appropriation of the earnings of REpower Systems AG

It is proposed that the retained earnings of EUR 2.026 million according to the individual financial statements of REpower Systems AG as of December 31, 2001, which were prepared in accordance with the German Commercial Code and the German Stock Corporation Act, be fully carried forward to the new fiscal year.

Hamburg, February 2002

The Managing Board



Prof. Dr. Fritz Vahrenholt



Jens-Peter Stöhr



Matthias Schubert



Hugo Denker

According to § 292 a par. 1 s. 1 and s. 2 HGB (German Commercial Code) and in accordance with IAS, the following audit certificate for the consolidated financial statements of REpower Systems AG as of December 31, 2001 may only be used when application has been made for admission to trading in an organized market.

Independent Auditor's Report:

We have audited the consolidated financial statements prepared by REpower Systems AG, Hamburg, consisting of the balance sheet, profit and loss statement, statement of changes in equity, cash-flow statement, and notes to the financial statements for the fiscal year from January 1 to December 31, 2001. The Company's Managing Board is responsible for the preparation and contents of the consolidated financial statements. It is our task to judge, based on the audit we conduct, whether the consolidated financial statements comply with International Accounting Standards (IAS).

We have conducted our audit of the consolidated financial statements according to German audit regulations and complying with the German generally accepted auditing principles established by the Institute of German Certified Public Accountants (IDW). These standards require the audit to be planned and conducted in such a way that we can judge with reasonable certainty whether the consolidated financial statements are free from material errors. In determining the audit activities, we take into account our knowledge of the business activity and the economic and legal environment of the Group as well as expectations of possible errors. As part of the audit, we evaluate, on the basis of sampling, the evidence for the values and information shown in the consolidated financial statements. The audit includes an evaluation of the accounting principles used of significant estimates made by the Company's legal representatives, and of the overall presentation of the consolidated financial statements. We believe that our audit provides a sufficiently reasonable basis for our assessment.

In our opinion, the consolidated financial statements provide a true and fair presentation of the net worth, financial and earnings position of the Group as well as of the cash flows in the fiscal year in accordance with IAS.

REpower Systems AG has voluntarily included comparison figures for two previous years in its consolidated financial statements as of December 31, 2001, in order to improve comparability of these financial statements. These numbers presented as previous years' figures do not reflect the actual previous years' figures, but are taken from the unaudited pro forma consolidated financial statements of REpower Systems AG as of December 31, 2000, and December 31, 1999. An audit of these pro forma consolidated financial statements of REpower Systems AG as of December 31, 1999, and December 31, 2000, was not part of our audit of the consolidated financial statements.

Our audit, which also covered the Group management report prepared by the Managing Board for the fiscal year from January 1 to December 31, 2001, has not given rise to any reservations. In our opinion, the Group management report, together with the other information in the consolidated financial statements, provides an accurate overall presentation of the situation of the Group and appropriately presents the risks of future developments. We also confirm that the consolidated financial statements and the Group management report for the fiscal year from January 1 to December 31, 2001 fulfill the requirements for exempting the Company from the need to prepare consolidated financial statements and a Group management report in accordance with German law.

Hamburg, February 12, 2002

Susat & Partner oHG, Wirtschaftsprüfungsgesellschaft
(Certified Public Accountants)

Dr. Paassen
Wirtschaftsprüfer (Certified Public Accountant)

Driesch
Wirtschaftsprüfer (Certified Public Accountant)

Certification:

We have audited the pro forma adjustments made in preparing the pro forma consolidated financial statements of REpower Systems AG, Hamburg for the fiscal year from January 1 to December 31, 1999 and for the fiscal year from January 1 to December 31, 2000. The pro forma consolidated financial statements were developed from the annual financial statements of the companies included in the scope of consolidation, following the rules of the International Accounting Standards (IAS) on form, content and valuation in consolidated financial statements.

The annual financial statements as of December 31, 1999, of Jacobs Energie GmbH were audited by another auditor. The annual financial statements as of December 31, 1999, of the other consolidated companies did not have to be audited. The annual financial statements as of December 31, 2000, of REpower Systems AG, of Jacobs Energie GmbH, and of BWU-Brandenburgische Wind- und Umwelttechnologien GmbH were audited by another auditor. The annual financial statements as of December 31, 2000, of the other consolidated companies did not have to be audited.

The purpose of the pro forma consolidated financial statements is to present the development of the net worth, financial, and earnings situation as well as cash flows as if the Group had already existed in its current form since January 1, 1999. Since pro forma consolidated financial statements describe a hypothetical situation, they do not necessarily present the same picture of the Group's net worth, financial, and earnings situation as well as cash flows as would have resulted if the events considered had actually taken place at the time specified. The events presented in the pro forma consolidated financial statements and the premises underlying them are explained in the notes to the financial statements.

The Company's legal representatives are responsible for preparing the pro forma consolidated financial statements for the fiscal year from January 1 to December 31, 1999, and for the fiscal year from January 1 to December 31, 2000.

Our task is to issue an opinion on

- Whether the initial numbers for the pro forma consolidated financial statements were brought over correctly;
- Whether the pro forma consolidated financial statements were derived using proper premises and appropriately reflect the effects to be considered, including consolidation effects;
- Whether the premises underlying the pro forma consolidated financial statements were consistently used, and
- Whether the pro forma adjustments were correctly reflected in the pro forma numbers.

We conducted our audit according to German audit regulations and in compliance with the German generally accepted auditing principles established by the Institute of German Certified Public Accountants (IDW). The audit comprised all audit activities that we considered necessary under the circumstances. In determining the audit activities, we take into account our knowledge of the business activity and the economic and legal environment of the Group as well as expectations of possible errors. We believe that our audit provides a sufficiently reasonable basis for our assessment.

In our opinion:

- The initial numbers for the pro forma consolidated financial statements were brought over properly;
- The pro forma consolidated financial statements were derived using proper premises and appropriately reflect the effects to be considered, including consolidation effects;
- The premises underlying the pro forma consolidated financial statements were consistently used, and
- The pro forma adjustments were correctly reflected in the pro forma numbers.

Hamburg, February 12, 2002

Susat & Partner oHG, Wirtschaftsprüfungsgesellschaft
(Certified Public Accountants)

Dr. Paassen
Wirtschaftsprüfer (Certified Public Accountant)

Driesch
Wirtschaftsprüfer (Certified Public Accountant)

Der folgende Bestätigungsvermerk zum Konzernabschluss der REpower Systems AG zum 31. Dezember 2001 nach IAS darf nach § 292 a Abs. 1 Satz 1 und Satz 2 HGB nur verwendet werden, wenn die Zulassung zum Handel am organisierten Markt beantragt worden ist.

Bestätigungsvermerk des Abschlussprüfers:

Wir haben den von der REpower Systems AG, Hamburg, aufgestellten Konzernabschluss, bestehend aus Bilanz, Gewinn- und Verlustrechnung, Eigenkapitalveränderungsrechnung, Kapitalflussrechnung und Anhang, für das Geschäftsjahr vom 1. Januar bis 31. Dezember 2001 geprüft. Aufstellung und Inhalt des Konzernabschlusses liegen in der Verantwortung des Vorstands der Gesellschaft. Unsere Aufgabe ist es, auf der Grundlage der von uns durchgeführten Prüfung zu beurteilen, ob der Konzernabschluss den International Accounting Standards (IAS) entspricht.

Wir haben unsere Konzernabschlussprüfung nach den deutschen Prüfungsvorschriften und unter Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten deutschen Grundsätze ordnungsmäßiger Abschlussprüfung vorgenommen. Danach ist die Prüfung so zu planen und durchzuführen, dass mit hinreichender Sicherheit beurteilt werden kann, ob der Konzernabschluss frei von wesentlichen Fehlaussagen ist. Bei der Festlegung der Prüfungshandlungen werden die Kenntnisse über die Geschäftstätigkeit und über das wirtschaftliche und rechtliche Umfeld des Konzerns sowie die Erwartungen über mögliche Fehler berücksichtigt. Im Rahmen der Prüfung werden die Nachweise für die Wertansätze und Angaben im Konzernabschluss auf der Basis von Stichproben beurteilt. Die Prüfung beinhaltet die Beurteilung der angewandten Bilanzierungsgrundsätze und der wesentlichen Einschätzungen der gesetzlichen Vertreter sowie die Würdigung der Gesamtdarstellung des Konzernabschlusses. Wir sind der Auffassung, dass unsere Prüfung eine hinreichend sichere Grundlage für unsere Beurteilung bildet.

Nach unserer Überzeugung vermittelt der Konzernabschluss in Übereinstimmung mit den IAS ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage des Konzerns sowie der Zahlungsströme des Geschäftsjahres.

Die REpower Systems AG hat freiwillig Vergleichszahlen für zwei Vorjahre in ihren Konzernabschluss zum 31. Dezember 2001 aufgenommen, um die Vergleichbarkeit des Konzernabschlusses zum 31. Dezember 2001 zu verbessern. Diese als Vorjahreszahlen dargestellten Zahlen entsprechen nicht den tatsächlichen Vorjahreszahlen, sondern sind den ungeprüften Pro-Forma-Konzernabschlüssen der REpower Systems AG zum 31. Dezember 2000 bzw. zum 31. Dezember 1999 entnommen. Eine Prüfung dieser Pro-Forma-Konzernabschlüsse der REpower Systems AG zum 31. Dezember 1999 und zum 31. Dezember 2000 war nicht Gegenstand unserer Konzernabschlussprüfung.

Unsere Prüfung, die sich auch auf den von dem Vorstand für das Geschäftsjahr vom 1. Januar bis 31. Dezember 2001 aufgestellten Konzernlagebericht erstreckt hat, hat zu keinen Einwendungen geführt. Nach unserer Überzeugung gibt der Konzernlagebericht zusammen mit den übrigen Angaben des Konzernabschlusses insgesamt eine zutreffende Vorstellung von der Lage des Konzerns und stellt die Risiken der künftigen Entwicklung zutreffend dar. Außerdem bestätigen wir, dass der Konzernabschluss und der Konzernlagebericht für das Geschäftsjahr 1. Januar bis 31. Dezember 2001 die Voraussetzungen für eine Befreiung der Gesellschaft von der Aufstellung eines Konzernabschlusses und Konzernlageberichts nach deutschem Recht erfüllen.

Hamburg, den 12. Februar 2002

Susat & Partner oHG, Wirtschaftsprüfungsgesellschaft

Dr. Paaßen
Wirtschaftsprüfer

Driesch
Wirtschaftsprüfer

Bescheinigung:

Wir haben die bei der Erstellung der Pro-Forma-Konzernabschlüsse der REpower Systems AG, Hamburg, für das Geschäftsjahr vom 1. Januar bis 31. Dezember 1999 sowie für das Geschäftsjahr vom 1. Januar bis 31. Dezember 2000 vorgenommenen Pro-Forma-Anpassungen geprüft. Die Pro-Forma-Konzernabschlüsse wurden unter entsprechender Anwendung der Regeln der International Accounting Standards (IAS) über Form, Inhalt und Bewertung in Konzernabschlüssen aus den Jahresabschlüssen der in den Konsolidierungskreis einbezogenen Unternehmen entwickelt.

Der Jahresabschluss zum 31. Dezember 1999 der Jacobs Energie GmbH ist von einem anderen Abschlussprüfer geprüft worden. Die Jahresabschlüsse zum 31. Dezember 1999 der übrigen einbezogenen Unternehmen waren nicht prüfungspflichtig. Die Jahresabschlüsse zum 31. Dezember 2000 der REpower Systems AG, der Jacobs Energie GmbH und der Brandenburgische Wind- und Umwelttechnologien GmbH sind von anderen Abschlussprüfern geprüft worden. Die Jahresabschlüsse zum 31. Dezember 2000 der übrigen einbezogenen Unternehmen waren nicht prüfungspflichtig.

Zweck der Pro-Forma-Konzernabschlüsse ist die Darstellung der Entwicklung der Vermögens-, Finanz- und Ertragslage sowie der Zahlungsströme, als ob der Konzern schon seit dem 1. Januar 1999 in seiner gegenwärtigen Form bestanden hätte. Da ein Pro-Forma-Konzernabschluss eine hypothetische Situation beschreibt, vermittelt er nicht zwingend das Bild der Vermögens-, Finanz- und Ertragslage sowie der Zahlungsströme des Konzerns, das sich ergeben hätte, wenn die zu berücksichtigenden Ereignisse zu dem genannten Zeitpunkt tatsächlich stattgefunden hätten. Die in den Pro-Forma-Konzernabschlüssen abzubildenden Ereignisse und die dafür aufgestellten Prämissen sind im Anhang erläutert.

Die Aufstellung der Pro-Forma-Konzernabschlüsse für das Geschäftsjahr vom 1. Januar bis 31. Dezember 1999 sowie für das Geschäftsjahr vom 1. Januar bis 31. Dezember 2000 liegt in der Verantwortung der gesetzlichen Vertreter der Gesellschaft. Unsere Aufgabe ist es, ein Urteil darüber abzugeben,

- ob die Ausgangszahlenwerke für die Pro-Forma-Konzernabschlüsse zu-treffend übernommen worden sind,
- ob die Pro-Forma-Konzernabschlüsse unter Verwendung sachgerechter Prämissen abgeleitet wurden und die zu berücksichtigenden Effekte, einschließlich der zu berücksichtigenden Konsolidierungseffekte, angemessen widerspiegeln,
- ob die den Pro-Forma-Konzernabschlüssen zugrunde liegenden Prämissen stetig angewandt wurden und
- ob die Pro-Forma-Anpassungen zutreffend in den Pro-Forma-Zahlen abgebildet wurden.

Unsere Prüfung erfolgte nach den deutschen Prüfungsgrundsätzen und unter entsprechender Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten deutschen Grundsätze ordnungsmäßiger Abschlussprüfung. Sie umfasste alle Prüfungshandlungen, die wir den Umständen entsprechend für erforderlich hielten. Bei der Festlegung der Prüfungshandlungen werden die Kenntnisse über die Geschäftstätigkeit und das wirtschaftliche und rechtliche Umfeld des Konzerns sowie die Erwartungen über mögliche Fehler berücksichtigt. Wir sind der Auffassung, dass unsere Prüfung eine hinreichend sichere Grundlage für unsere Beurteilung bildet.

Nach unserer Überzeugung

- sind die Ausgangszahlenwerke für die Pro-Forma-Konzernabschlüsse zutreffend übernommen worden,
- wurden die Pro-Forma-Konzernabschlüsse unter Verwendung sachgerechter Prämissen abgeleitet und spiegeln die zu berücksichtigenden Effekte, einschließlich der zu berücksichtigenden Konsolidierungseffekte, angemessen wider,
- wurden die den Pro-Forma-Konzernabschlüssen zugrunde liegenden Prämissen stetig angewandt und
- sind die Pro-Forma-Anpassungen zutreffend in den Pro-Forma-Zahlen abgebildet worden.

Hamburg, den 12. Februar 2002

Susat & Partner oHG, Wirtschaftsprüfungsgesellschaft

Dr. Paaßen
Wirtschaftsprüfer

Driesch
Wirtschaftsprüfer

Statement of Changes in the Group's Fixed Assets as of December 31, 2001

	Acquisition/production costs				
	Balance 1.1.2001	Additions from non-cash capital increases	Additions	Re- classification	Disposals
	EUR	EUR	EUR	EUR	EUR
A. Fixed assets					
I. Intangible assets					
1. Software and licences	0.00	155,317.62	273,021.59	0.00	0.00
2. Goodwill	0.00	3,372,559.97	0.00	0.00	0.00
3. Development costs	0.00	1,240,621.81	0.00	0.00	0.00
Total intangible assets	0.00	4,768,499.40	273,021.59	0.00	0.00
II. Tangible assets					
1. Land and buildings	0.00	2,117,386.53	3,006,460.00	24,705.65	0.00
2. Technical equipment and machines	0.00	5,663,976.56	1,626,760.50	0.00	0.00
3. Factory and office equipment	0.00	1,776,785.85	2,034,531.16	0.00	113,501.36
4. Prepayments on tangible assets and construction in progress	0.00	27,419.56	417,757.10	-24,705.65	1,783.36
Total tangible assets	0.00	9,585,568.50	7,085,508.76	0.00	115,284.72
III. Financial assets					
1. Shares in affiliated companies	0.00	1,639,589.19	271,333.85	0.00	1,277,378.85
2. Investments	0.00	140,010.47	304,585.55	0.00	0.00
3. Long-term securities	0.00	23,881.95	4,249.09	0.00	0.00
4. Other loans	0.00	201,150.56	0.00	0.00	31,713.60
Total financial assets	0.00	2,004,632.17	580,168.49	0.00	1,309,092.45
Total fixed assets	0.00	16,358,700.07	7,938,698.84	0.00	1,424,377.17

Balance 31.12.2001	Depreciation and Amortization					Book values		
	Balance 1.1.2001	Additions from non-cash capital increases	Additions	Re- classi- fication	Disposals	Balance 31.12.2001	31.12.2001	1.1.2001
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
428,339.21	0.00	115,738.00	46,444.21	0.00	0.00	162,182.21	266,157.00	0.00
3,372,559.97	0.00	931,937.18	481,803.05	0.00	0.00	1,413,740.23	1,958,819.74	0.00
1,240,621.81	0.00	370,634.00	248,124.36	0.00	0.00	618,758.36	621,863.45	0.00
5,041,520.99	0.00	1,418,309.18	776,371.62	0.00	0.00	2,194,680.80	2,846,840.19	0.00
5,148,552.18	0.00	64,165.90	92,243.33	0.00	0.00	156,409.23	4,992,142.95	0.00
7,290,737.06	0.00	714,601.70	781,989.61	0.00	0.00	1,496,591.31	5,794,145.75	0.00
3,697,815.65	0.00	443,834.67	533,298.97	0.00	35,908.92	941,224.72	2,756,590.93	0.00
418,687.65	0.00	0.00	0.00	0.00	0.00	0.00	418,687.65	0.00
16,555,792.54	0.00	1,222,602.27	1,407,531.91	0.00	35,908.92	2,594,225.26	13,961,567.28	0.00
633,544.19	0.00	230,000.00	0.00	0.00	0.00	230,000.00	403,544.19	0.00
444,596.02	0.00	40,902.84	181,941.15	0.00	0.00	222,843.99	221,752.03	0.00
28,131.04	0.00	0.00	0.00	0.00	0.00	0.00	28,131.04	0.00
169,436.96	0.00	0.00	0.00	0.00	0.00	0.00	169,436.96	0.00
1,275,708.21	0.00	270,902.84	181,941.15	0.00	0.00	452,843.99	822,864.22	0.00
22,873,021.74	0.00	2,911,814.29	2,365,844.68	0.00	35,908.92	5,241,750.05	17,631,271.69	0.00

Statement of Changes in the Group's Pro Forma Fixed Assets as of December 31, 2000

	Acquisition/production costs				as of 31.12.2000 EUR
	as of 1.1.2000 EUR	additions EUR	reclassi- fications EUR	disposals EUR	
A. Fixed assets					
I. Intangible assets					
1. Software and licences	122,221.39	33,096.23	0.00	0.00	155,317.62
2. Goodwill	3,168,043.22	204,516.75	0.00	0.00	3,372,559.97
3. Development costs	1,240,621.81	0.00	0.00	0.00	1,240,621.81
Total intangible assets	4,530,886.42	237,612.98	0.00	0.00	4,768,499.40
II. Tangible assets					
1. Land and buildings	756,779.75	1,810,125.08	0.00	449,518.30	2,117,386.53
2. Technical equipment and machines	4,834,138.57	2,745,892.63	0.00	1,916,054.64	5,663,976.56
3. Factory and office equipment	716,945.02	1,280,104.18	0.00	220,263.35	1,776,785.85
4. Prepayments on tangible assets and construction in progress	4,141.46	27,419.56	0.00	4,141.46	27,419.56
Total tangible assets	6,312,004.80	5,863,541.45	0.00	2,589,977.75	9,585,568.50
III. Financial assets					
1. Shares in affiliated companies	1,210,632.97	428,956.22	0.00	0.00	1,639,589.19
2. Investments	60,843.73	83,768.88	0.00	4,602.14	140,010.47
3. Long-term securities	9,524.54	19,164.66	0.00	4,807.25	23,881.95
4. Other loans	244,841.06	0.00	0.00	43,690.50	201,150.56
Total financial assets	1,525,842.30	531,889.76	0.00	53,099.89	2,004,632.17
Total fixed assets	12,368,733.52	6,633,044.19	0.00	2,643,077.64	16,358,700.07

as of 1.1.2000 EUR	Depreciation and Amortization			as of 31.12.2000 EUR	Book Values	
	additions EUR	reclassi- fications EUR	disposals EUR		31.12.2000 EUR	31.12.1999 EUR
106,452.13	9,285.87	0.00	0.00	115,738.00	39,579.62	15,769.26
452,577.60	479,359.58	0.00	0.00	931,937.18	2,440,622.79	2,715,465.62
122,509.64	248,124.36	0.00	0.00	370,634.00	869,987.81	1,118,112.17
681,539.37	736,769.81	0.00	0.00	1,418,309.18	3,350,190.22	3,849,347.05
62,822.45	80,108.67	0.00	78,765.22	64,165.90	2,053,220.63	693,957.30
383,516.35	663,650.03	0.00	332,564.68	714,601.70	4,949,374.86	4,450,622.22
291,053.17	333,011.71	0.00	180,230.21	443,834.67	1,332,951.18	425,891.85
0.00	0.00	0.00	0.00	0.00	27,419.56	4,141.46
737,391.97	1,076,770.41	0.00	591,560.11	1,222,602.27	8,362,966.23	5,574,612.83
0.00	230,000.00	0.00	0.00	230,000.00	1,409,589.19	1,210,632.97
40,902.84	0.00	0.00	0.00	40,902.84	99,107.63	19,940.89
0.00	0.00	0.00	0.00	0.00	23,881.95	9,524.54
0.00	0.00	0.00	0.00	0.00	201,150.56	244,841.06
40,902.84	230,000.00	0.00	0.00	270,902.84	1,733,729.33	1,484,939.46
1,459,834.18	2,043,540.22	0.00	591,560.11	2,911,814.29	13,446,885.78	10,908,899.34

Statement of Changes in the Group's Pro Forma Fixed Assets as of December 31, 1999

	Acquisition/production costs				as of 31.12.1999 EUR
	as of 1.1.1999 EUR	additions EUR	reclassi- fications EUR	disposals EUR	
A. Fixed assets					
I. Intangible assets					
1. Software and licences	233,459.43	31,923.69	0.00	143,161.73	122,221.39
2. Goodwill	3,168,043.22	0.00	0.00	0.00	3,168,043.22
3. Development costs	612,548.21	628,073.60	0.00	0.00	1,240,621.81
Total intangible assets	4,014,050.86	659,997.29	0.00	143,161.73	4,530,886.42
II. Tangible assets					
1. Land and buildings	736,887.95	19,891.80	0.00	0.00	756,779.75
2. Technical equipment and machines	2,432,647.24	2,453,677.36	0.00	52,186.03	4,834,138.57
3. Factory and office equipment	463,309.46	295,583.60	0.00	41,948.04	716,945.02
4. Prepayments on tangible assets and construction in progress	0.00	4,141.46	0.00	0.00	4,141.46
Total tangible assets	3,632,844.65	2,773,294.22	0.00	94,134.07	6,312,004.80
III. Financial assets					
1. Shares in affiliated companies	450,057.48	762,864.87	0.00	2,289.38	1,210,632.97
2. Investments	56,242.11	4,601.62	0.00	0.00	60,843.73
3. Long-term securities	0.00	9,524.54	0.00	0.00	9,524.54
4. Other loans	249,953.98	587,985.66	0.00	593,098.58	244,841.06
Total financial assets	756,253.57	1,364,976.69	0.00	595,387.96	1,525,842.30
Total fixed assets	8,403,149.08	4,798,268.20	0.00	832,683.76	12,368,733.52

as of 1.1.1999 EUR	Depreciation and Amortization			as of 31.12.1999 EUR	Book Values	
	additions EUR	reclassi- fications EUR	disposals EUR		31.12.1999 EUR	1.1.1999 EUR
164,434.52	85,179.34	0.00	143,161.73	106,452.13	15,769.26	69,024.91
0.00	452,577.60	0.00	0.00	452,577.60	2,715,465.62	3,168,043.22
0.00	122,509.64	0.00	0.00	122,509.64	1,118,112.17	612,548.21
164,434.52	660,266.58	0.00	143,161.73	681,539.37	3,849,347.05	3,849,616.34
33,808.69	29,013.76	0.00	0.00	62,822.45	693,957.30	703,079.26
70,301.97	313,214.38	0.00	0.00	383,516.35	4,450,622.22	2,362,345.27
208,573.62	116,360.42	0.00	33,880.87	291,053.17	425,891.85	254,735.84
0.00	0.00	0.00	0.00	0.00	4,141.46	0.00
312,684.28	458,588.56	0.00	33,880.87	737,391.97	5,574,612.83	3,320,160.37
0.00	0.00	0.00	0.00	0.00	1,210,632.97	450,057.48
0.00	40,902.84	0.00	0.00	40,902.84	19,940.89	56,242.11
0.00	0.00	0.00	0.00	0.00	9,524.54	0.00
0.00	0.00	0.00	0.00	0.00	244,841.06	249,953.98
0.00	40,902.84	0.00	0.00	40,902.84	1,484,939.46	756,253.57
477,118.80	1,159,757.98	0.00	177,042.60	1,459,834.18	10,908,899.34	7,926,030.28

General information on the annual financial statements	87
Reporting and valuation methods	87
Notes to the balance sheet of REpower Systems AG	88
Notes to the profit and loss statement of REpower Systems AG	92
Other information	94

Balance Sheet of REpower Systems AG (HGB – German Commercial Code)
as of December 31, 2001

Assets

	Note	Dec. 31, 2001 EUR	Dec. 31, 2000 EUR
A. Fixed assets	3.1		
I. Intangible assets			
1. Software and other licenses		262,663.35	0.00
2. Goodwill		148,509.33	0.00
		411,172.68	0.00
II. Tangible assets			
1. Land and buildings		3,799,279.37	0.00
2. Technical equipment and machines		1,942,429.73	0.00
3. Factory and office equipment		2,242,822.46	0.00
4. Prepayments on tangible assets and construction in progress		316,429.27	0.00
		8,300,960.83	0.00
III. Financial assets			
1. Shares in affiliated companies		1,264,110.33	0.00
2. Investments		221,752.03	0.00
3. Long-term securities		28,131.04	0.00
		1,513,993.40	0.00
		10,226,126.91	0.00
B. Current assets			
I. Inventories	3.2		
1. Raw materials and supplies		10,021,960.47	0.00
2. Work in process		1,288,985.49	0.00
3. Prepayments on inventories		1,369,346.45	0.00
		12,680,292.41	0.00
II. Receivables and other assets	3.3		
1. Trade receivables		18,469,995.33	0.00
2. Receivables from affiliated companies		6,031,667.46	0.00
3. Receivables from investments		68,735.74	0.00
4. Receivables from project companies		23,243.33	0.00
5. Other assets		1,586,614.33	46,099.86
		26,180,256.19	46,099.86
III. Shares in project companies	3.4	761,389.17	0.00
IV. Securities		672.47	0.00
V. Cash		2,246,277.33	0.00
		41,868,887.57	0.00
C. Prepaid expenses	3.5	1,038,486.16	0.00
		53,133,500.64	46,099.86

Equity and Liabilities

	Note:	31.12.01 EUR	31.12.00 EUR
A. Equity	3.6		
I. Share capital		3,401,198.00	50,000.00
II. Additional paid-in capital		2,155,729.13	0.00
III. Retained earnings		2,025,933.56	-5,434.02
		7,582,860.69	44,565.98
B. Accruals	3.7		
1. Tax accruals		3,144,462.31	0.00
2. Other accruals		11,125,691.12	1,533.88
		14,270,153.44	1,533.88
C. Liabilities	3.8		
1. Liabilities due to banks		10,605,511.31	0.00
2. Payments received on account of orders		2,501,076.41	0.00
3. Trade payables		9,955,447.52	0.00
4. Payables to affiliated companies		14,717.68	0.00
5. Payables on investments		12,913.62	0.00
6. Liabilities to project companies		825,201.00	0.00
7. Other liabilities		7,365,618.98	0.00
Of which for taxes EUR 6,932,168.46 (previous year EUR 0.00)			
Of which for employee social security EUR 270,864.96 (previous year EUR 0.00)			
		31,280,486.51	0.00
		53,133,500.64	46,099.86

Profit and Loss Statement of REpower Systems AG (HGB – German Commercial Code)
for the period January 1 – December 31, 2001

	Note:	2001 EUR	Apr.13 – Dec. 31, 2000 EUR
Sales	4.1	126,657,718.49	0.00
Increase/decrease in finished goods inventories and work in process		1,288,985.49	0.00
Total operating performance		127,946,703.98	0.00
Other operating income	4.2	3,603,723.44	0.00
Cost of materials	4.3		
Cost of raw materials, consumables and supplies and purchased merchandise		-96,860,661.47	0.00
Cost of purchased service		-2,647,049.36	0.00
		-99,507,710.83	0.00
Personnel expenses			
Wages and salaries		-8,573,696.07	0.00
Social security		-1,466,813.45	0.00
		-10,040,509.53	0.00
Depreciation and amortization	4.4		
on intangible fixed assets and tangible assets		-1,221,379.40	0.00
Other operating expenses	4.5	-12,229,505.98	5,434.84
Operating result		8,551,321.68	-5,434.84
Other interest and similar income		284,109.07	0.82
Write-downs on financial assets and short-term investments		-181,941.15	0.00
Interest and similar expenses		-1,313,493.52	0.00
Financial result	4.6	-1,211,325.60	0.82
Income before taxes and minority interest		7,339,996.09	-5,434.02
Extraordinary expenses from merger activities	4.7	-2,438,488.25	0.00
Taxes on income	4.8	-2,848,746.95	0.00
Other taxes		-21,393.30	0.00
Net income for the year		2,031,367.58	-5,434.02
Accumulated losses brought forward		-5,434.02	0.00
Retained earnings (previous year – accumulated deficit)		2,025,933.56	-5,434.02

1 General information on the annual financial statements

The annual financial statements as of December 31, 2001 were prepared in accordance with §§242 ff. and §§264 ff. HGB [German Commercial Code], the relevant provisions of the AktG [German Stock Corporation Act] and the by-laws. The provisions for large corporations apply.

The profit and loss statement was prepared in accordance with the cost of production method.

The Company incorporated the following entities by way of merger, effective internally as of January 1, 2001:

- BWU-Anlagenfertigung und –service GmbH, Trampe,
- BWU-Brandenburgische Wind- und Umwelttechnologien GmbH, Trampe,
- Jacobs Energie GmbH, Husum,
- pro + pro Energiesysteme GmbH & Co. KG, Rendsburg.

Fixed assets added as a result of the merger are reported separately in the Statement of Changes in Fixed Assets (appendix). Also, an equity investment in Denker & Wulf AG, Sehestedt was added through a non-cash capital contribution.

Due to the above, the overall annual financial statements are not comparable with the previous year's statements.

2 Reporting and valuation methods

The following reporting and valuation methods are used for the annual financial statements:

Acquired intangible fixed assets are reported at acquisition cost and are subject to scheduled amortization in accordance with their useful life.

Tangible assets are reported at acquisition or production cost and are subject to scheduled depreciation where applicable. Tangible assets are depreciated according to the straight-line method based on the expected useful life and interest rates generally accepted for tax purposes.

	Useful Life
Production plant	20-50 years
Other buildings	10-30 years
Technical equipment and machines	6-21 years
Vehicles	5 years
Factory and office equipment	3-10 years

Low-value assets were written off immediately as allowed under §6 (2) EStG [German Income Tax Act].

Financial assets are reported at the lower of cost or market as of the reporting date, provided that the loss in value is expected to be permanent. In this case, unscheduled depreciations are made.

Prepayments on inventories are valued at face value.

Raw materials and supplies are reported at acquisition cost.

Work in process are valued at manufacturing costs based on single item calculation according to current cost accounting. Production costs and material overhead are also included based on minimum taxable amounts, in addition to the separable direct costs, direct labor and special direct costs. General administrative costs and interest are not capitalized.

Receivables and other assets are reported at face value. Individual value adjustments are made as necessary for foreseeable individual risks.

Shares in the project companies are valued at acquisition cost.

Accruals are based on all foreseeable risks and contingent liabilities. They are valued as deemed necessary in accordance with reasonable business practices.

Liabilities are reported at their repayment value.

Foreign currency receivables and liabilities are converted at the transaction rate.

Sales are booked at the time products or goods are delivered or services rendered. The recognition of sales generated by wind turbine generators is contingent on three criteria: 1. the installation of the plant is complete, 2. a connection to a supply system is available, and 3. a written start-up report was prepared.

3 Notes to the balance sheet of REpower Systems AG

3.1 Fixed assets

Changes in the individual items of fixed assets, including depreciation for the fiscal year, are reported separately in the Statement of Changes in Fixed Assets (appendix).

Shareholdings are as follows:

Company	Share	Equity	Operating	Equity
	%	12/31/2001 EUR	Result 2001 EUR	Book Value 12/31/2001 EUR
Equity Holdings				
<i>Germany</i>				
Denker & Wulf AG, Sehestedt	84.15	6,324,532	4,559,782	989,930
REpower Geothermie GmbH, Trampe	19.90	50,000	-87,756	9,950
Windpark Finsterwalde GmbH, Finsterwalde	30.00	51,129	-9,408	15,339
UPM Umweltprojekt Management GmbH, Trampe	23.33	25,000	-950	12,500
Wasserkraft Finowkanal GmbH, Trampe	80.00	25,564	-167,700	55,220
<i>Foreign</i>				
Jacobs Enerji Anonim Sirketi, Ankara, Turkey	51.00	68*	Not yet available	0
Jacobs Energia S.L., La Coruña, Spain	100.00	-132,546	-168,524	193,460
Les Vents de France S.A.S, Paris, France	50.00	365,000*	Not yet available	182,500
Eolis S.A.R.L., Lille, France	51.00	50,000	-1,905	25,500
Ener Wind Czech s.r.o., Brno, Czech Republic	50.00	2,927*	Not yet available	1,463
				1,485,862
Project Companies				
<i>Germany</i>				
Heidewind Fläming GmbH, Pätz	25.10	26,076*	Not yet available	6,544
Heidehof Verwaltungsgesellschaft mbH, Pätz	24.90	26,076*	Not yet available	6,493
Verwaltungsgesellschaft pro+pro Energiesysteme mbH, Sehestedt	100.00	25,565*	Not yet available	1
<i>Foreign</i>				
Aioliki REpower A.E., Piraeus, Greece	51.00	1,467,351*	Not yet available	748,351
				761,389
				2,247,251

* Share Capital (equity capital as of the reporting date not yet available.)

Denker & Wulf AG, Sehestedt is a project company active in the German market.

The losses at Jacobs Energia S.L., La Coruna were incurred in the course of building up project development and sales activities.

Les Vents de France, Paris started up limited operations in November 2001.

In 2001, Aioliki REpower A.E., Piraeus successfully applied for approval of wind farms in Greece. Three wind farms were approved. Installation will begin in 2002.

3.2 Inventories

Raw materials and supplies essentially consist of components for wind turbine generators. Work in process refers to wind turbine generators under construction and advance services for project development, rights and infrastructure related to the installation of wind turbine generators. Wind turbine generators in inventory are reported under finished products.

3.3 Receivables and other assets

These are valued at face value. Individual value adjustments were made in accordance with prudent business practices for those customers where the future collection of payments appears doubtful. As of December 31, 2001, individual value adjustments were made in the total amount of EUR 263,812.00. Receivables and other assets have a term of less than one year.

3.4 Shares in project companies

The shares in the project companies are shown in the table of shareholdings.

3.5 Prepaid expenses

Prepaid expenses include discounts of EUR 49,804.00 and prepaid insurance premiums of EUR 820,624.00.

3.6 Equity

	31/12/01 EUR	31/12/00 EUR
I. Share Capital	3,401,198	50,000
II. Additional paid-in capital	2,155,729	0
III. Retained earnings (previous year accumulated deficit)	2,025,934	-5,434
Total	7,582,861	44,566

Original share capital was EUR 50,000.00. It was increased by EUR 3,351,198.00 to EUR 3,401,198.00 through several shareholder resolutions at the Shareholders' Meeting of June 28, 2001.

The capital was increased both by cash and non-cash contributions. The non-cash contribution amounted to EUR 2,878,948.00 plus a premium of EUR 1,406,310.00. The cash contribution amounted to EUR 472,250.00 plus a premium of EUR 749,419.00.

RE-DKW Beteiligungs GmbH subscribed to and acquired 1,587,683 shares, and JE/BWU-Verwaltungs GmbH subscribed to and acquired 1,314,599 shares of the 3,351,198 newly issued no-par value shares. Both companies are headquartered in Sehestedt. The approval for the capital contribution and transfer agreement of May 29, 2001 was ratified by the extraordinary Shareholders' Meeting of REpower Systems AG on June 28, 2001.

The share capital is divided into 3,401,198 no-par value shares, each with a computed pro rata share of EUR 1.00 in the share capital.

Capital increases through a scheduled public offering

The Shareholders' Meeting of December 21, 2001 voted to increase the Company's share capital from the current EUR 3,401,198.00 by up to EUR 2,598,802.00, but by at least EUR 2,000,000.00, to EUR 6,000,000.00 in return for cash contributions by issuing new no-par value shares. Each share represents a computed pro rata share of EUR 1.00 in the share capital.

Approved Capital

By resolution of the Shareholders' Meeting of December 21, 2001, the Managing Board was authorized (with the consent of the Supervisory Board) to increase the Company's share capital by December 15, 2006 one or more times by up to EUR 2,700,599.00 by issuing new shares in return for cash and non-cash capital contributions.

The entry of the resolutions into the Commercial Register is pending.

3.7 Accruals

Accruals for taxes relate to trade taxes, corporate taxes and real estate transfer taxes payable as a result of the merger. The changes in other accruals are shown in the table below:

Accrual	As of 1/1/01 EUR	Addition from merger EUR	Inflow 2001 EUR	Outflow 2001 EUR	Reversal 2001 EUR	As of 12/31/01 EUR
Accruals for taxes						
Trade taxes	0	262,286	1,112,571	80,297	0	1,294,560
Corporate taxes	0	457,850	1,283,023	73,151	0	1,667,722
Solidarity surcharge	0	8,535	70,464	0	0	78,999
Real estate transfer taxes	0	0	103,181	0	0	103,181
Total Accruals for Taxes	0	728,671	2,569,239	153,448	0	3,144,462
Other Accruals						
Warranties	0	4,822,456	2,775,858	921,790	494,219	6,182,306
Income guarantees	0	327,226	1,285,169	0	0	1,612,396
Planning and production expenses	0	92,033	936,033	56,242	0	971,823
Premiums	0	0	357,904	0	0	357,904
Vacation accruals	0	165,249	298,885	152,854	12,394	298,886
Maintenance	0	365,574	47,934	54,964	115,041	243,503
Leases	0	3,840	82,864	3,840	0	82,864
Insurance for occupational accidents	0	2,301	75,581	2,301	0	75,581
Overtime	0	8,835	64,370	0	8835	64,370
Settlement expenses	0	25,565	51,129	19,887	5,677	51,129
Annual financial statements	1,534	53,839	36,825	53,839	1,534	36,825
Bonuses	0	74,861	29,619	74,861	0	29,619
Commissions	0	0	20,883	0	0	20,883
Bookkeeping fees	0	762	1,012	762	0	1,012
Equity holdings	0	9,203	0	9,203	0	0
Other	0	421,992	892,074	7,846	190,456	1,096,590
Total Other Accruals	1,534	6,373,736	6,956,140	1,358,389	828,156	11,125,691
Total Accruals	1,534	7,102,407	9,525,379	1,511,837	828,156	14,270,153

3.8 Changes in liabilities

	Total Amount EUR	Up to 1 year EUR	2 to 5 years EUR	> 5 years EUR
Liabilities due to banks	10,605,510	6,113,433	2,043,503	2,448,574
Advance payments received on orders	2,501,076	2,501,076	0	0
<i>of which from affiliated companies</i>	773,620	773,620	0	0
Trade payables	9,955,448	9,955,448	0	0
Payables to affiliated companies	14,718	14,718	0	0
Payables to investments	12,914	12,914	0	0
Liabilities to project companies	825,201	825,201	0	0
Other liabilities	7,365,619	7,365,619	0	0
<i>of which for taxes</i>	6,632,584	6,632,584	0	0
<i>of which for social security</i>	270,865	270,865	0	0
Total	31,280,486	26,788,409	2,043,503	2,448,574

EUR 4,963,777.00 of the liabilities due to banks is secured by mortgages or similar rights (guarantees, security assignments and assignments of receivables).

4 Notes to the profit and loss statement of REpower Systems AG

4.1 Sales

	2001 EUR	2000 EUR
Sales		
Sales from wind turbine generators	119,303,892	0
Maintenance, sale of material	3,614,838	0
License fees	3,198,685	0
Other sales	359,150	0
Sales from power generation	182,257	0
Discounts allowed	-1,104	0
Total	126,657,718	0

Sales were generated almost exclusively in Germany.

4.2 Other operating income

	2001 EUR	2000 EUR
Income from charges passed on	898,498	0
Income from the reversal of accruals	828,156	0
Income from the reversal of value adjustments	754,879	0
Insurance indemnification	163,916	0
Income from real estate	18,023	0
Income from the disposal of fixed assets	15,720	0
Other income	924,531	0
Total	3,603,723	0

4.3 Cost of materials

The cost of raw materials and supplies is primarily related to components, consumables, operating supplies, freight charges and energy costs. Costs of purchased services include third-party freight, sales commissions, outsourced services for order processing, and third-party personnel.

4.4 Depreciation and amortization

Amortization of intangible assets and depreciation of tangible assets is shown in the Statement of Changes in fixed assets.

4.5 Other operating expenses

	2001 EUR	2000 EUR
Warranties	4,902,139	0
Legal and consultant fees	1,460,116	5,434
Travel expenses	673,939	0
Office and real estate leases	664,871	0
Administrative expenses	620,161	0
Fees for monetary transactions	529,039	0
Individual value adjustments	461,332	0
Vehicle expenses (not incl. vehicle tax)	370,661	0
Commissions	323,687	0
Advertising expenses	304,711	0
Repair of machinery, tools and equipment	277,674	0
Plant supplies and tools	235,262	0
Maintenance of property	217,286	0
Trade shows	211,115	0
Personnel expenses	184,123	0
Write-off of receivables	176,006	0
Insurance	170,606	0
Development expenses	161,777	0
Expenses for charges passed on	153,933	0
Expenses for computer system	131,068	0
Total	12,229,506	5,434

4.6 Financial result

The financial result primarily includes interest expenses for long-term and short-term liabilities. Interest due from affiliated companies totals EUR 21,360.00. Interest payable to affiliated companies totals EUR 77,458.00.

4.7 Extraordinary expenses

Extraordinary expenses relate to the loss incurred as a result of the merger of pro + pro Energiesysteme GmbH & Co. KG and BWU-Anlagenfertigung und -service GmbH, effective as of January 1, 2001.

4.8 Taxes

Taxes on income did not affect extraordinary income. They only affect the income from ordinary business activities.

5 Other information

5.1 Contingent liabilities

As of the reporting date, contingent liabilities amounted to EUR 6,821,758.00 for guarantees provided in connection with financing an affiliated company.

5.2 Other financial obligations

As of December 31, 2001, the following obligations existed, primarily arising from a work performance contract and lease agreements:

	EUR
2002	764,681
2003	60,682
2004	60,682
2005	60,682
Total	946,727

5.3 Number of employees

In fiscal 2001, the number of employees was as follows:

2001	average	31/12/01
white collar employees	84	109
blue collar employees	121	139
Total	205	248

The number of employees increased across all divisions of the Company. Especially highly qualified employees and employees with experience in wind power were hired to ensure that the higher order volume will be handled proficiently. More employees will be added next year.

5.4 Information on the governing bodies

The following are the members of the Supervisory Board of REpower Systems AG appointed for the fiscal year ending December 31, 2001:

- Mr. Johan Christian Traxel, Hamburg; Banker
(Member and Chairman until March 27, 2001)
membership in other governing bodies:
Chairman of the Supervisory Board of Flender Werft AG, Lübeck,
Member of the Supervisory Board of Behn Meyer Holding AG, Hamburg.
- Dr. Klaus-Detlef Wulf, Aachen; Physician
(Chairman as of April 27, 2001)
membership in other governing bodies:
General Manager of R.E.A. S.R.L. Italy, Milan,
Member of the Managing Board of Santas Turkey, Istanbul,
Member of the Supervisory Board of Denker & Wulf AG, Sehestedt,
Member of the Supervisory Board of R.E.A. AG, Sehestedt.
- Mr. Udo Bandow, Hamburg; Banker
(Member and Deputy Chairman as of April 27, 2001)
membership in other governing bodies:
President of the Board of Directors of HANSA-NORD-LUX Management-gesellschaft AG, Luxemburg,
Chairman of the Supervisory Board of NORDINVEST Norddeutsche Investment-Gesellschaft mbH, Hamburg,
Chairman of the Supervisory Board of Wave Management AG, Hamburg,
Chairman of the Supervisory Board of Hamburger Sport-Verein e.V., Hamburg,
Deputy Chairman of the Supervisory Board of BÖAG Börsen AG, Hamburg and Hannover,
Deputy Chairman of the Supervisory Board of Deutsche Schiffsbank AG, Bremen and Hamburg,
Deputy Chairman of the Supervisory Board of Conrad Hinrich Donner Bank AG, Hamburg,
Deputy Chairman of the Supervisory Board of Hannoversche Lebensversicherung a.G., Hannover,
Deputy Chairman of the Supervisory Board of HANSAINVEST Hanseatische Investment-Gesellschaft mbH, Hamburg,
Deputy Chairman of the Supervisory Board of Hanseatische Verlags-Beteiligungs AG, Hamburg,
Member of the Supervisory Board of Vereins- und Westbank AG, Hamburg,
Member of the Supervisory Board of Holsten Brauerei AG, Hamburg,
Member of the Supervisory Board of IDUNA Vereinigte Lebensversicherung a.G. für Handwerk, Handel und Gewerbe, Hamburg,
Member of the Supervisory Board of Norddeutsche Versicherungs-Aktiengesellschaft, Hamburg.
- Mrs. Monika Kuck, Aachen; Businesswoman
membership in other governing bodies:
Member of the Municipal Council of the City of Aachen,
Member of the Managing Board of R.E.A. AG, Sehestedt,
Member of the Supervisory Board of STAWAG, Aachen.
- Dr. Klaus Rave, Kronshagen; Banker
(as of August 1, 2001)
membership in other governing bodies:
Member of the Executive Management of Investitionsbank Schleswig-Holstein, Kiel,
President of the European Wind Energy Association (EWEA) (until December 31, 2001),
Member of the Managing Board of Fördergesellschaft Windenergie (FGW), Kiel,
Member of the Supervisory Board of Energiesysteme Nord (ESN), Kiel,
Member of the General Shareholders' Meeting of Windtest Kaiser-Wilhelm-Koog.

- Dr. Hans-Joachim Reh, Hamburg; MBA
(as of August 1, 2001)
membership in other governing bodies:
Member of the Managing Board of HEW AG, Hamburg,
Member of the Managing Council of VDEW, Frankfurt a. M.,
Member of the Managing Board of Fachverband für Energie-Marketing und –Anwendung (HEA) e.V.,
Frankfurt a. M.,
Chairman of the Supervisory Board of WEMAG AG, Schwerin,
Member of the Supervisory Board of ESAG Energieversorgung Sachsen Ost AG, Dresden,
Member of the Supervisory Board of GESO Beteiligungs- und Beratungs-AG, Dresden,
Member of the Supervisory Board of DREWAG Stadtwerke Dresden GmbH, Dresden,
Member of the Supervisory Board of Bewag AG, Berlin,
Member of the Supervisory Board of TÜV Norddeutschland, Hamburg.
- Dr. Klaus-Walter Hardebeck, Aachen; Physician
(until December 20, 2001)
- Dr. Rolf Bierhoff, Essen; MBA
(as of December 21, 2001)
membership in other governing bodies:
Member of the Managing Board of RWE Net AG, Essen (until December 31, 2001),
Member of the Supervisory Board of Veba Kraftwerke Ruhr AG, Gelsenkirchen,
Member of the Supervisory Board of STEAG AG, Essen,
Member of the Advisory Board of RHENAG AG, Cologne,
President of the European Organization of Electrical Associations, Eurelectric, Brussels

In 2001, the members of the Supervisory Board received compensation totaling EUR 25,305.55.

The following are the members of the Managing Board of REpower Systems AG appointed for fiscal 2001:

- Prof. Dr. Fritz Vahrenholt, Hamburg; Chemist
(as of April 27, 2001, Chairman)
membership in other governing bodies:
Chairman of the Managing Board of the Forum for Future Energies, Bonn,
Member of the Supervisory Board of ThyssenKrupp Technologies AG, Essen,
Member of the Supervisory Board of Norddeutschen Affinerie, Hamburg,
Member of the Supervisory Board of Denker & Wulf AG, Sehestedt,
Member of the Supervisory Board of P+T Technology AG, Hamburg (until March 31, 2001),
Member of the Supervisory Board of Deutsche Shell GmbH (until June 30, 2001),
Member of the Supervisory Board of ENRO AG, Essen (until November 30, 2001),
Chairman of the Board of Directors of SAM Smart Energy AG, Zurich.
- Mr. Jens-Peter Stöhr, Hamburg; MBA
(as of April 27, 2001)
- Mr. Matthias Schubert, Rendsburg, Degreed Engineer
(as of April 27, 2001)
- Mr. Hugo Denker, Hamburg; Banker
(as of December 20, 2000)
membership in other governing bodies:
Member of the Supervisory Board of Denker & Wulf AG, Sehestedt.

In 2001, the Company paid total compensation of EUR 876,269 to the members of the Managing Board, including commissions and a one-time bonus.

5.5 Parent company

RE-DKW Beteiligungs GmbH, Sehestedt is the parent company and directly and indirectly holds a total of 78.6% of the Company's share capital. The parent prepares consolidated financial statements for most of the companies.

5.6 Recommended appropriation of profits

The Managing Board recommends that the profit be carried forward.

Hamburg, February 2002

REpower Systems AG
The managing board



Prof. Dr. Fritz Vahrenholt



Hugo Denker



Matthias Schubert



Jens-Peter Stöhr

Independent Auditor's Report:

We have audited the annual financial statements, including the accounting and management report, of REpower Systems AG, Hamburg, for the fiscal year from January 1 to December 31, 2001. The Company's legal representatives are responsible for the accounting and for preparation of the annual financial statements and management report in accordance with the rules of German commercial law and the supplemental rules in the Company's charter and bylaws. Our responsibility is to issue an opinion, based on our audit, on the annual financial statements, including the accounting, and on the management report.

We conducted our audit of the financial statements in accordance with § 317 of the German Commercial Code (HGB), complying with the German generally accepted standards for the audit of financial statements established by the Institute of German Certified Public Accountants (IDW). These standards require that we plan and perform the audit so that we are reasonably certain to discover errors and violations that would have a material effect on the view of the net assets, financial position and results of operations presented in the annual financial statements in accordance with German generally accepted accounting principles, and in the management report. In determining our audit activities, we take into account our knowledge about the business activity and the economic and legal environment of the company as well as expectations of possible errors. As part of the audit, we evaluate, mainly on the basis of sampling, the effectiveness of the accounting-related internal control system as well as the evidence supporting the items recorded in accounting reports, the annual financial statements, and the management report. The audit encompasses an evaluation of the accounting principles used, the significant estimates made by the legal representatives, and an evaluation of the overall presentation of the annual financial statements and the management report. We believe that our audit provides a sufficiently reasonable basis for our assessment.

Our audit has not given rise to any objections.

In our opinion, the annual financial statements provide a true and fair presentation of the net assets, financial position and operating results of the company in accordance with German generally accepted accounting principles. The management report provides an overall accurate view of the company's situation and accurately presents the risks of future developments.

Hamburg, February 4, 2002

Susat & Partner oHG, Wirtschaftsprüfungsgesellschaft
(Certified Public Accountants)

Dr. Paassen
Wirtschaftsprüfer (Certified Public Accountant)

Driesch
Wirtschaftsprüfer (Certified Public Accountant)

Bestätigungsvermerk des Abschlussprüfers:

Wir haben den Jahresabschluss unter Einbeziehung der Buchführung und den Lagebericht der REpower Systems AG, Hamburg, für das Geschäftsjahr vom 1. Januar bis 31. Dezember 2001 geprüft. Die Buchführung und die Aufstellung von Jahresabschluss und Lagebericht nach den deutschen handelsrechtlichen Vorschriften und den ergänzenden Regelungen in der Satzung liegen in der Verantwortung der gesetzlichen Vertreter der Gesellschaft. Unsere Aufgabe ist es, auf der Grundlage der von uns durchgeführten Prüfung eine Beurteilung über den Jahresabschluss unter Einbeziehung der Buchführung und über den Lagebericht abzugeben.

Wir haben unsere Jahresabschlussprüfung nach § 317 HGB unter Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten deutschen Grundsätze ordnungsmäßiger Abschlussprüfung vorgenommen. Danach ist die Prüfung so zu planen und durchzuführen, dass Unrichtigkeiten und Verstöße, die sich auf die Darstellung des durch den Jahresabschluss unter Beachtung der Grundsätze ordnungsmäßiger Buchführung und durch den Lagebericht vermittelten Bildes der Vermögens-, Finanz- und Ertragslage wesentlich auswirken, mit hinreichender Sicherheit erkannt werden. Bei der Festlegung der Prüfungshandlungen werden die Kenntnisse über die Geschäftstätigkeit und über das wirtschaftliche und rechtliche Umfeld der Gesellschaft sowie die Erwartungen über mögliche Fehler berücksichtigt. Im Rahmen der Prüfung werden die Wirksamkeit des rechnungslegungsbezogenen internen Kontrollsystems sowie Nachweise für die Angaben in Buchführung, Jahresabschluss und Lagebericht überwiegend auf der Basis von Stichproben beurteilt. Die Prüfung umfaßt die Beurteilung der angewandten Bilanzierungsgrundsätze und der wesentlichen Einschätzungen der gesetzlichen Vertreter sowie die Würdigung der Gesamtdarstellung des Jahresabschlusses und des Lageberichts. Wir sind der Auffassung, dass unsere Prüfung eine hinreichend sichere Grundlage für unsere Beurteilung bildet.

Unsere Prüfung hat zu keinen Einwendungen geführt.

Nach unserer Überzeugung vermittelt der Jahresabschluss unter Beachtung der Grundsätze ordnungsmäßiger Buchführung ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft. Der Lagebericht gibt insgesamt eine zutreffende Vorstellung von der Lage der Gesellschaft und stellt die Risiken der künftigen Entwicklung zutreffend dar.

Hamburg, den 4. Februar 2002

Susat & Partner oHG, Wirtschaftsprüfungsgesellschaft

Dr. Paaßen
Wirtschaftsprüfer

Driesch
Wirtschaftsprüfer

Changes in Fixed Assets of REpower Systems AG
as of December 31, 2001

	Balance 1/1/01 EUR	Additions from merger EUR	Acquisition or production costs			Balance 12/31/01 EUR
			Additions EUR	Reclassi- fications EUR	Disposals EUR	
I. Intangible assets						
1. Software and other licenses	0.00	150,204.70	273,021.60	0.00	0.00	423,226.30
2. Goodwill	0.00	204,516.75	0.00	0.00	0.00	204,516.75
	0.00	354,721.45	273,021.60	0.00	0.00	627,743.05
II. Tangible assets						
1. Land and buildings	0.00	1,710,092.69	2,220,890.27	24,705.65	0.00	3,955,688.61
2. Technical equipment and machines	0.00	2,375,735.72	367,412.86	0.00	0.00	2,743,148.58
3. Factory and office equipment	0.00	1,636,138.52	1,996,349.65	0.00	281,771.16	3,350,717.01
4. Prepayments on tangible assets and construction in progress	0.00	25,636.21	315,498.71	-24,705.65	0.00	316,429.27
	0.00	5,747,603.14	4,900,151.49	0.00	281,771.16	10,365,983.47
III. Financial assets						
1. Shares in affiliated companies	0.00	105,219.52	1,158,890.81	0.00	0.00	1,264,110.33
2. Investments	0.00	68,430.11	348,301.01	-13,037.94	0.00	403,693.18
3. Long-term securities	0.00	28,689.20	4,249.09	0.00	0.00	32,938.29
	0.00	202,338.83	1,329,499.76	-13,037.94	0.00	1,518,800.65
Total	0.00	6,304,663.42	6,502,672.85	-13,037.94	281,771.16	12,512,527.17

Depreciation and amortization					Book values		
Balance	Additions	Additions	Reclassi-	Disposals	Balance	Balance	Balance
1/1/01	from merger		fications		12/31/01	12/31/01	12/31/00
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
0.00	115,141.33	45,421.62	0.00	0.00	160,562.95	262,663.35	0.00
0.00	26,781.98	29,225.44	0.00	0.00	56,007.42	148,509.33	0.00
0.00	141,923.31	74,647.06	0.00	0.00	216,570.37	411,172.68	0.00
0.00	64,165.90	92,243.34	0.00	0.00	156,409.24	3,799,279.37	0.00
0.00	419,260.98	381,457.87	0.00	0.00	800,718.85	1,942,429.73	0.00
0.00	549,040.96	673,031.13	0.00	114,177.54	1,107,894.55	2,242,822.46	0.00
0.00	0.00	0.00	0.00	0.00	0.00	316,429.27	0.00
0.00	1,032,467.84	1,146,732.34	0.00	114,177.54	2,065,022.64	8,300,960.83	0.00
0.00	0.00	0.00	0.00	0.00	0.00	1,264,110.33	0.00
0.00	0.00	181,941.15	0.00	0.00	181,941.15	221,752.03	0.00
0.00	4,807.25	0.00	0.00	0.00	4,807.25	28,131.04	0.00
0.00	4,807.25	0.00	0.00	0.00	4,807.25	1,513,993.40	0.00
0.00	1,179,198.40	1,403,320.55	0.00	114,177.54	2,286,400.26	10,226,126.91	0.00

