

# Interim Report

First Half-Year 2008/09

1 April 2008 – 30 September 2008



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## REpower Systems Group figures

<b>Group figures according to IFRS</b>	<b>01.04.08- 30.09.08</b>	<b>Pro-forma 01.04.07- 30.09.07</b>	<b>01.01.08- 31.03.08</b>
Sales in TEUR	529,849.4	275,258.8	147,405.8
Total operating performance in TEUR	531,108.2	268,675.6	150,162.1
Operating result in TEUR	22,680.1	7,601.9	3,050.9
Earnings before tax in TEUR	23,873.1	9,050.4	3,414.2
Net income for the year in TEUR	14,359.6	4,976.7	1,378.1
Investments in TEUR on the balance sheet date	40,568.1	18,235.1	30,711.0
Number of employees (REpower Group) on the balance sheet date	1,448	1,085	1,246
	<b>30.09.08</b>		
Total assets in TEUR	791,317.9		
Shareholders' equity in TEUR	361,300.1		
Equity ratio in %	46.0		
Shares outstanding* (1 EUR)	9.082.595		
Earnings per share in EUR*	1.64		
Xetra closing price in EUR on 30 September 2008	206.41		

\*weighted average

## Management report

### Market performance

According to the study conducted by leading German research institutes, "The State of the Global and German economies in Autumn 2008", expansion of the global economy has slowed significantly during the course of 2008. However, the institutes still predict growth of 2.5 % for 2008 (GDP growth 2007: 3.5 %). Nevertheless, global real GDP is predicted to increase by only 1.8 % in 2009. The researchers see the global crisis on property and financial markets coupled with rising inflation driven by raw material prices as the main causes of the global economic situation.

In the opinion of the economic researchers, Germany – the world's leading exporter – is also affected by the crisis. The Federal Statistical Office of Germany reported a decline by 0.5 percentage points for German GDP in the second quarter of 2008 compared to the previous quarter. In the study, experts reduced their forecasts for economic growth in Germany from 1.4 % to 0.2 %. Should the financial crisis continue to affect the manufacturing industry, then an even stronger decline in GDP is to be expected. Only if the banking sector stabilises, could the economy begin to recover from mid-2009.

For the wind industry the financial crisis primarily impacts the American market – is the assessment of the Danish market research company, MAKE Consulting ApS. Europe was affected by the crisis to a much lesser extent because European projects were generally more manageable, and it was easier to find financing for projects there.

MAKE forecasts a newly installed global output of over 24,000 megawatts (MW) in 2008, which represents growth of 20 % compared to the previous year. In addition, MAKE expects an annual average growth rate of 16 % and a volume of capital expenditure exceeding EUR 300 billion in the forecasting period 2008–2013. According to MAKE, future growth will be driven primarily by Asia, the USA and Canada. In the forecasting period, Europe will contribute to global growth with an annual growth rate of 12 %, and in doing so it is predominantly Germany and Britain that will move the expansion of the offshore area forward.

Due to the consequences of the credit crisis, the Danish market research company adjusted its outlook for America and Europe in 2009 downwards. In America, it is anticipated that only 7,200 MW will be installed in 2009, instead of the 8,900 MW previously forecast. In Europe, MAKE expects new installations amounting to 7,130 MW in comparison to the 10,030 MW previously forecast for 2009.

However, the Danish experts assumed that there was no serious impact to be feared in Germany, as investment in wind energy was still attractive and demand continued due to high protected feed-in tariffs.

### The share

As a reaction to the crisis on financial markets, share prices on the global stock exchanges have sharply declined since the beginning of the year. In mid-September 2008, the DAX fell to 5,500 and reached its lowest point since the summer of 2006. The technology index, TecDAX, also fell from 950 at the start of the 2008 calendar year to just 650 at the end of September 2008.

The REpower share developed better than the TecDAX benchmark in the reporting period (1 April 2008–31 September 2008), and closed at EUR 206.41 on 30 September 2008. With a rise in share price of almost 50 % since the beginning of fiscal year 2008/09 and an average price of EUR 208.69, the REpower share performed well. On a total of 130 trading days in the reporting period, an average of 10,221 REpower shares were traded on the Xetra trading platform.

### Sales related wind turbine types in the periods 1 April–30 September 2008 and 1 April–30 September 2007.

Turbine type	01.04.–30.09.08		01.04.–30.09.07	
	Number of turbines	Total output in MW	Number of turbines	Total output in MW
5M	6	30.0	0	0.0
MM92	138	276.0	56	112.0
MM82	108	216.0	52	104.0
MM70	4	8.0	8	16.0
MD77	0	0.0	23	34.5
MD70	0	0.0	1	1.5
<b>Total</b>	<b>256</b>	<b>530.0</b>	<b>140</b>	<b>268.0</b>

### Order performance

The order backlog at the end of the reporting period was 683 wind turbines (previous year: 609) with a total output of 1,434.6 megawatts (previous year: 1,223.0 megawatts). As a result, the potential order volume was approximately EUR 1.52 billion (previous year: EUR 1.16 billion). This represents an increase of over 31 %.

### Order book at 30 September 2008, compared with 30 September 2007

Turbine type	30.09.08		30.09.07	
	Number of turbines	Total output in MW	Number of turbines	Total output in MW
6M	3	18.0	0	0.0
5M	18	90.0	9	45.0
MM92	460	920.0	322	644.0
3.XM	2	6.6	0	0.0
MM82	200	400.0	226	452.0
MM70	0	0.0	8	16.0
MD77	0	0.0	44	66.0
<b>Total</b>	<b>683</b>	<b>1,434.6</b>	<b>609</b>	<b>1,223.0</b>

Almost 21 % of the turbines in the order backlog are distributed within Germany, while over 79 % go abroad. This includes all signed purchase orders, some of which are still subject to precedent conditions (for example, approvals or financing commitments).

## News in the reporting period

From 9–13 September 2008, one of the most important wind energy trade fairs, HUSUM WindEnergy 2008, again took place in Husum (Schleswig-Holstein) with 23,000 visitors from over 40 countries. On their stand, REpower Systems AG took this opportunity to present the new REpower 3.XM wind turbines (rated output of 3.3 MW), as well as other products.

REpower Systems AG successfully installed the sixth 5M-turbine at the Thornton Bank offshore wind farm at the end of September 2008. The contract partner for this first Belgian offshore wind farm, approximately 30 km from the port of Zeebrugge, is C-Power. C-Power plans to enlarge the Thornton Bank project to a total of 300 megawatts.

## Business development

In the period between April and September 2008, REpower Systems AG produced a total of 256 turbines with a total capacity of 530.0 MW, which had an impact on sales. In the previous year, 140 turbines with a total output of 268.0 were installed. In terms of total installed output, this equates to an increase of almost 98 %.

## Earnings situation

Business figures from the first half of fiscal year 2008/09 (April 1, 2008 to September 30, 2008) are compared with those from short fiscal year 2008 (1 January 2008 to 31 March 2008).

Including the financial data of consolidated affiliated companies, the company generated a total operating performance of EUR 531.1 million in comparison to EUR 150.2 million in the short fiscal year. Sales again improved, increasing from EUR 147.4 million at the end of March 2008 to EUR the current figure of 529.8 million.

EBIT increased from EUR 3.1 million to EUR 22.7 million at the end of September 2008. Net earnings also increased significantly, totalling EUR 14.4 million at the end of September 2008 in comparison to EUR 1.4 million as of the end of the short fiscal year 2008.

Due to improved financial management, interest income of almost EUR 700 thousand was generated. Earnings before tax increased to EUR 23.9 million – up from EUR 3.4 million at the end of the short fiscal year.

## Assets and liabilities and financial position

In the reporting period, total assets increased from EUR 693.5 million as of the end of the short fiscal year to EUR 791.3 million, primarily due to the increase in current assets by EUR 61.5 million.

In the current assets item, it was primarily other assets and receivables from construction contracts that saw a sharp increase. During the reporting period, inventories also rose significantly by EUR 25.9 million to EUR 170.7 million.

Within liabilities, current liabilities increased from EUR 346.0 million to EUR 386.2 million, driven by a sharp increase in trade accounts payable. Non-current liabilities increased from EUR 18.4 million at the end of the short fiscal year to EUR 43.8 million at the end of September 2008. At the same time, shareholders' equity increased from EUR 329.1 million to EUR 361.3 million.

By resolution of the Annual General Meeting on 20 August 2008, no dividends were distributed for the fiscal year 2008 so that the funds are retained in the company and continue to remain available. In total, funds amounting to EUR 40.6 million were used for investments.

### Opportunities and risk report

No major changes have taken place in the 26 individual risks since the last reporting period. However, in view of the growth forecasts and the associated expansion of business activities, the risk relating to entry into new markets can be assessed as slightly higher. REpower Systems AG is dealing with this risk by intensively examining the risks before each market entry and closing monitoring all existing risks. Risk is also being minimised by ensuring a suitable lead time for testing technologies and acquiring technical expertise according to local requirements.

### Research and development

At the HUSUM WindEnergy 2008, REpower unveiled its new wind turbine with a rated output of 3.3 megawatts: the 3.XM. It is expected that the first of a total of two REpower 3.XM prototypes will be erected before the end of the year, and the second will follow shortly after. After they have been commissioned, both turbines will be subjected to an extensive test and validation programme to carry out optimisation and pass the necessary tests to achieve type certification. The coastal site near Husum with strong winds was chosen as a site for the prototypes, as it offers ideal conditions for the planned tests.

The rotor blade RE50.8 designed especially for the REpower 3.XM is currently undergoing static load tests which should be completed successfully soon. The rotor blade was developed internally for the REpower 3.XM and includes the experience gained through the development of the RE40/RE45 blades. It is also distinguished by high aerodynamic efficiency and significantly contributes to the low acoustic output level of the turbine. It is expected that three more REpower 3.XM turbines will be erected at a coastal site near the Danish border during the first half of 2009. These will also constitute the pilot series of this new range.

The 6M prototype turbines are currently in the final stages of assembly at the new production site in Bremerhaven. The erection of these turbines is planned for the first quarter of 2009. The 6M technology builds upon the very good experience that was already gained from the 5M range. The turbines not only set themselves apart from the 5M with the increase to 6 megawatts, but also with the integration of current and future requirements in terms of the SCADA remote monitoring and management system and grid properties.

For the entire product line-up including the MM range, REpower offers modular extendable electronic properties – the so-called grid products. These are developed on an ongoing basis to fulfil the requirements of the grid operators in terms of turbines.

With regards to the SCADA systems, the REguard Interface B OPC-DA was developed to allow customers direct SCADA access to their wind farm. It can be integrated into existing SCADA systems.

### Staff situation

The number of employees in the REpower Systems Group has again increased compared to the corresponding period of the previous year, and totalled 1,448 on 30 September 2008, compared with 1,085 employees on 30 September 2007.

REpower currently employs 44 interns and students and 53 trainees. All apprentice positions have been filled. 40 % of REpower employees have a technical background and around 23 % of the employees are engineers.

<b>Staff development</b>	<b>30.09.08</b>	<b>30.09.07</b>
Staff development	1,448	1,085
Staff at REpower Systems AG	1,076	946

## Forecast

Despite the global crisis on the financial market and its impact on the real economy, REpower Systems AG anticipates sound growth in the 2008/2009 fiscal year on the global wind energy market, driven for the most part by America, Europe and Asia.

In 2008, MAKE Consulting expects a newly installed output of 9,000 MW in America, 7,885 MW in Europe and new installations totalling 6,980 MW in Asia. They also forecast global growth in installed output of over 24,000 MW in 2008. By 2013, the cumulated global installed output is expected to be over 300,000 MW.

REpower believes that the political aim of the German government to replace 20 % of primary energy consumption with renewable energy by 2020 can only be achieved if more wind energy can be produced offshore. Therefore, REpower is of the opinion that the offshore business will play an important role in the coming years. REpower considers a total output of 1,500 MW of installed offshore wind energy output by 2011 to be realistic.

REpower affirms its forecast for the current financial year 2008/09 expecting an increase of the sales volume to EUR 1.1 billion and an EBIT margin of 5.5 to 6.5 percent.

Due to an expected slow-down of the wind energy market in 2009 – which might be reflected in a stagnating or even slightly declining number of new installations – REpower notes a certain risk of project shifts on the part of customers in the next business year. In order to allow for this potential risk REpower is adapting its sales growth forecast for 2009/10 from formerly 40-50 percent to 30-35 percent. This remains a higher-than-average growth in the market and also implies a further rise in EBIT margin compared to the current business year.

## Annual General Meeting and changes to the corporate bodies

The company's shareholders again expressed their support for REpower Systems AG at this year's Annual General Meeting on 20 August 2008. All the items on the agenda were passed in line with the recommendations of the Executive Board and the Supervisory Board by significant majorities. With effect from 19 August 2008, Dr Christof Maria Fritzen was legally appointed as a member of the Supervisory Board of REpower Systems AG and therefore replaced Mr André Horbach who stepped down from his position on 6 June 2008. In addition, two new Supervisory Board members, Mr Girish R. Tanti and Mr Kirtikant Jasvantrai Vagadia were nominated and voted into the Supervisory Board for the period of time up until the Annual General Meeting which resolved the discharge for the 2009/10 fiscal year. Almost 89 % of the voting capital was represented at this year's Annual General Meeting.

### **Important events after the balance sheet date**

Mr Oliver Heinecke, employee representative on the Supervisory Board of REpower Systems AG, announced to the members of the Supervisory Board his intention to step down from the Supervisory Board with effect from 23 October 2008. Effective from 24 October 2008, Mr Kai Trede became his successor.

On 1 September 2008, Mr Tulsi R. Tanti, Chairman of the Indian SUZLON Group asked the Executive Board of REpower Systems AG to initiate negotiations about a control and profit transfer agreement with SE Drive Technik GmbH ("SEDTE"), Bochum.

On 27 October 2008, in an ad-hoc release REpower announced that it is in advanced discussions about growth financing with a bank consortium. In order to conclude financing agreements, this consortium requires that there is no control and profit transfer agreement with Suzlon. In this context and in the light of the current crisis on the financial markets, REpower and Suzlon have discontinued negotiations on concluding a control and profit transfer agreement.

### **Responsibility statement**

"To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the group interim management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the group in the remaining year."



### Consolidated balance sheet of Repower Systems AG in compliance with IFRS

Assets	(EUR)	30.09.2008	31.03.2008
<b>Current assets</b>			
Liquid assets		72,100,669	177,578,201
Shares in project corporations		25,999	25,999
Future accounts receivables from contract orders		166,254,753	118,945,782
Trade accounts receivable		65,866,431	51,193,348
Intragroup receivables		1,003,061	526,387
Receivables from associates and joint ventures		50,136,595	21,278,088
Inventories		170,732,651	144,840,304
Total other assets		113,596,373	63,798,458
<b>Total current assets</b>		<b>639,716,532</b>	<b>578,186,567</b>
<b>Non-current assets</b>			
Other Intangible assets		26,955,085	22,279,552
Goodwill		1,387,367	1,387,367
Property, plant and equipment		107,652,914	77,172,317
Investments in associates and other companies		5,361,084	4,497,432
Other financial investment		597,923	625,518
Borrowings		6,547,534	6,728,527
Deferred taxes		1,844,541	1,039,962
Other assets		1,254,960	1,596,603
<b>Total non-current assets</b>		<b>151,601,408</b>	<b>115,327,278</b>
<b>Total assets</b>		<b>791,317,940</b>	<b>693,513,845</b>

Liabilities	(EUR)	30.09.2008	31.03.2008
<b>Short-term liabilities</b>			
Short-term loans and short-term percentage of longterm loans		236,989	668,536
Trade accounts payable		151,280,417	92,396,012
Liabilities from associates and joint ventures		6,996,704	11,472,547
Advance payments received		184,318,644	202,239,688
Provisions		21,789,247	20,451,201
Deferred sales		10,278,267	7,003,186
Income tax liabilities		1,007,367	1,524,010
Other short-term liabilities		10,309,586	10,260,174
<b>Total short-term liabilities</b>		<b>386,217,221</b>	<b>346,015,354</b>
<b>Long-term liabilities</b>			
Long-term loans		15,738,686	1,375,059
Capital from profit participation rights		10,000,000	10,000,000
Deferred taxes		18,061,973	7,005,713
<b>Total long-term liabilities</b>		<b>43,800,659</b>	<b>18,380,772</b>
<b>Equity capital</b>			
Subscribed capital		9,171,614	8,993,576
Capital reserve		300,156,456	282,441,254
Exchange differences		-76,675	-6,185
Earned group equity		51,998,100	37,076,530
Equity entitled to shareholders		361,249,495	328,505,175
Minority interests		50,565	612,544
<b>Total equity capital</b>		<b>361,300,060</b>	<b>329,117,719</b>
<b>Total liabilities</b>		<b>791,317,940</b>	<b>693,513,845</b>

### Consolidated income statement of Repower Systems AG in compliance with IFRS

Income statement	(EUR)	01.04.08- 30.09.08	01.01.08- 31.03.08
Sales		529,849,386	147,405,839
Changes in work progress		1,129,087	2,678,962
Company-produced additions to plant and equipment		129,745	77,291
<b>Total performance</b>		<b>531,108,218</b>	<b>150,162,092</b>
Other operating income		3,324,952	2,435,934
Cost of material/cost of purchased services		-434,777,778	-120,478,805
Personnel expenses		-34,926,660	-14,274,286
Depreciation on property, plant and equipment and amortization on intangible assets		-4,789,315	-1,970,683
Other operating expenses		-37,259,367	-12,823,369
<b>Operating result</b>		<b>22,680,050</b>	<b>3,050,883</b>
Interest and similar financing income		2,737,434	2,174,642
Interest and similar financing expenses		-2,040,491	-1,913,481
Share of result from associates and joint-ventures		496,059	102,172
<b>Income before taxes</b>		<b>23,873,052</b>	<b>3,414,216</b>
Taxes on income		-9,513,462	-2,036,078
<b>Net income for the year</b>		<b>14,359,590</b>	<b>1,378,138</b>
Share of net income for the year attributable to minority interests		-561,980	-101,309
Share of net income for the year attributable to shareholders of the parent company		14,921,570	1,479,447
Earnings per share (undiluted)		1.64	0.16
Average shares circulating		9,082,595	8,993,576

### Consolidated Cash flow statement of REpower Systems AG in compliance with IFRS

Cash flow statement	(EUR)	01.04.08- 30.09.08	01.01.08- 31.03.08
<b>Cash flow from operating activities</b>		<b>23,873,052</b>	3,414,216
Profit for the period before taxes			
Adjustments for:			
Depreciation on property, plant and equipment, amortization of intangible assets and write-down of financial assets		4,789,315	1,970,683
Interest income		-2,737,434	-2,174,642
Interest expenses		2,040,491	1,220,709
Increase/decrease in provisions		1,338,046	-314,233
Profit/loss on disposal of fixed assets		0	-11,115
Change in working capital		-116,311,023	79,984,839
Interest received		2,737,434	2,174,642
Interest paid		-2,040,491	-1,220,709
Income tax paid		-104,663	166,260
<b>Cash flows from/used in operating activities</b>		<b>-86,415,272</b>	<b>85,210,650</b>
<b>Cash flow from investing activities</b>			
Proceeds from the sale of fixed assets		36,998	803,054
Payments for the purchase of property, plant and equipment		-40,605,074	-53,507,215
<b>Cash flows used in the acquisition of investments</b>		<b>-40,568,076</b>	<b>-52,704,161</b>
<b>Cash flow from financing activities</b>			
Payments from capital increase		7,573,737	0
Borrowings of Loans		14,363,627	-31,759
<b>Cash flows used in/from financing activities</b>		<b>21,937,364</b>	<b>-31,759</b>
<b>Increase/decrease in cash and cash equivalents</b>		<b>-105,045,985</b>	<b>32,474,730</b>
Cash and cash equivalents at the beginning of the period		176,909,665	144,434,935
<b>Cash and cash equivalents at the end of the period</b>		<b>71,863,680</b>	<b>176,909,665</b>
Bank balances		72,100,669	177,578,201
Short-term bank liabilities		-236,989	-668,536
<b>Cash and cash equivalents at the end of the period</b>		<b>71,863,680</b>	<b>176,909,665</b>

## Notes to the IFRS consolidated interim financial statements as per 30 September 2008

### Accounting policies

These consolidated interim financial statements for the period 1 April 2008 to 30 September 2008 were produced from the single-entity financial statements of all the companies included. In accordance with commercial law, these statements had been converted to IFRS. The necessary consolidating entries were taken into consideration. The valuation provisions which are applicable in accordance with IFRS were also observed.

The IFRS principles were observed in accordance with those applied to the most recent REpower Systems Group annual financial statements dated 31 March 2008. The accounting policies in the consolidated financial statements for 2008 were also used for the consolidated interim financial statements dated 30 September 2008. The single-entity financial statements which form its basis are in Euros or have been converted using the official rate.

### Scope of consolidation

There are investments in ten foreign **sales companies** for the purpose of sales in parent company's wind turbines. There are also investments in **production and service companies** as well as in **project companies**. Since the publication of the last interim report, a hundred percent investment into Windenergie Logistik GmbH (WEL) based in Castle Holte-Stukenbrock, has been added to the scope of consolidation. Since 16 August 2008, WEL provides transport services for wind energy turbines and works exclusively by order of REpower Group.

### Investments valued according to the equity method

REpower Portugal and REpower North China serve as production and sales companies for the development of the markets in their respective country. In the future, RETC Renewable Energy Technology Centre GmbH will run a development centre at the parent company's site in collaboration with Suzlon Group.

The proportional profits for the period are taken into consideration in the interim financial statements. In the first 6 months of the fiscal year 2008/09, the Group generated sales totalling EUR 34.5 million from transactions with the associated companies.

## Scope of consolidation

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

	Group share of nominal capital	
	30 September 08 [in %]	31 March 2008 [in %]
<b>Sales companies</b>	<b>100,00</b>	<b>100,00</b>
Repower España S.L., Madrid, Spain	100,00	100,00
REpower S.A.S., Courbevoie, France	100,00	100,00
Repower Italia SRL., Milan, Italy	100,00	100,00
Repower Australia Pty Ltd., Melbourne, Australia	100,00	100,00
REpower Wind Systems, Peking, PR China	100,00	100,00
REpower USA Corp., Portland/Oregon, U.S.A.	100,00	100,00
REpower Canada Inc., Montreal, Canada	100,00	100,00
REpower Benelux b.v.b.a., Brussels, Belgium	100,00	100,00
REpower UK Ltd., Edinburgh, UK	67,00	67,00
REpower Diekat, Athen, Greece	60,00	60,00
<b>Production and service companies</b>		
PowerBlades GmbH, Bremerhaven	51,00	51,00
WEL Windenergie Logistik GmbH, Schloß Holte-Stukenbrock	100,00	0,00
<b>Project companies</b>		
REpower Betriebs- und Beteiligungs GmbH, Rendsburg	100,00	100,00
REpower Investitions- und Projektierungs GmbH & Co. KG, Rendsburg	100,00	100,00

## Investments valued according to the equity method

In the interim financial statements as at 30 September 2008, the following companies are included according to the equity method:

	Group share of nominal capital	
	30 September 08 [in %]	31 March 08 [in %]
REpower Portugal Sistemas Eolicos S.A., Oliveira de Frades, Portugal	50,00	50,00
REpower North China Ltd., Baotou, PR China	50,01	50,01
RETC Renewable Energy Technology Centre GmbH, Hamburg, Germany	50,00	50,00

## Notes on the consolidated balance sheet

Total assets have seen an increase of EUR 97.8 million since the end of short fiscal year 2008. This performance is in line with the requirements from the increased order backlog and can be attributed to an increase of EUR 61.5 million in current assets and an increase of EUR 36.3 million in non-current assets. The material changes between the balance sheet date of 30 September 2008 and that of 31 March 2008 are explained below:

### Assets

The increase of EUR 61.5 million in **current assets** relates to an increase of EUR 62.5 million in receivables from customers and construction orders carried as assets, EUR 25.9 million in inventories, EUR 28.9 million in receivables from associates and joint ventures and EUR 49.7 million in other assets. The total increase of EUR 61.5 million in current assets is financed exclusively by the use of short-term liquid funds. As a result, short-term liquid funds saw a EUR 105.5 million decline from the previous balance sheet date.

**Non-current assets** increased by EUR 36.3 million from the previous balance sheet date. This development primarily relates to an increase of EUR 30.5 million in property, plant and equipment (particularly due to the renovation currently in progress of the Bremerhaven production site and the addition of the fleet from the purchase of WEL Windenergie Logistik GmbH, Schloss Holte-Stukenbrock), a rise of EUR 4.7 million in intangible assets due to the capitalisation of development costs and increased shares in associated companies and joint ventures totalling EUR 0.9 million.

### Liabilities

Changes in liabilities totalling EUR 97.8 million are comprised of a rise of EUR 40.2 million in current liabilities, EUR 25.4 million in non-current liabilities and EUR 32.2 million in shareholders' equity.

Overall, **current liabilities** rose due to the increased backlog. Trade payables increased by EUR 58.9 million from the previous balance sheet date due to the increased volume for the advance financing of inventories from the current cash flow. At the same time, advance payments received saw a decline of EUR 17.9 million due to advance payments from customers for orders. These advance payments only cover those orders which were not to be included in the valuation in accordance with the percentage of completion method. The increase of EUR 1.3 million in provisions since 31 March 2008 primarily results from the deferral of outstanding supplier's invoices and subsequent expenses for wind turbines reported in revenues as of the balance sheet date. All other liabilities were slightly reduced and there was an overall decline of EUR 2.1 million.

Changes in **non-current liabilities** mainly affect the deferral of deferred tax liabilities resulting from temporary differences between statutory computation of taxable profit and carrying amounts in accordance with IFRS and the assumption of long-term loans.

**Shareholders' equity** increased by EUR 32.2 million since the previous balance sheet date. This performance can mainly be attributed to the profit of EUR 14.4 million for the period as well as transfers of EUR 17.8 million into the capital reserves from employee option programs and hedging instruments from derivatives.

## Notes to the income statement

The consolidated income statement is structured the same way as that of 31 March 2008 – in accordance with the specifications as defined by IFRS 1. In this case, the reporting period relates to the period April 1, 2008 to September 30, 2008, the first half of the fiscal year 2008/09. Due to the conversion of the accounting year as of 31 March 2008 to a period which deviates from the calendar year – 1 April to 31 March of the following year – the previous year period from 1 January to 31 March 2008 is provided for reference in the income statement.

In the first six months of the fiscal year 2008/09, a **total operating performance** of EUR 531.1 million was generated from the sale of wind turbines, service shares and royalties. The total operating performance was more than three times that of the comparative period (EUR 150.2 million). During the reporting period, 256 wind turbines with an output of 530 megawatts were installed (comparative period: 65 wind turbines with an output of 129 megawatts).

The **cost of materials** rose by EUR 314.3 million in line with revenues performance; relative to total output, the cost of materials totalled 81.9 percent, having risen 1.6 percentage points year-on-year. This development is due to the fact that more materials were used for the larger wind turbines. **Staff costs** rose by EUR 20.7 million to EUR 34.9 million due to a further increase in the number of employees. **Depreciation on property, plant and equipment and amortisation on intangible assets** increased by EUR 2.8 million to EUR 4.8 million year-on-year due to a rise in investments and scheduled depreciation of development costs. Including an increase of EUR 24.4 million to EUR 37.3 million in **other operating costs**, the operating result as of the balance sheet date is EUR 22.7 million. The operating result is EUR 19.6 million higher than 31 March 2008.

The **financial result** increased by EUR 0.4 million in comparison to the previous year. **Investment income** totalling EUR 0.5 million was generated from associated companies and joint ventures. In total, **earnings before tax** as of the balance sheet date were EUR 23.9 million.

**Tax expense** totals EUR 9.5 million, 40 percent of earnings before tax. Due to a consolidated tax rate of 30 percent relating to earnings before tax, tax expense is expected to equal EUR 7.2 million. The difference of EUR 2.3 million is **primarily** the result of unscheduled amortisation of EUR 1.0 million from the tax loss carry forwards and of EUR 1.0 million from permanent deviations between balance sheet items according to IFRS and the tax balance sheet values (mainly from expenses for the employee option programme). As a result of the acquisition of the majority of shares in the parent company, partial amortisation of the tax loss carry forwards was due to the Suzlon Group and the associated abolition of tax loss carry forwards.

In total, the Group shows positive **earnings after taxes of EUR 14.4 million** as at the balance sheet date 30 September 2008 (comparative period: EUR 1.4 million).

## Notes to the cash flow statement

The cash flow statement as at 30 September 2008 is compared to the cash flow statement as at the balance sheet date of the previous year, 31 March 2008. The cash flow statement as at the balance sheet date reflects the liquidity flow between the consolidated financial statements as at 31 March 2008 and the consolidated interim financial statements as at 30 September 2008.

Due to advance financing from current funds of the increased volume of business, the cash flow statement shows outflow of funds totalling EUR 105.0 million (comparative period: inflows of EUR 32.5 million) with reference to the balance sheet date.

In the first six months of the fiscal year 2008/09, the outflow of funds resulting from **operating activities** totalled EUR 86.4 million. This performance is primarily due to the outflow of liquidity in net current assets totalling EUR 116.3 million.

In terms of **investments**, there was a cash outflow of EUR 40.6 million for investment in property, plant and equipment.

As the current cash flow is being utilised to finance growth, the change in **financing activities** is limited to taking out long-term loans totalling EUR 11.6 million and to inflows from equity injections resulting from an employee option programme totalling EUR 7.6 million.

## Notes to segment financial reporting

Below are the data concerning segment earnings, assets and investments with standard industry aspects taken into account. Previous year figures are provided so that a comparison can be made more easily. The Group operates in the development, production and marketing of wind turbines. The primary reporting format for segmentation is geographical. REpower Systems AG makes the distinction between Germany and Rest of World. A secondary segment cannot be provided, as only one product is manufactured.

Revenues compared with the previous period are as follows:

(EUR)	Segment revenue	
	01.04.08-30.09.08	01.01.08-31.03.08
Germany	45,820,202	17,282,844
Rest of world	484,029,184	130,122,995
	<b>529,849,386</b>	<b>147,405,839</b>

Segment assets compared with the previous period are as follows:

(EUR)	Segment assets	
	30.09.2008	31.03.2008
Germany	775,867,463	685,320,688
Rest of world	15,450,477	8,193,157
	<b>791,317,940</b>	<b>693,513,845</b>

Segment investments compared with the previous period are as follows:

(EUR)	Segment investments	
	30.09.2008	31.03.2008
Germany	40,213,231	31,053,527
Rest of world	391,843	220,325
	<b>40,605,074</b>	<b>31,273,852</b>



## Statement of changes in shareholders' equity of REpower Systems AG in compliance with IFRS

	<b>Subscribed capital in EUR</b>	<b>Additional paid-in capital in EUR</b>	
<b>Balance at 01.01.2008</b>	<b>8,993,576</b>	<b>280,895,128</b>	
Share option plans	0	1,546,126	
Foreign currency translation	0	0	
Net result for the year	0	0	
Group result			
<b>Balance at 01.04.2008</b>	<b>8,993,576</b>	<b>282,441,254</b>	
<b>Balance at 01.04.2008</b>	<b>8,993,576</b>	<b>282,441,254</b>	
Capital increase of executed but not yet registered employee stock option programme	178,038	7,395,699	
Stock option plans	0	3,258,603	
Hedging instruments of derivatives less tax advantages	0	7,060,900	
Foreign currency translation	0	0	
Net result for the year	0	0	
<b>Balance at 30.09.2008</b>	<b>9,171,614</b>	<b>300,156,456</b>	

	<b>Currency translation</b> in EUR	<b>Retained earnings</b> in EUR	<b>Equity attributable to shareholders</b> in EUR	<b>Minority interests</b> in EUR	<b>Total shareholders' equity</b> in EUR
	<b>64,948</b>	<b>35,597,083</b>	<b>325,550,735</b>	<b>713,853</b>	<b>326,264,588</b>
	0	0	1,546,126	0	1,546,126
	-71,133	0	-71,132	0	-71,132
	0	1,479,447	1,479,446	-101,309	1,378,137
	-71,133	1,479,447	1,408,314	-101,309	1,307,005
	<b>-6,185</b>	<b>37,076,530</b>	<b>328,505,175</b>	<b>612,544</b>	<b>329,117,719</b>
	<b>-6,185</b>	<b>37,076,530</b>	<b>328,505,175</b>	<b>612,544</b>	<b>329,117,719</b>
	0	0	7,573,737	0	7,573,737
	0	0	3,258,603	0	3,258,603
	0	0	7,060,900	0	7,060,900
	-70,490	0	-70,490	0	-70,490
	0	14,921,570	14,921,570	-561,979	14,359,591
	<b>-76,675</b>	<b>51,998,100</b>	<b>361,249,495</b>	<b>50,565</b>	<b>361,300,060</b>