



EXPLANATORY NOTES

for business year 2004

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1 General information on the annual financial statement

This annual financial statement as per 31st December 2004 was prepared in compliance with §§ 242 ff HGB (German Commercial Code) and in line with the pertinent regulations specified in AktG (German Companies Act) and the Articles of Incorporation. The regulations for large corporate entities have been applied.

The profit and loss account has been prepared according to the total expenditure format.

In the business year in concern the down payments received were capitalised and visibly separated from the inventories. The pre-year comparative figures were adapted accordingly.

2 Balancing and evaluation methods

The following balancing and evaluation methods were decisive for preparing the annual financial statement.

Acquired intangible assets were balanced according to the historic cost accounting method and will be reduced by scheduled depreciation in line with their period of use.

The tangible fixed assets have been balanced at cost and will be reduced, in so far as subject to wear, by scheduled depreciation. The manufacturing costs comprise the directly attributable individual material costs, direct labour costs, special direct costs as well as production and material overheads. The scheduled depreciation is performed according to the linear method in line with the probable period of use on the basis of tax-approved rates.

	Period of use
Production building	20-50 years
Other buildings	10-30 years
Technical plants and machines	2-21 years
Vehicles	5 years
Operating facilities and office equipment	3-10 years

Probably permanent depreciation in value will be taken into account by unscheduled depreciation at a lower applicable value. In the case of lower value assets with an acquisition cost of up to EUR 410 the option of immediate depreciation is applied.

The financial assets are assessed at cost or at their lower values to be applied as per the balance-sheet date, in so far as the reduction in value is probably permanent.

Stocks of raw materials and supplies have been capitalised at cost at the floating average value.

Work in process and finished goods have been stated at the cost of manufacture on the basis of unit costing, whereby in addition to the directly attributable material unit costs and direct labour costs also special direct costs and production overheads have been taken into account. Costs of general administration and interest are not capitalised.

Down payments effected on inventories are stated in their nominal value.

Down payments received from customers, in so far as these are covered by work-in process are clearly allowed for on the assets side.

For identifiable individual risks in the accounts receivable and other assets provisions in the scope deemed necessary shall be made.

The shares in project companies which are determined for sale shall be stated according to the historic cost accounting method.

In the complete current assets the strict lower of cost or market principle is observed.

Provisions take all identifiable risks and uncertain obligations into account. They are assessed in the amount deemed to be necessary in compliance with commercially reasonable evaluation.

Liabilities are stated as per the amount repayable.

Liabilities in foreign currencies shall be converted at the respective foreign exchange rate on the balance-sheet date, at most however converted with the exchange rate at the date of transaction. Currency liabilities shall be either stated with the buying/selling rate or at a higher rate on the balance-sheet date.

Sales proceeds shall be registered at the point of time at which the products or goods are delivered resp. the substantial services have been rendered. For the point of realising the sales at the delivery of wind turbines three criteria shall apply, firstly the complete installation of the turbine, secondly the existence of a connection to the mains supply and thirdly the logged initialisation. The above-mentioned criteria also apply to the assessment of sales proceeds resulting from the sale of wind turbines to associated companies or project corporations.

Expenses shall be recorded in the profit and loss statement at the point of their economic or legal development.

3 Explanations on the Balance Sheet of REpower Systems AG

3.1 Tangible assets

The development of the individual items of the tangible assets is shown in the assets analysis specifying the depreciation in the business year (exhibit).

The shareholding situation is as follows:

Companies	Shareholding quota	Net assets 31.12.04	Result 2004	Investment book value 31.12.04
	%	EUR	EUR	EUR
Investments				
Associated companies				
REpower Betriebs- und Beteiligungsges. mbH, Rendsburg	100,00	-672.528	-192.621	36
BWU Projekt GmbH, Trampe	100,00	21.091	-695	25.000
REpower Espana S.L., La Coruna, Spain	100,00	367.271	229.719	843.618
REpower Italia s.r.l., Milan, Italy	100,00	34.605	-15.395	52.654
REpower France S.A.S., Belfort, France	100,00	*	*	1.013.700
Eolis S.A.R.L., Belfort, France	100,00	*	*	50.000
Fermes Eoliennes de France S.A.S., Lyon, France	100,00	*	*	0
REpower Diekat S.A., Athens, Greece	60,00	64.692	-39.180	60.000
REpower UK Ltd., Edinburgh, Great Britain	67,00	-271.029	-357.634	95.961
		-455.898	-375.806	2.140.970
Investments				
Enerly Wind Czech s.r.o., Brno, Czech Republic	50,00	-9.290	-18.712	1.463
Heron Aioliki A.E., Drama, Greece ¹	49,00	*	*	1
REpower Geothermie GmbH, Trampe	19,90	-58.384	-3.949	0
REpower Australia Pty Ltd., Maryborough, Australia ²	50,00	-212.000	-223.000	1
REpower Wind Corp., Sudbury, Canada	50,00	-38.778	34.613	30
Sister Lda, Lisbon, Portugal	50,00	*	*	1
Windpark Finsterwalde GmbH, Finsterwalde	30,00	1.853.740	92.231	507.818
Wasserkraft Finowkanal GmbH, Trampe	19,40	-36.404	-21.956	13.500
UPM Umweltprojekt Management GmbH, Trampe	50,00	19.619	-411	12.500
		1.518.503	141.184	535.313

¹ formerly Aioliki REpower A.E.

² formerly Notus Energy Pty Ltd.

* Result not yet available.

The book value of the investments corresponds to the current market value.

The loans receivable refer to interest-bearing loans receivable from associated companies and other loans receivable with a remaining maturity of more than one year. They are as follows:

Companies	Loans 31.12.04
	EUR
REpower France S.A.S., Belfort, France	728.873
REpower Espana S.L., La Coruna, Spain	135.000
REpower UK Ltd., Edinburgh, Great Britain	196.980
Loans due from associated companies	1.060.853
Lamogusta Vermietungsgesellschaft mbH & Co. Vermietungs KG, Lockstedt	1.800.000
Offshore Ostsee Wind AG, Börgerende	515.000
GEO-Watt Polska Sp.zo.o, Pilo, Poland	180.000
Other loans	2.495.000

3.2 Inventories

Raw materials and supplies primarily comprise components for wind turbines. The work-in process refers to wind energy turbines in construction as well as intermediate inputs for project development, rights and infrastructure in connection with the installation of wind turbines. Wind turbines in stock are identified as finished products.

3.3 Receivables and other assets

Receivables are assessed at their nominal value. In so far as future incoming payments are deemed to be questionable according to the principles of commercial caution in the case of some customers, these are nevertheless taken into account by provisions.

The item accounts receivable due from affiliated companies among others identifies short-term loans granted to subsidiaries which are otherwise assigned to other assets (appropriate assets) All receivables and other assets have a maturity of less than one year.

3.4 Shares in project corporations

The shares refer to holdings in (intergroup) project corporations on the national and international market. The project companies are only determined for short-term sale.

3.5 Accruals

The accruals comprise among others disgios amounting to thousand EUR 47 and deferred advance payments for insurance agreements running for multi-year terms in the amount of thousand EUR 5,611.

3.6 Net assets

	31.12.04	31.12.03
	EUR	EUR
I. Drawn capital	5.401.198	5.401.198
II. Capital reserve	82.155.729	82.155.729
III. Retained earnings	9.030.805	9.521.470
	96.587.732	97.078.397

As per the balance sheet date the capital stock was split up into 5,401,198 no-par shares with a computable share in the capital stock corresponding to EUR1.00. The shares are issued in the respective owner's name. The changes in net assets resulted from the dividend payment for business year 2003 and the annual result of 2004.

The balance-sheet profit as per 31st December 2004 developed as follows:

	EUR
Balance-sheet profit as per 31 st December 2003	9.521.470
Profit dividend for business year 2003	- 3.240.719
Annual surplus 2004	2.750.054
Balance-sheet profit as per 31st December 2004	9.030.805

Information on the authorised capital

The capital stock of the company may be raised either once or several times by 15th December 2006 with approval of the Supervisory Board by issuing new shares against cash contribution or contribution in kind up to the amount of EUR 2,799,599,

General annual meeting 2004 and appropriation of funds

At the annual general meeting held on 9th June 2004 it was resolved to use the balance sheet profit for the distribution of a dividend in the amount of EUR 0.60 per ordinary share being entitled to a dividend. The remaining amount shall be carried forward for new account. The development of the balance-sheet profit is displayed below the profit and loss account.

It was furthermore resolved at the annual general meeting to authorise the company to issue a profit-sharing capital up to the amount of thousand EUR 20,000 by 8th June 2009. The company has not made any use of this capital to date.

3.7 Provisions

The tax provisions are current income tax accruals and deferrals. The development of other provisions can be derived from the following chart:

Type of provision	Date 01.01.04	Consumpti on 2004	Dissolution 2004	Additions 2004	Date 01.01.04
	EUR	EUR	EUR	EUR	EUR
Tax accruals and deferrals					
Trade tax	2.031.290	2.031.290	0	0	0
Corporate tax / solidarity surcharge	1.323.610	1.323.610	0	0	0
Property transfer tax, others	84.820	0	0	206.156	290.976
	3.439.721	3.354.901	0	206.156	290.976
Other provisions					
Guarantees	18.705.009	8.265.774	58.340	8.210.000	18.590.895
Holiday provisions	590.700	590.700	0	740.531	740.531
Premiums	978.000	843.000	0	876.254	1.011.254
Annual financial statement	113.900	113.900	0	160.000	160.000
Professional association	243.000	201.624	41.376	250.000	250.000
Rent/lease	16.573	16.573	0	13.498	13.498
Outstanding invoices	1.048.000	1.048.000	0	870.000	870.000
Others	1.461.654	1.427.985	33.669	3.101.185	3.101.185
	23.156.836	12.507.556	133.385	14.221.468	24.737.363
	26.596.557	15.862.457	133.385	14.427.624	25.028.339

3.8 Accounts payable

	Total amountT	up to 1 year	2 to 5 years	> 5 years
	EUR	EUR	EUR	EUR
Bond (profit participation right)	10.000.000	0	0	10.000.000
Amounts due to banks	15.756.028	11.899.979	2.122.837	1.733.212
Down payments received for orders	10.715.991	10.715.991	0	0
Trade accounts payable	60.666.689	60.666.689	0	0
Liabilities from bills of exchange drawn or accepted	2.570.493	2.570.493	0	0
Amounts due to affiliated companies	241.271	241.271	0	0
Liabilities due to companies in which an investment relationship exists	1	1	0	0
Other liabilities	3.443.239	3.443.239	0	0
<i>of which taxes</i>	<i>887.043</i>	<i>887.043</i>	<i>0</i>	<i>0</i>
<i>of which within the scope of social security</i>	<i>628.752</i>	<i>628.752</i>	<i>0</i>	<i>0</i>

As bond a non-convertible participation right is identified.

Of the amounts due to banks thousand EUR 10,756 are secured by liens or similar rights (guarantees, transfers by way of security and assignments of claims).

4 Explanations on the profit and loss account of REpower Systems AG

4.1 Sales

	2004	2003
	EUR	EUR
Sales		
Proceeds from the sale of wind turbines	231.874.301	252.650.035
Maintenance, material sales, Intelligent Service Package (ISP)	13.172.395	8.863.490
License proceeds	1.933.428	2.362.429
Other proceeds	2.182.910	652.732
Proceeds from the sale of power	2.563.597	434.223
Revenue reduction and discounts granted	-1.195.287	-185.395
	250.531.344	264.777.514

73,2 percent of the sales were generated in Germany, and besides Germany in France, Portugal, Italy, the Czech Republic, China and Japan.

4.2 Other operating revenue

	2004	2003
	EUR	EUR
Investment allowance, allowance for research & development	1.206.327	1.005.544
Income from the dissolution of value adjustments	1.488.434	777.701
Profit sharing	0	599.345
Insurance compensation payments	1.554.620	165.094
Income from the dissolution of provisions	133.385	61.841
Real-estate income	24.843	15.463
Income from the disposal of objects from the fixed assets	168.351	2.404
Other income	454.598	1.065.670
	5.030.558	3.693.061

4.3 Material expenses

The expenses for raw materials and supplies were primarily incurred for components, raw materials and supplies, freight and energy costs. The expenses for benefits drawn resulted from third-party freight, sales commissions, third-party services for contract handling and subcontractors.

4.4 Depreciation

The depreciation of intangible assets of the fixed assets and plant, property and equipment are shown in the assets analysis.

4.5 Other operational expenses

	2004	2003
	EUR	EUR
Guarantee	5.716.052	7.018.986
External services	4.028.912	4.169.075
Legal and consulting costs	4.027.378	887.644
Insurance	2.664.813	2.131.819
Administrative costs	2.255.948	2.177.812
Provisions for depreciation	1.976.240	1.982.684
Travel expenses	1.804.694	1.436.240
Passenger car costs (without vehicle insurance)	1.165.821	857.193
Occupancy and real-estate costs	1.030.113	602.787
Computing expenses	870.850	772.330
Money transaction costs	800.604	240.266
Contributions and fees	746.144	190.025
Fair costs	594.215	564.998
Advertising expenses	537.195	398.055
Maintenance	438.858	616.464
Development costs for wind turbine projects	398.808	0
Losses from the disposal of turbines	346.620	332.986
Workshop requirements and tools	330.987	212.585
Expenses for personnel	182.424	49.780
Repairs for machines, operating facilities and office equipment	173.161	185.492
Depreciation of receivables	10.226	86.690
Sales commission	0	143.448
Others	0	16.751
	30.100.063	25.074.111

4.6 Financial result

The income from investments refers to Denker & Wulf AG. The distribution of the balance-sheet profit for 2003 was laid down in the resolution on the appropriation of retained earnings at the general annual meeting of Denker & Wulf AG of 31st August 2004, as well as of 30th December 2004. REpower Systems AG is entitled to the distribution of the balance-sheet profit for 2004 which was laid down in the resolution on the appropriation of funds of Denker & Wulf AG of 4th March 2005 according to the management buy-out agreement. In total proceeds corresponding to thousand EUR 11,429 were provided.

4.7 Taxes

The income tax expenditure in the amount of thousand EUR 135 accounts for carrying back a corporate tax loss in the previous assessment period in 2003 as well as in the amount of thousand EUR 419 for income from the dissolution of tax provisions.

For the business year in concern no income tax burden is calculated as a result of a negative tax income.

5 Other information

5.1 Contingent liabilities

As per the balance sheet date the following contingent liabilities in the amount of thousand EUR 43,111 from debt guarantees taken over exist. Furthermore a comfort letter for an investment company in the amount of thousand EUR 360 exists.

5.2 Other financial obligations

a) Rental and leasing obligations

As per 31st December 2004 the following obligations primarily result from one supply contract for material and labour and leasing, rental and tenancy agreements:

	thousand EUR
2005	1.543
2006	1.356
2007	1.298
2008	1.274

b) Purchase commitment

As per the balance-sheet date a purchase commitment in the amount of approx. thousand EUR 68,028 to purchase current assets existed.

c.) Stock option programme

REpower Systems AG had the option to issue up to 108,000 option rights to purchase REpower shares to members of the Executive Board of REpower Systems AG and to general managers of subsidiaries as well as to executive employees of REpower Systems AG. One option right authorises to purchase one REpower share. The employee incentive program was resolved at the annual general meeting in 2003. The waiting period to initially exercise the program is two years, up to 31st December 2004 no shares were issued due to the stock option program. As per 1st July 2003 37,000 option rights and as per 1st September 2004 25,000 option rights were issued. The purchase price for the option rights in 2004 for one REpower share is EUR 17,38. Calculated on the basis of this price, the allottees additionally paid five percent per option right (corresponding to EUR 0.87) as option premium.

d.) Other agreements

Vis-à-vis Denker & Wulf AG REpower took over an obligation corresponding to the amount of EUR 250,000.00 if a wind park project is not realised.

For two wind park projects of customers from 2003 placement guarantees in the total amount of thousand EUR 1,650 were taken over. In the agreements REpower takes over the guarantee to subscribe for the limited partnership interests in the scope in which the shares are not paid in by third parties.

For four wind turbines at one location REpower Systems AG has taken over the expenses for guarantee, maintenance and repair operations up to 2500.

REpower has agreed to a purchase price reduction in the maximum amount of EUR 587 per turbine for seven wind turbines at one location, if a certain annual energy yield is not reached by the turbines. The guarantee is limited to a period of three years.

In 2004 REpower Systems AG supplied a total of 50 wind energy turbines to four project companies of Denker & Wulf AG. These project companies are scheduled to be sold as one portfolio in 2005. The MBO agreement stipulates an anticipated total value of this portfolio corresponding to thousand EUR 90,300. In the event of failing to sell the projects by September 2005, REpower Systems AG has committed itself to pay a purchase price reduction for the wind turbines corresponding to a maximum amount of thousand EUR 2,300 (net).

e.) Derivative financing instruments

Currency risks in operative business existed in the closing year under review for a project in Australia (Wonthaggi / delivery scope six wind energy turbines, type MM82). The total volume of the hedge corresponded to an equivalent of AUD 13,000,000.00 which was handled as outlined in the following:

The hedge was realised on the one hand by signing a forward transaction with option and a volume of AUD 6,500,000.00. The value of this forward transaction to be settled is EUR 67,086 in favour of REpower Systems AG. The remaining amount corresponding to AUD 6,500,000.00 was hedged by a forward transaction with a so-called Take Profit/Stop Loss option. Per 18th October 2004 the AUD forward transaction became binding with the value date 4th October 2005. The value of this forward transaction to be settled as per 31st December 2004 is EUR 45,962 in favour of REpower Systems AG.

The value of both forward transactions to be settled was calculated on the basis of the so-called Mid-Market assessment. This assessment does not represent any actual price quotation to dissolve the respective item, but reflects an estimate by the credit institutes on the current economic value of the individual items. With regard to the two afore-mentioned forward transactions no book values are taken into account in the financial statement as per 31st December 2004.

REpower Systems AG used publicly refinanced loans with a total value of thousand EUR 2,368 per 29th November 2004. Within the scope of a desired optimisation of interest payments, the individual loans were converted into a

Eurocredit with variable interest rate in the same amount. By undersigning a swap the interest rate was moreover optimised. The term of the interest swap covers the period from 1st December 2004 to 2nd December 2013.

The interest derivatives undersigned have the following values to be settled as per 31st December 2004 including accrued interest calculated according to a Mid-Market evaluation.

Product	Nominal in million	Final due date	Fixed interest rate/strike	Evaluation on deadline	
Cap	EUR	1,02	28.06.13	5 EUR	5.846
Swap	EUR	2,37	02.12.13	3.5 EUR	-32.729

For the reimbursement with regard to the swap in the amount of EUR 32,729 no reserve was created due to its subordinate significance. With regard to the Cap no positive book value was taken into account in the annual financial statement.

5.3 Number of employees

The number of employees in business year 2004 was as follows:

2004	on average	absolute
		31.12.04
Employees	327	357
Industrial workers	194	201
	521	558

5.4 Information on the company organs

For the business year ending on 2004 the members of the Supervisory Board of REpower Systems aG have been appointed and are as follows:

- Herr Dr. Klaus-Detlef Wulf, Aachen; Physician (CEO)
Further memberships in other boards:
Member of the Supervisory Board of Denker & Wulf AG, Sehestedt,
Member of the Supervisory Board of of R.E.A. AG, Sehestedt.
- Mr. Udo Bandow, Hamburg; banker (Member and Vice-CEO)
further memberships in other boards:
President of the Supervisory Council HANSA-NORD-LUX Management-
gesellschaft AG, Luxembourg,
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,
Chairman of the Supervisory Board of der BÖAG Börsen AG, Hamburg
and Hannover,
Vice –Chairman of the Administrative Board of Deutsche Schiffsbank AG,
Bremen and Hamburg,
Vice-President of the Supervisory Board of Conrad Hinrich Donner Bank
AG, Hamburg,
Vice-CEO of the Supervisory Board of HANSAINVEST Hanseatische
Investment-Gesellschaft mbH, Hamburg,
Chairman of the Supervisory Board of HCI Capital 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. for Handicraft, Trade and Industry, Hamburg,
Member of the Advisory Committee of VGH, Hannover.*

- Frau Monika Kuck, Aachen; businesswoman
*further memberships in other boards:
Member of the Council of the City of Aachen,
Member of the Executive Board of R.E.A. AG, Sehestedt,
Member of the Supervisory Board of Energieversorgungs- und
Verkehrsgesellschaft mbH, Aachen,
Member of the Supervisory Board of STAWAG, Aachen.*
- Dr. Klaus Rave, Kronshagen; Bank Director
*further memberships in other boards:
CEO of Investitionsbank Schleswig-Holstein, Kiel,
Vice President of European Wind Energy Association (EWEA), Brussels,
Member of Executive Board of Fördergesellschaft Windenergie (FGW),
Kiel,
Member of Supervisory Board of Energiesysteme Nord (ESN), Kiel,
Chairman of Shareholders' Meeting of the Offshore-Bürger-Windpark
Butendieck GmbH & Co. KG, Butendieck,*
- Dr. Hans-Joachim Reh, Bargteheide; Diplom-Kaufmann (Business
Manager MBA)
*further memberships in other boards:
Member of the Executive Board of Forum für Zukunftsenergien, Bonn,
Member of the Supervisory Board of HEW AG, Hamburg,
Member of the Supervisory Board of Bewag Verwaltungs-AG, Berlin,*

*Chairman of the Supervisory Board of Denker & Wulf AG, Sehestedt,
Member of the Advisory Board der Booz Allen Hamilton GmbH, Munich.*

- Dr. Hans-Joachim Reh, Bargteheide; Diplom-Kaufmann (Business Managaer MBA)
*further memberships in other boards:
Member of the Supervisory Board of VSE AG, Saarbrücken,
Council of SSS Starkstrom- und Signalbau-Baugesellschaft GmbH, Essen,
Member of the Economic Council of SaarLB, Saarbrücken,
Member of the Advisory Council of KEVAG, Koblenz,
Member of the Board of Directors of Federal Grid Company UES, Moskow,
Russia (up to 30.06.2004).*

The remuneration according to the Articles of Incorporation of REpower Systems AG for the members of the Supervisory Board for business year 2004 is as follows:

Name	Total
	EUR
Dr. Klaus-Detlef Wulf	24.000
Udo Bandow	19.000
Dr. Klaus Rave	14.000
Dr. Hans-Joachim Reh	13.000
Dr. Rolf Bierhoff	13.000
Monika Kuck	12.500
	95.500

In 2004 the Supervisory Board was paid a premium in the total amount of EUR 120,000 according to the Articles of Incorporation for business year 2003:

In business year 2004 the following persons were appointed members of the Executive Board of REpower Systems AG:

- Prof. Dr. Fritz Vahrenholt, Hamburg, Chemist, (CEO)
*Further memberships in other boards:
CEO of Executive Board of Forum für Zukunftsenergien, Bonn,
Member of Supervisory Board of ThyssenKrupp Technologies AG, Essen,
Member of Supervisory Board of Norddeutschen Affinerie, Hamburg,
Member of Supervisory Board of Denker & Wulf AG, Sehestedt,*
- Mr. Jens-Peter Stöhr, Hamburg, Diplom-Kaufmann (business manager, MBA), up to 31st December 2004
- Matthias Schubert, Rendsburg, Diplom-Ingenieur (graduate engineer),

- Mr. Thomas Franck, Hamburg, Diplom-Ingenieur (graduate engineer),
- Mr. Olaf Struck, Husum, Diplom-Ingenieur (graduate engineer),
- Mr. Pieter Wasmuth, Hamburg, Diplom-Kaufmann, business manager, (MBA), as from 01st January 2005.

The members of the Executive Board of our company are paid a fixed remuneration, the amount of which is listed in the following table. In addition, the members of the Executive Board are paid a variable remuneration in the amount of 20 percent of the fixed remuneration if our company realises a consolidated annual profit according to IFRS and the regular general meeting of the following year passes a resolution to pay a dividend or to create a surplus reserve.

This variable remuneration and one percentage of approx. 20 percent of the fixed remuneration shall be agreed as reversible. If the company does not achieve any annual surplus, the fixed remuneration shall be reduced by this percentage. Moreover the entitlement to payment of a variable remuneration shall be forfeited.

In consequence of the stock option programme resolved by the general meeting on May 6, 2003, stock purchase options were issued to the members of our Executive Board and further allottees (executive employees). To promote the corporate spirit an option premium of five percent of the issue price was agreed as compensation. The development of the DAX was selected as comparative parameter.

In 2004, the members of the Executive Board were paid a variable remuneration of EUR 128,467 in total for business year 2003.

The total salary of the Executive Board for business year 2004 is as follows:

Name	Fixed remuneration	Variable remuneration	Total salary	Stock options
	EUR	EUR	EUR	Shares
Prof. Fritz Vahrenholt	249.611	0	249.611	1.600
Matthias Schubert	191.705	0	191.705	1.600
Olaf Struck	137.488	0	137.488	1.600
Jens-Peter Stöhr	190.039	0	190.039	1.600
Thomas Franck	184.330	0	184.330	1.600
	953.173	0	953.173	8.000

A member of the Executive Board is additionally paid at least EUR 385.00 resp. a commission corresponding to 1.5 percent of the license fees settled for each wind turbine type MD 70/77 manufactured by the company itself or under license agreement.

The stock of shares as per 31st December 2004 is distributed as follows:

Name	Shares	Acquisitions/ sales in 2004	Stock of shares
	Shares	Shares	Shares
Prof. Fritz Vahrenholt	24.300	1.500	25.800
Matthias Schubert	21.700	0	21.700
Olaf Struck	18.700	0	18.700
Jens-Peter Stöhr	22.200	-700	21.500
Thomas Franck	0	0	0
	86.900	800	87.700

5.5 Declaration of compliance with German Corporate Governance Codex

In accordance with §161AktG (German Corporate Act) in connection with §15EGAktG the Executive Board rendered a Declaration of Compliance on the German Corporate Governance Codex and has made this declaration available to the shareholders on the Internet homepage of REpower Systems AG.

5.6 Consolidated Financial Statement

As parent company REpower Systems AG, Hamburg, prepared a Consolidated Financial Statement in compliance with IFRS. The Consolidated Financial Statement is published in the Federal Gazette and deposited at the Handelsregister (Register of Companies) in Hamburg. The Consolidated Financial Statement is also made available on the Internet homepage of REpower Systems AG.

5.7 Proposal on appropriation of retained earnings.

The Executive Board suggests to carry the result forward.


Hamburg, March 2005

REpower Systems AG



Prof. Fritz Vahrenholt

Chief Executive Officer



Thomas Franck

Member of the Executive Board



Matthias Schubert

Member of the Executive Board



Pieter Wasmuth

Member of the Executive Board



Olaf Struck

Member of the Executive Board

Balance Sheet of REpower Systems AG (HGB / German Commercial Code)
as per 31st December 2004

Assets

	Notes	31.12.04		31.12.03	
		EUR	EUR	EUR	EUR
A. Fixed assets	3.1				
I. Intangible assets					
1. Software and other licenses			718.611		541.548
2. Goodwill			60.864		90.079
			779.475		631.627
II. Property, plant and equipment					
1. Land, leasehold rights and buildings, including buildings on non-owned land			6.416.197		5.842.611
2. Technical equipment, plant and machinery			4.593.745		4.941.018
3. Other equipment, fixtures, fittings and equipment			6.151.481		5.400.425
4. Advance payments and plant and machinery in process of construction			488.213		1.334.497
			17.649.637		17.518.551
III. Financial assets					
1. Shares in affiliated companies			2.140.970		3.316.246
2. Loans due from affiliated companies			1.060.853		1.729.705
3. Investments			535.313		169.784
4. Security investments			14.014		13.297
5. Other loans			2.495.000		0
			6.246.150		5.229.032
			24.675.262		23.379.210
B. Current assets					
I. Inventories	3.2				
1. Raw materials and supplies			38.335.733		28.896.447
2. Work-in process		43.168.40		6.701.90	
Minus advance payments received		5		2	
		13.427.28		1.567.15	
		5	29.741.120	0	5.134.752
3. Advance payments on orders			2.594.135		1.789.127
			70.670.989		35.280.326
II. Accounts receivable and other assets	3.3				
1. Accounts receivable from trading			62.576.752		60.794.870
2. Accounts due from affiliated companies			9.949.664		64.348.410
3. Accounts due from other group companies			123.899		88.565
4. Accounts due from project corporations			392.322		464.151
5. Other assets			28.581.628		8.722.232
			101.624.26		134.418.228
			6		134.418.228
III. Shares in project corporations	3.4		38.201		137.901
IV. Cash on hand and cash in banks			22.219.265		70.679
			194.552.72		170.447.434
			1		170.447.434
C. Deferred charges	3.5		5.814.608		4.864.194
			225.042.59		198.690.837
			1		198.690.837

Balance Sheet of REpower Systems AG (HGB / German Commercial Code)as per 31st December 2004

Liabilities and shareholders' equity

	Notes	31.12.04	31.12.03
		EUR	EUR
A. Shareholders' equity	3.6		
I. Capital stock		5.401.198	5.401.198
II. Capital surplus		82.155.729	82.155.729
III. Retained earnings		9.030.805	9.521.470
		96.587.732	97.078.397
B. Provisions and accrued liabilities	3.7		
1. Accrued taxes		290.976	3.439.721
2. Other provisions and accrued liabilities		24.737.363	23.156.836
		25.028.339	26.596.557
C. Liabilities	3.8		
1. Debenture loans		10.000.000	0
2. Liabilities due to banks		15.756.028	18.808.678
3. Advance payments received on account of orders		10.715.991	2.295.280
4. Trade accounts payable		60.666.689	46.689.065
5. Notes payable		2.570.493	0
6. Accounts due to affiliated companies		241.271	0
7. Accounts due to other group companies		1	0
8. Other liabilities		3.443.239	7.045.460
<i>thereof for taxes EUR 887.043 (pre-year: EUR 3.436.426)</i>			
<i>thereof for social security EUR 628.752 (in pre-year EUR 564.693)</i>			
		103.393.712	74.838.483
D. Deferred charges		32.808	177.400
		225.042.591	198.690.837

Income statement presentation of REpower Systems AG (HGB / German Commercial Code)

for the period 01st January 2004 – 31st December 2004

	Notes	2004	2003
		EUR	EUR
Sales	4.1	250.531.344	264.777.514
Increase (decrease) in finished goods and work-in process		36.466.503	2.388.009
Total performance		286.997.847	267.165.523
Other operating income	4.2	5.030.558	3.693.061
Cost of materials	4.3		
Cost of raw materials and supplies and purchased goods		-200.591.309	-196.179.378
Cost of purchased services		-40.729.995	-17.573.821
		241.321.304	-213.753.199
Personnel expenses			
Wages and salaries		-20.729.164	-18.904.003
Social security, pension and other benefit costs, thereof for pensions		-4.046.347	-3.697.846
<i>- thereof for pensions EUR 0 (preyear: EUR 0)</i>			
		-24.775.511	-22.601.848
Depreciation and amortisation cost and other write-offs	4.4		
on intangible assets and plant and equipment		-3.810.416	-3.064.566
Other operating expenses	4.5	-30.100.063	-25.074.111
Operating result		-7.978.889	6.364.860
Income from investments		11.428.639	1.410.785
<i>- thereof from affiliated companies: EUR 5.323.567 (pre-year: EUR 1,410,785)</i>			
Income from other long-term securities and loans		761	132
Other interest and similar expenses		1.891.834	1.100.820
<i>- thereof of affiliated companies EUR 1.092.282 (pre-year: EUR 304,480)</i>			
Write-offs of financial assets and marketable securities		-602.450	-1.383.058
Interest and similar expenses		-2.464.245	-936.628
<i>- thereof from affiliated companies: EUR 0 (pre-year: EUR 0)</i>			
Financial result	4.6	10.254.539	192.051
Profit/loss from ordinary operations		2.275.650	6.556.911
Taxes on income	4.7	554.450	-2.661.042
Other taxes		-80.046	-99.951
Net income/net loss		2.750.054	3.795.917
Retained earnings brought forward		6.280.751	5.725.553
Retained earnings		9.030.805	9.521.470

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 2004 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 9. März 2005

Susat & Partner oHG, Wirtschaftsprüfungsgesellschaft

Dr. Roser

Driesch

Wirtschaftsprüfer

Wirtschaftsprüfer

Independent Auditors' Report:

We have audited the financial statement, incorporating accounting and the Management Report presented by REpower Systems AG for the financial year from 1st January to 31st December 2004. The preparation and the content of accounting as well as the annual financial statement and Management Report in compliance with pertinent German commercial regulations and the supplementary regulations of the Articles of Association are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion whether the financial statements are in accordance with accounting and the Management Report.

We conducted our audit of the financial statements in accordance with § 317 HGB (German Commercial Code) observing the German principles and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) (Institute of Auditors). These standards require us to plan and perform the audit such that any misstatements or infringements relating to the asset, financial and earnings situation by the financial statement are identified with sufficient certainty. Knowledge of the business activities and the economic and legal environment of the Group as well as evaluations of possible misstatements are taken into account in the determination of audit procedures. The efficiency of the internal controlling system applied for auditing purposes as well as the evidence supporting the amounts and disclosures in accounting, in the financial statements and in the Management Report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion the financial statement observing the principles of due accounting provides a suitable understanding of the Group's asset, financial and earnings positions reflecting the actual situation. The group management report on the whole provides a suitable understanding of the Group's positions and suitably presents the risks of future development.

Hamburg, 9th March 2005

Susat & Partner oHG, German Public Audit Company

Dr. Roser

Driesch

Auditor

Auditor

ANLAGE 1

REpower Systems AG
Development of the Fixed Assets as per 31.12.2004

	Acquisition cost / Cost of production					Depreciation						Book values	
	Date	Additions	Reclassifications	Disposals	Date	Date	Additions	Reclassifications	Disposals	Appreciation	Date	31.12.2004	31.12.2003
	01.01.2004	€	€	€	€	01.01.2004	€	€	€	€	31.12.2004	€	€
A. Fixed assets													
I. Intangible assets													
1. Software and other licenses	1.072.874,44	629.519,52	0,00	0,00	1.702.393,96	531.326,44	452.456,52	0,00	0,00	0,00	983.782,96	718.611,00	541.548,00
2. Development costs for wind turbines	204.516,75	0,00	0,00	0,00	204.516,75	114.437,75	29.215,00	0,00	0,00	0,00	143.652,75	60.864,00	90.079,00
Total of intangible assets	1.277.391,19	629.519,52	0,00	0,00	1.906.910,71	645.764,19	481.671,52	0,00	0,00	0,00	1.127.435,71	779.475,00	631.627,00
II. Property, plant and equipment													
1. Land, leasehold rights and buildings, including buildings on non-owned land	6.393.168,76	800.968,37	0,00	720,00	7.193.417,13	550.557,42	226.667,87	0,00	6,00	0,00	777.219,29	6.416.197,84	5.842.611,34
2. Technical equipment, plant and machinery	6.466.049,50	641.426,17	466.985,00	374.379,10	7.200.081,57	1.525.031,50	1.238.285,17	-1.361,00	155.619,11	0,00	2.606.336,56	4.593.745,00	4.941.018,00
3. Other equipment, fixtures, fittings and equipment	8.515.811,98	3.113.434,42	8.165,00	713.049,10	10.924.362,30	3.115.386,98	1.863.791,42	1.361,00	207.658,10	0,00	4.772.881,30	6.151.481,00	5.400.425,00
4. Advance payments and plant and machinery in process of construction	1.334.496,74	0,00	-475.150,00	371.133,83	488.212,91	0,00	0,00	0,00	0,00	0,00	0,00	488.212,91	1.334.496,74
Total property, plant and equipment	22.709.526,98	4.555.828,96	0,00	1.459.282,03	25.806.073,91	5.190.975,90	3.328.744,46	0,00	363.283,21	0,00	8.156.437,15	17.649.636,75	17.518.551,08
		35.231,55											
III. Financial assets													
1. Shares in affiliated companies	3.979.645,52	252.154,42	0,00	1.189.930,00	3.041.869,94	663.400,00	237.500,00	0,00	0,00	0,00	900.900,00	2.140.969,94	3.316.245,52
2. Loans due from affiliated companies	1.729.704,88	1.199.980,00	0,00	1.698.831,55	1.230.853,33	0,00	170.000,00	0,00	0,00	0,00	170.000,00	1.060.853,33	1.729.704,88
3. Investments	1.185.419,94	79.501,00	0,00	0,00	1.264.920,94	1.015.635,91	9.950,00	0,00	0,00	295.977,83	729.608,08	535.312,86	169.784,03
4. Security investments	32.938,29	0,00	0,00	0,00	32.938,29	19.641,49	0,00	0,00	0,00	717,20	18.924,29	14.014,00	13.296,80
5. Other loans	0,00	2.680.000,00	0,00	0,00	2.680.000,00	0,00	185.000,00	0,00	0,00	0,00	185.000,00	2.495.000,00	0,00
Total financial assets	6.927.708,63	4.211.635,42	0,00	2.888.761,55	8.250.582,50	1.698.677,40	602.450,00	0,00	0,00	296.695,03	2.004.432,37	6.246.150,13	5.229.031,23
	30.914.626,80	9.396.983,90	0,00	4.348.043,58	35.963.567,12	7.535.417,49	4.412.865,98	0,00	363.283,21	296.695,03	11.288.305,23	24.675.261,88	23.379.209,31