

Financial Statements

Suzlon Energia Eólica do Brasil Ltda.

March 31, 2017

With Independent Auditor's Report

A free translation from Portuguese into English of Independent Auditor's Report on financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To Management and Members of:
Suzlon Energia Eólica do Brasil Ltda

Qualified Opinion

We have audited the accompanying individual financial statements of Suzlon Energia Eólica do Brasil Ltda. ("Company"), which comprise the balance sheet as at March 31, 2017 and the related statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting practices and other explanatory information.

In our opinion, except for the effects of the issues described in basis for qualified opinion paragraph, the individual financial statements referred to above present fairly, in all material respects, the financial position of Suzlon Energia Eólica do Brasil Ltda., as at March 31, 2017, and its individual performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Basis for Qualified Opinion

The Brazilian tax legislation of transfer pricing, for purposes of calculating the Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Profit (CSLL), determines the obligation to prove that the price of import and export transactions between related parties is compatible with the market. The management is responsible for preparing analyses and present to Receita Federal do Brasil (RFB), when required, the calculation that proves that the practiced price is, on average, approximate to the market price. The management did not prepare this information as at March 31, 2017, as well as for prior years. Consequently, it was not possible to conclude on the existence of possible tax contingencies and their effects on the Company's financial statement.

Emphasis of Matter

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred in net loss of R\$ 25,701 thousand at March 31, 2017 (R\$ 23,298 thousand at March 31, 2016) and accumulated losses of R\$ 580,835 thousand (R\$ 555,134 thousand at March 31, 2016). As of that date, the Company's current liabilities exceeded its current assets by R\$ 30,661 thousand (R\$ 4,965 thousand at March 31, 2016) and stated negative equity amounting to R\$ 218,877 thousand (R\$ 242,143 thousand at March 31, 2016). These conditions indicate the existence of significant uncertainty that may cast doubt about the Company's ability to continue as a going concern. The financial statements have been prepared assuming the continuity of operations of the Company. Our opinion is not qualified in respect of this matter.

As mentioned in Note 17 of the financial statements, the management has uncertainty related to the outcome of the lawsuits filed against the Company and has registered provision for risks of R\$ 45,789 thousand at March 31, 2017 (R\$ 40,681 thousand at March 31, 2016) based on the assessment of legal advisors.

Other Matters

The individual balance sheets as of March 31, 2016, and the related statements of profit or loss and comprehensive income, changes in equity and cash flows and notes, were audited by us with the report dated May 30, 2016, with qualification of transfer price and emphasis of matter of Company's ability to continue as a going concern and tax lawsuits.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorized and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Fortaleza (CE), May 15, 2017

DOMINUS AUDITORIA, CONSULTORIA E TREINAMENTO S/S
CRC.- CE 00552/O-6



Karla Jeanny Falcão Carioca
CRC – CE 015544/O-3
CNAI – 3820 (QTG / BACEN)

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Financial statements

Year ended March 31, 2017

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A free translation from Portuguese into English of financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Balance sheets
At March 31, 2017
(In thousands of reais)

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Assets			
Current assets			
Cash and cash equivalents	4	2,773	975
Trade accounts receivable	5	1,925	8,091
Inventories	6	22,402	27,212
Taxes recoverable	7	5,325	16,215
Transactions with related parties	8	3,904	5,387
Advances to suppliers	9	4,833	1,876
Prepaid expenses		47	19
Other receivables	10	9,196	165
Total current assets		<u>50,405</u>	<u>59,940</u>
Noncurrent assets			
Long-term investments	11	36	6,061
Taxes recoverable	7	13,575	-
Judicial deposits		98	169
Property, plant and equipment	12	1,834	1,408
Total noncurrent assets		<u>15,543</u>	<u>7,638</u>
Total assets		<u>65,948</u>	<u>67,578</u>

See accompanying notes.

	Note	2017	2016
Liabilities and negative equity			
Current liabilities			
Trade accounts payable	13	14,021	10,975
Salaries and charges payable		1,538	2,448
Taxes payable	7	26,769	26,612
Advances from customers		283	-
Provision for onerous contracts	14	16,843	-
Provision for warranties	15	8,800	9,104
Other accounts payable	16	12,811	15,766
Total current liabilities		<u>81,066</u>	<u>64,905</u>
Noncurrent liabilities			
Transactions with related parties	8	142,597	180,981
Provision for risks	17	45,788	40,681
Provision for warranties	15	9,247	18,047
Taxes payable	7	6,127	5,107
Total noncurrent liabilities		<u>203,759</u>	<u>244,816</u>
Negative equity			
Capital	18	361,958	312,991
Accumulated losses		(580,835)	(555,134)
Total negative equity		<u>(218,877)</u>	<u>(242,143)</u>
Total liabilities and negative equity		<u>65,948</u>	<u>67,578</u>

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Statement of operations

Year ended March 31, 2017

(In thousands of reais, except loss per share)

	Note	2017	2016
Net sales revenue	19	48,846	48,505
Cost of goods and services	20	<u>(39,023)</u>	<u>(29,125)</u>
Gross profit/ (loss)		9,823	19,380
Operating income (expenses)			
General and administrative expenses	21	(27,876)	(32,059)
Other operating income (expenses), net	22	<u>(25,816)</u>	<u>3,074</u>
Loss before financial income and expenses		(43,869)	(9,605)
Financial income (expenses), net	23	<u>18,168</u>	<u>(13,693)</u>
Loss before income and social contribution taxes		(25,701)	(23,298)
Deferred income and social contribution taxes		<u>-</u>	<u>-</u>
Loss for the year		<u>(25,701)</u>	<u>(23,298)</u>
Loss per share – R\$		(0.07)	(0.07)
Number of shares/units of interest at end of year	18	<u>361,957,642</u>	<u>312,990,633</u>

See accompanying notes.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Statement of comprehensive income (loss)
Year ended March 31, 2017
(In thousands of reais)

	<u>2017</u>	<u>2016</u>
Loss for the year	(25,701)	(23,298)
Other comprehensive income (loss)	-	-
Total comprehensive income (loss) for the year	<u>(25,701)</u>	<u>(23,298)</u>

See accompanying notes.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Statements of changes in equity
Year ended March 31, 2017
(In thousands of reais)

	Capital	Accumulated losses	Total negative equity
Balances at March 31, 2015	969	(531,836)	(530,867)
Capital increase	312,022		312,022
Loss for the year		(23,298)	(23,298)
Balances at March 31, 2016	312,991	(555,134)	(242,143)
Capital increase	48,967		48,967
Loss for the year		(25,701)	(25,701)
Balances at March 31, 2017	361,958	(580,835)	(218,877)

See accompanying notes.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Cash flow statements
Year ended March 31, 2017
(In thousands of reais)

	2017	2016
Cash flows from operating activities		
Loss for the year	(25,701)	(23,298)
Depreciation and impairment loss – property, plant and equipment	388	2,662
Financial income	(544)	(721)
Foreign exchange variations, net	(24,482)	10,466
Interest and monetary variation	2,427	3,201
Changes in provisions and benefits	12,846	(66,696)
(Increase) decrease in operating assets		
Trade accounts receivable	6,166	7,913
Inventories	4,809	3,343
Taxes recoverable	(2,685)	3,458
Advances to suppliers	(2,957)	8,445
Prepaid expenses	(27)	9
Other receivables	(9,031)	56
Increase (decrease) in operating liabilities		
Trade accounts payable	3,046	(11,039)
Salaries and social charges	(909)	(596)
Taxes payable	211	(5,649)
Advance from customers	283	(396)
Other accounts payable	(2,955)	10,881
Other liabilities	965	7,072
Net cash flow used in operating activities	<u>(38,150)</u>	<u>(50,889)</u>
Investing activities		
Capital increase	48,967	312,022
Short-term investments	4,726	405
Acquisition of property, plant and equipment	(814)	(687)
Net cash flow from investing activities	<u>52,879</u>	<u>311,740</u>
Cash flow from financing activities		
Receipts from judicial deposits	71	(101)
Receipts from related parties	1,305	157,886
Payments to related parties	(16,150)	(299,751)
Loans and financing taken out		
Repayment of loans and financing	-	(118,955)
Net cash flow from financing activities	<u>(14,774)</u>	<u>(260,921)</u>
(Decrease) increase in cash and cash equivalents	<u>(45)</u>	<u>(70)</u>
Cash and cash equivalents at beginning of year	167	237
Cash and cash equivalents at end of year	122	167
(Decrease) increase in cash and cash equivalents	<u>(45)</u>	<u>(70)</u>

See accompanying notes.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements (Continued)

Year ended March 31, 2017

(In thousands of reais, unless otherwise stated)

1. Operations

Suzlon Energia Eólica do Brasil Ltda., established at BR 116, nº 2186 – Km 6 Cajazeiras, Fortaleza, state of Ceará, is engaged in equipment import, assembly, sale, trading, installation, development, engineering, operation and maintenance, as well as activities and businesses relating to the wind power industry. Goods, including industrial equipment and machinery, as well as spare parts and pieces, shall not be moved around Company premises, but shall rather be stored in warehouses or deposits.

Financial restructuring

At March 31, 2017, the Company recorded loss of R\$ 25,701 and accumulated losses of R\$ 580,835. The Company's current liabilities are in excess of the current assets in R\$ 30,661. These conditions indicate the existence of significant uncertainty, which may cast doubt as to the Company's ability to continue as a going concern. The Company is engaged solely in operation and maintenance services. Debts with the Company, other than related parties and liabilities will be settled upon improvement of the Company's economic and financial position or will be converted into capital increase.

These financial statements were prepared under the going concern assumption.

2. Summary of significant accounting practices

These financial statements were prepared based on various valuation bases used in accounting estimates. Accounting estimates involved in the preparation of the financial statements were based on both objective and subjective factors, in line with management's judgment for determining the appropriate amount to be recorded in the financial statements. Significant items subject to these estimates and assumptions include the selection of useful lives of property, plant and equipment and their recoverability in operations, valuation of financial assets at fair value and adjusted to present value, risk analysis to set up allowance for doubtful accounts, as well as analysis of other risks to determine other provisions, including the provision for risks.

Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the probabilistic treatment inherent in the estimate process. The Company reviews its estimates and assumptions at least on an annual basis.

The financial statements were prepared and are presented in accordance with accounting practices adopted in Brazil, which comprise the pronouncements issued by the Brazilian Financial Accounting Standards Board - FASB (CPC) approved by Brazil's National Association of State Boards of Accountancy (CFC).

2.1 Transactions denominated in foreign currency

The financial statements are presented in Brazilian reais (R\$), which is the Company's functional currency.

Transactions and balances

Transactions in foreign currency are recorded at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate prevailing at the balance sheet date. Exchange variations are recognized in the statement of operations as incurred.

2.2 Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and when it can be reliably measured. Revenue is measured based on fair value of the consideration received, net of discounts, rebates and taxes or charges on sales. The Company measures revenue transactions in accordance with specific criteria to determine whether it is operating as an agent or a principal and eventually concluded that it has been operating as a principal in all its revenue agreements. The following specific criteria must also be met before revenue recognition:

Sales of products

Sales revenue is recognized when significant risks and rewards of ownership of the products are transferred to the buyer, which generally occurs upon delivery of the wind farms, formally accepted by the buyer. Accordingly, revenue is recognized when the wind farms are ready to produce energy, in accordance with technical specifications contractually agreed by and between the parties.

Rendering of services

Revenue from rendering of services are recognized in P&L when it can be reliably measured, all risks and rewards inherent to the provision of services are transferred to the buyer, and economic benefits are likely to flow to the Company.

Interest income

All financial instruments stated at amortized cost and interest-bearing financial assets, classified as available for sale, financial income or financial expenses are recorded at the effective interest rate. Interest income is recognized under financial income, in the statement of operations.

2.3 Taxes

Current income and social contribution taxes

Current tax assets and liabilities for the last year and prior years are measured at expected value recoverable from or payable to tax authorities. Tax rates and tax laws used to calculate the amounts are those in force, or substantially in force, at balance sheet date.

Sales tax

Revenues, expenses, and assets are recognized net of sales tax, except:

- when sales taxes incurred on purchase of goods or services are not recoverable from tax authorities, case in which sales tax is recognized as part of cost of acquisition of the asset or expense item, as the case may be; and
- when the amounts receivable and payable are presented together with the amount of sales taxes.

The net value of sales taxes, either recoverable or payable, is included as part of accounts receivable or payable in the balance sheet.

2.4 Financial instruments

Financial instruments are recognized when the Company becomes party to the contractual provisions of the instrument. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, excepting financial assets and liabilities classified as at fair value through profit or loss, when such costs are directly posted to statement of operation for the year. They are subsequently measured at each balance sheet date in accordance with the rules established for each type of classification of financial assets and liabilities, as under: (i) financial assets and liabilities measured at fair value through profit and loss, (ii) held to maturity, (iii) loans and receivables and (iv) available for sale.

For 2017, the Company has not engaged transactions with derivative financial instruments.

The main financial assets recognized by the Company are: cash and cash equivalents, trade accounts receivable, advances to suppliers and related parties.

The financial liabilities recognized by the Company are: trade accounts payable, advances from customers, other accounts payable and related parties.

2.5 Present value adjustment of assets and liabilities

Noncurrent monetary assets and liabilities are monetarily restated and, therefore, adjusted to their present value. The present value adjustment of current monetary assets and liabilities is calculated and only recorded when the effect is considered significant in relation to the overall financial statements. For reporting and significant level determination purposes, the present value adjustment is calculated using contractual cash flows and explicit, and sometimes implicit, interest rates of the respective assets and liabilities. Based on management analysis and best estimates, Company management concluded that the present value adjustment of current monetary assets and liabilities does not have any significant effect on the overall financial statements, and accordingly, no such adjustment was recorded.

2.6 Cash and cash equivalents

Cash equivalents are held by the Company for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Company considers cash equivalents a short-term investment readily convertible into a known amount of cash and subject to insignificant risk of change in value. Therefore, an investment normally qualifies as cash equivalent when it has short-term maturity, for example, three months or less from the investment date.

2.7 Trade accounts receivable

These are stated at realizable values and refer to accounts receivable from the operation. Based on the analyses performed on Company operations, management concluded that there is no need to set up a provision for present value adjustment.

2.8 Inventories

Inventories are stated at cost or net realizable value, whichever is lower.

Costs incurred in bringing each product to its current location and conditions are accounted as follows:

Raw materials - acquisition cost based on average cost.

Finished products and work-in-process - cost of direct materials and labour and proportional indirect overhead based on normal operating capacity, but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.9 Property, plant and equipment

These are stated at cost, less accumulated depreciation and/or accumulated impairment losses, if any. This cost includes cost of replacement of part of property, plant and equipment and loan costs for long-term construction projects, when recognition criteria are met. When significant parts of property, plant and equipment are replaced, the Company recognizes these parts as individual assets with specific useful lives and depreciation. Similarly, when a material inspection is carried out, its cost is recognized in the book value of property, plant and equipment, if recognition criteria are met.

All the other repair and maintenance costs are recognized in the statement of operations as incurred.

Depreciation is calculated by the straight-line method over the useful lives of assets, at rates that take into account the estimated useful life of assets, which are described in Note 12.

An item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses, if any, arising therefrom are the difference between the net disposal proceeds and the carrying amount of the asset, and are classified in the statement of operations for the year in which the asset is derecognized.

Net book value and useful life of assets and depreciation methods are reviewed at year end, and adjusted prospectively, when applicable.

2.10 Impairment of nonfinancial assets

Management annually tests the net book value of the assets to determine whether there are any events or changes in economic, operating, or technological circumstances that may indicate impairment loss. When such evidence is found, and net book value exceeds the recoverable value, a provision for impairment is recorded so as to adjust the net book value to the recoverable amount.

The recoverable amount of an asset or a cash-generating unit (CGU) is defined as the higher of value in use and fair value less costs to sell.

In order to estimate the asset's value in use, estimated future cash flows are discounted to present value by using a discount rate before taxes that reflects the weighted average cost of capital for the industry in which the cash-generating unit operates. Whenever possible, the net sales value is determined considering outright sale agreements in arm's length transactions between knowledgeable and willing parties less costs of disposal; if no outright sale agreements can be identified, this will be based on the market price of an active market or the price of the most recent transaction involving similar assets.

2.11. Provisions

General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that economic benefits are required to settle the obligation and a reliable estimate of the value of the obligation can be made.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of operations, net of any reimbursement.

3. Significant accounting judgments, estimates and assumptions

Judgments

The preparation of the Company's financial statements requires management to make judgments and estimates and adopt assumptions that affect the amounts disclosed referring to revenues, expenses, assets and liabilities, as well as disclosures of contingent liabilities, as at the reporting date of the financial statements. However, uncertainty about these assumptions and estimates could lead to results that would require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and assumptions

The main assumptions concerning the sources of uncertainty in future estimates and other important sources of uncertainty in estimates at the balance sheet date, involving significant risk of causing a material adjustment to the book value of the assets and liabilities in the next financial year are discussed below:

Taxes

There are uncertainties regarding the interpretation of complex tax regulations and the amount and timing of future taxable profits. The Company sets up provisions, based on reasonable estimates, for possible consequences of tax audits conducted by tax authorities of the respective jurisdictions in which it operates. The amount of these provisions is based on various factors, such as past tax audit experience and differing interpretations of tax regulations by the taxable entity and by the relevant tax authority. These different interpretations may arise in a wide variety of issues depending on the prevailing conditions in the respective domicile of the Company.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. These methods use observable market data, whenever possible; otherwise, a given judgment call is required in order to determine the fair value. Professional judgment includes considerations on data used, such as, for instance, liquidity risk, credit risk, and volatility. Changes in the assumptions about these factors could affect the reported fair value of financial instruments.

Impairment of nonfinancial assets

Impairment loss exists when the book value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of fair value less selling costs and value in use. The calculation of fair value less selling costs is based on information available on sales transactions of similar assets or market prices less additional costs for the disposal of the asset. The calculation of value in use is based on the discounted cash flow model. Cash flows arise from the budget for the next five years and do not include reorganization activities to which the Company has not yet committed or significant future investments that will improve the asset base of the cash-generating unit under test. The recoverable amount is sensitive to the discount rate used in the discounted cash flow method, as well as expected future cash receipts and growth rate used for extrapolation purposes.

Provisions for tax, civil, and labour risks

The Company have lawsuits assessed by its legal advisors as probable losses. Accordingly, provision for losses was set up. The assessment of the likelihood of loss includes an analysis on available evidence, the hierarchy of laws, available case law, most recent court rulings and their relevance in the legal system, as well as the opinion of external legal advisors.

4. Cash and cash equivalents

	<u>2017</u>	<u>2016</u>
Fixed fund	15	52
Checking accounts	107	115
Short-term investments	2,651	808
	<u>2,773</u>	<u>975</u>

Cash equivalents classified as short-term investments are basically securities, remunerated at the Interbank Deposit Certificate (CDI) variation, at rates 13,75% and available to be used in the operations of Company and its subsidiaries, i.e., they are highly liquid financial assets. These transactions mature within 3 months from date they are taken out and repurchase agreement by issuer.

5. Trade accounts receivable

	<u>2017</u>	<u>2016</u>
Trade accounts receivable – Martifer/Cubico	858	1,294
Trade accounts receivable – Faisas	334	6,406
Trade accounts receivable – OMS	733	391
	<u>1,925</u>	<u>8,091</u>

Total trade accounts receivable from OMS are still falling due and total trade accounts receivable from Martifer/Cubico and Faisas are overdue for more than 180 days.

6. Inventories

	<u>2017</u>	<u>2016</u>
Raw and secondary materials	19,533	21,078
Inventories held by third parties	2,869	4,259
Imports in transit	-	1,875
	<u>22,402</u>	<u>27,212</u>
Provision for loss	-	-
	<u>22,402</u>	<u>27,212</u>

The Company write-off the provision related to the realization of its inventories, since these are recorded according to their net realizable value corresponding to the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

The company has R\$ 3,167 of inventories given to guarantee legal lawsuits.

7. Taxes recoverable and payable

Assets

	<u>2017</u>	<u>2016</u>
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	1,290	1,419
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	6,949	6,529
Stat VAT (ICMS)	3,458	4,116
Federal VAT (IPI)	1,480	1,313
Withholding Income Tax (IRRF)	1,007	966
Corporate Income Tax (IRPJ)	-	20,425
Social Contribution Tax on Net Profit (CSLL)	1,421	5,297
Other	3,295	928
(-) Impairment loss	-	(24,778)
	<u>18,900</u>	<u>16,215</u>
Current assets	<u>5,325</u>	<u>16,215</u>
Noncurrent assets	<u>13,575</u>	<u>-</u>

Liabilities

	<u>2017</u>	<u>2016</u>
PIS	11	82
COFINS	15	381
ICMS	-	118
IPI	-	-
ISS	8,567	8,275
IRRF	1,627	1,655
INSS	10,247	7,391
Tax Recovery Program (REFIS)	4,002	6,462
Withholding Taxes	8,040	7,073
Other	387	282
	<u>32,896</u>	<u>31,719</u>
Current liabilities	<u>26,769</u>	<u>26,612</u>
Noncurrent liabilities	<u>6,127</u>	<u>5,107</u>

ICMS credits arise from purchase operations and other inflow of goods related to the Company's operating activities.

The balance of income and social contribution taxes recoverable arises from prior years' losses not yet offset due to operating loss for the year. The Company expects to recover these taxes after completion of the administrative proceeding related to the tax delinquency notice served by the Brazilian IRS, as described in Note 17.

8. Transactions with related parties

The tables below show outstanding balances, as well as the total amount of transactions conducted with related parties in the years then ended:

a) Transactions with related parties

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Suzlon Nicaragua	1,360	1,556
Suzlon Wind Energy Espana SLU	-	794
SE Electricals Ltd	205	234
Suzlon Energy Limited	951	992
Suzlon Energy A/S	1,202	1,374
Suzlon Wind Energy Corporation	174	199
Suzlon Wind Energy South Africa	-	110
Suzlon Energy B.V.	-	-
Suzlon Energy Uruguay	12	128
	<u>3,904</u>	<u>5,387</u>
<u>Liabilities</u>		
Suzlon Energy Limited	3,496	8,263
Suzlon Energy A/S	10,597	10,318
SE Electricals Ltd	-	2,132
Suzlon Wind Energy Corporation	4,725	6,082
Suzlon Energy Australia Pty Ltd	101,704	114,498
Suzlon Wind International Ltd	1,669	1,690
Suzlon Wind Energy España Slu	-	3,510
SE Blades Limited	-	-
Suzlon Energy B.V.	19,993	34,131
Other related parties	411	357
	<u>142,597</u>	<u>180,981</u>
<u>Statement of operations</u>		
Sales	211	1,756
Purchases / cost of sales	(1,925)	(730)
Foreign exchange variation, net	24,482	(10,466)
Financial expenses, net	(2,427)	(2,525)
	<u>20,341</u>	<u>(11,965)</u>

The balance of related parties under liabilities decreased by R\$ 38,384, whereas assets decreased by almost R\$ 1,483 due to the infusion of equity in the company which enables the company to clear this related party dues.

Transactions with related parties are carried out under conditions agreed to by the parties with defined maturity dates and thus are classified under liabilities and assets.

Sales refer to the sale of windmills and their components which, due to technical specification will not be used in projects in Brazil.

Accounts payable refers to the purchase of windmills and their components. Accounts payable in foreign currencies are subject to exchange rate variations.

b) Company's key management personnel compensation

Key management personnel compensation paid in the year ended March 31, 2017 totaled R\$ 2,308 (R\$ 2,933 at March 31, 2016).

9. Advances to suppliers

	<u>2017</u>	<u>2016</u>
Other advances	4,833	1,876
	<u>4,833</u>	<u>1,876</u>

Advances to suppliers is reduced at March 31, 2017 due to booking of project invoices and off-setting against provision for balance cost of project. Current advances is related to OMS business only.

10. Other receivables

Increase in other receivable is mainly on account of guarantee given to QGER in respect of blade inspection which is recoverable in current year, as all conditions has been complied R\$ 9,018

11. Long-term investments

	<u>2017</u>	<u>2016</u>
Committed Guarantee	-	6,015
Certificate accounts with lottery prizes	36	46
	<u>36</u>	<u>6,061</u>

The balance of R\$ 6,015 at March 31, 2016, refers to committed guarantee held under repurchase agreements pledged as collateral to the project contract Martifer/Cubico. This is remunerated at approximately 100% of the Interbank Deposit Certificates (CDI).

12. Property, plant and equipment

a) Balance breakdown

	Annual depreciation rates	2017		2016	
		Cost	Accumulated depreciation	Total	Total
Machinery and equipment	10%	4,593	(4,105)	487	206
Tooling	10%	2,681	(2,193)	488	328
Furniture and fixtures	10%	1,569	(1,408)	162	196
IT equipment	20%	1,929	(1,684)	245	115
Vehicles	20%	1,807	(1,355)	452	563
Improvements	20%	1,462	(1,462)	-	-
Other	20%	1,727	(1,727)	-	-
		<u>15,768</u>	<u>(13,934)</u>	<u>1,834</u>	<u>1,408</u>

b) Changes in balances

	2017	2016
Opening balance	1,408	3,383
<u>Acquisitions</u>		
Machinery and equipment	564	202
Tooling	-	379
Furniture and fixtures	9	2
IT equipment	229	104
Vehicles	12	-
Improvements	-	-
Other	-	-
	<u>814</u>	<u>687</u>
(-) Depreciation	(388)	(1,175)
(-) Impairment	-	(1,487)
Closing balance	<u>1,834</u>	<u>1,408</u>

13. Trade accounts payable

	2017	2016
Trade accounts payable	14,021	10,975
	<u>14,021</u>	<u>10,975</u>

Trade accounts payable are not subject interest and are usually settled within 45 to 90 days.

14. Provision for onerous contracts

	2017	2016
Faisa	4,390	-
Cubico	4,961	-
Queiroz Galvão	3,121	-
Martifer	4,371	-
	<u>16,843</u>	<u>-</u>

The provision for onerous contracts was the estimated present obligation that the Company has to pay to its customers for non-observance of contractual terms. These are determined based on analysis performed individually according to each agreement.

15. Provision for warranties

	2017	2016
Faisas	11,220	16,420
Queiroz Galvão	-	304
Martifer/Cubico	6,827	10,427
	<u>18,047</u>	<u>27,151</u>
Current	<u>8,800</u>	<u>9,104</u>
Noncurrent	<u>9,247</u>	<u>18,047</u>

The Company assures its customers the quality of its products, taking responsibility for possible replacements and repairs resulting from defects presented. Duration of warranty varies from 2 to 5 years.

16. Other accounts payable

	2017	2016
Provision for future expenses on projects completed	3,598	6,969
Provision for other expenses	9,213	8,797
	<u>12,811</u>	<u>15,766</u>

The provision for futures expenses on projects completed refers to the spending forecast of the completed projects and the provision for other expenses is related to payables for administration execution activities. Other accounts payable are not subject interest and are usually settled within 45 to 90 days.

17. Provision for risks

Civil, tax and labour claims

The Company is a party to various civil, tax and labour proceedings. A provision of R\$ 45,788 was recorded at March 31, 2017 (R\$ 40,681 at March 31, 2016) for proceedings for which cash disbursements are likely to be required to settle obligations.

The Company is also a party to other ongoing proceedings whose likelihood of loss was assessed by legal advisors as possible, but not probable, at the approximate amount of R\$ 119,887 at March 31, 2017 (R\$ 94,925 at March 31, 2016). In this connection, management understands that a provision for losses, if any, is not required.

Changes in provision for civil, tax and labour proceedings are as follows:

	<u>2017</u>	<u>2016</u>
Balance at beginning of year	40,681	36,153
Additions	5,200	5,073
Reductions	(93)	(545)
Balance at end of year	<u>45,788</u>	<u>40,681</u>

Provisions for unrecognized federal tax notices

On October 24, 2013, the Company was served a federal tax delinquency notice (tax delinquency notice on Corporate Income Tax (IRPJ) and effects of COFINS and PIS), an administrative proceeding during which the Brazilian IRS imposed a fine on the Company totaling R\$ 345,628. Based on the analysis of the corresponding tax notice and supported by the opinion of the Company's legal advisors, who consider the likelihood of loss to be possible, but not probable, Company management set up no provision thereof.

18. Equity

At March 31, 2017 capital amounts to 361,958 (R\$ 312,991 at 2016), divided into 361,957,642 (312,990,633 at 2016) common registered units of interest, with no par value, held as follows:

	2017	
	Number of units of interest	Capital
Suzlon Energy A/S	315,973,806	315,974
Suzlon Energy Limited Mauritius	45,983,835	45,984
Malmarugan Kothandaraman	1	0
	<u>361,957,642</u>	<u>361,958</u>

	2016	
	Number of units of interest	Capital
Suzlon Energy A/S	312,859,395	312,859
AE Rotor Holding B.V.	131,237	131
Malmarugan Kothandaraman	1	0
	<u>312,990,633</u>	<u>312,991</u>

19. Operating revenue, net

	2017	2016
<u>Gross operating revenue</u>		
Sale of products	1,412	994
Rendering of services	53,905	52,862
	<u>55,317</u>	<u>53,856</u>
<u>Deductions</u>		
Taxes on revenue	(6,471)	(5,351)
Total operating revenue, net	<u>48,846</u>	<u>48,505</u>

20. Cost of goods and services

	2017	2016
Cost of projects	(948)	(835)
O&M services	(38,074)	(28,290)
	<u>(39,023)</u>	<u>(29,125)</u>

21. General and administrative expenses

	<u>2017</u>	<u>2016</u>
Personnel	(21,340)	(20,587)
Impairment	-	(1,487)
Depreciation	(388)	(1,175)
Rent	(781)	(511)
Transportation	(989)	(1,754)
Advisory expenses	(2,515)	(4,598)
Other	(1,863)	(1,947)
	<u>(27,876)</u>	<u>(32,059)</u>

22. Other income (expenses)

	<u>2017</u>	<u>2016</u>
Provision for losses – Advances to suppliers	-	-
Provision for losses – IRPJ and CSLL recoverable	-	2,464
Provision for losses – PIS and COFINS recoverable	-	3,417
Provision for losses – Other Taxes	-	7,815
Provision for losses - Stock	-	(4,208)
Provision for onerous contracts	(20,535)	(3,712)
Provision for risk	(5,200)	(5,073)
Other expenses, net	(81)	2,371
	<u>(25,816)</u>	<u>3,074</u>

23. Financial income (expenses)

	<u>2017</u>	<u>2016</u>
Short-term investment yield	544	721
Interest receivable – agreements with customers	-	-
Foreign exchange variation, net	21,239	(10,448)
Interest on bank loans	(2,427)	(2,591)
Interest and fines	(270)	(143)
Bank fees and charges	(681)	(53)
Other financial income (expenses), net	(237)	(1,179)
	<u>18,168</u>	<u>(13,693)</u>

24. Financial instruments and financial risk management objectives and policies

In the ordinary course of its business, the Company is exposed to risks, such as market risk and credit risk. These risks are monitored by management by using defined managing and policy tools.

The Company's risk management policies are established to find and analyze any risks faced by the Company, set limits and define appropriate risk controls, and also to monitor risks and compliance with these limits. Risk management systems and policies are frequently reviewed to reflect changes in market conditions and the Company's activities. The Company, through its standards, training and management procedures, aims at developing a disciplined and constructive control environment, where all employees understand their roles and obligations.

a) Financial instruments

The fair value of financial assets and liabilities is included in the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or settlement. The following methods and assumptions were used to estimate fair value.

- Cash and cash equivalents - these are stated at market value, which approximates book value. Short-term investments included in cash and cash equivalents are classified as available for trading and are not realized for speculative purposes in derivatives or any other risk assets. The market value is reflected in the amounts recorded in the balance sheets.
- Trade accounts receivable – these result from Company operations, are classified as loans and receivables and are recorded for their original amounts, subject to provision for losses and adjustment to present value, as applicable.
- Transactions with related parties - refer to intercompany loan/transactions carried out between Suzlon Energy Limited group companies, as mentioned in Note 8.
- Trade accounts payable - these results from transactions with third parties for the purchase of inputs/services at market prices.
- Loans and financing - bank credit notes transactions in order to strengthen the capital from the Company's activities.

At March 31, 2017, there was no significant difference between book and market values for the Company's financial instruments. In addition, the Company does not carry out hedge, swap or any other transactions that involve derivative financial instruments.

b) Financial risk management objectives and policies

The Company's main financial liabilities, other than derivatives, comprise loans, trade accounts payable and other accounts payable. The main purpose of these financial liabilities is to raise funds for Company's operations. The Company has loans and other receivables, trade accounts receivable and other accounts receivable, cash and short-term deposits resulting directly from its operations.

The Company is exposed to credit and liquidity risk.

Company management oversees the management of these risks, reviews and sets policies for managing each of these risks, which are summarized below.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rate. The Company's exposure to risk of changes in market interest rates refers essentially to noncurrent liabilities subject to variable interest rates. The Company's loans and financing basically comprise transactions pegged to CDI interest.

Interest rate sensitivity

According to the Company's projections, sensitivity to a possible change in market interest rates refers essentially to noncurrent liabilities subject to variable interest rates. The Company's P&L is subject to insignificant variations by virtue of the effects of the DI-Cetip (Brazilian OTC Clearing House) rate volatility on financial investments and loans pegged to this rate. The Company considers below three scenarios for rate variations and respective future income that would be generated thereof.

Type	2017	Rate (% p.a.)	Scenario (I) gain (loss)	Scenario (II) + 25% gain (loss)	Scenario (III) + 50% gain (loss)
CDI assets					
Short-term investments	2,687	13.75%	369	462	554
CDI liabilities					
Loans	-	13.75%	-	-	-
Effect on P&L			369	462	554

Credit risk

Credit risk is the risk that a counterparty of a business will not meet an obligation under a financial instrument or agreement with the customer, which would lead to financial loss. The Company is exposed to credit risk in its business operations (particularly with respect to accounts receivable) and financing, including deposits in banks and financial institutions, and other financial instruments.

To mitigate these risks, Company management analyzes its counterparties' financial position, sets credit limits and permanently follows up on outstanding positions. In connection with financial institutions, the Company only conducts operations with financial institutions carrying low credit risk, as per rating agencies.

Liquidity risk

The Company manages liquidity risk maintaining adequate reserves, short-term investments, bank credit facilities and credit lines for taking out loans deemed appropriate, through continuous monitoring of expected and actual cash flows, as well as through combination of maturity profiles of financial assets and liabilities. Whenever necessary, Company's members support financially the Company's operations.

Trade accounts receivable

The customer's credit risk is managed by each business unit, subject to the procedures, controls and policies established by the Company in relation to this risk. Credit limits are set for all customers based on internal rating criteria. The customer's credit quality is assessed based on an internal extended credit rating system. These are monitored systemically and, when necessary, proceedings for collection are performed through appropriate departments.

Financial instruments and cash deposits

The credit risk represented by balances with banks and financial institutions is managed by the Company Treasury in accordance with the policy respectively established by the area. Exceeding funds are invested only in approved counterparties and within the limits established for each one. The credit limit of counterparties is reviewed on an annual basis by the Board of Directors, and may be changed during the year, subject to approval by the Finance Board. These limits are established in order to minimize risk concentration and thus mitigate financial loss in case of potential bankruptcy of a counterparty.

Capital management

The Company manages its capital to ensure that it will be able to carry out its ordinary activities while maximizing returns of all interested or involved parties by optimizing debt and equity balances.

The Company's capital structure is formed by equity which includes capital and accumulated losses, as shown in Note 18.