

Financial Statements

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

March 31, 2010 and 2009
with Report of Independent Auditors

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Financial statements

March 31, 2010 and 2009

Contents

Report of independent auditors.....	1
-------------------------------------	---

Audited financial statements

Balance sheets.....	3
Statement of operations.....	5
Statements of changes in shareholders' equity.....	6
Statement of cash flows.....	7
Notes to financial statements.....	8

A free translation from Portuguese into English of Report of Independent Auditors on financial statements in accordance with accounting practices adopted in Brazil

Report of Independent Auditors

The Management and Shareholders
Suzlon Energia Eólica do Brasil Ltda.
Fortaleza – CE

1. We have audited the accompanying balance sheet of Suzlon Energia Eólica do Brasil Ltda. as of March 31, 2010 and the related statements of operations, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.
2. We conducted our audit in accordance with generally accepted auditing standards in Brazil, which comprised: a) the planning of our work, taking into consideration the materiality of balances, the volume of transactions and the accounting and internal control systems of the Company; b) the examination, on a test basis, of documentary evidence and accounting records supporting the amounts and disclosures in the financial statements; and c) an assessment of the accounting practices used and significant estimates made by management of the Company, as well as an evaluation of the overall financial statement presentation.
3. The NPC – 14 "Receitas e Despesas – Resultado" (Accounting Rule No. 14 – Revenues and Expenses), states that the revenue is recognized when there is a transference of risks and benefits to third parties; however, as of March 31, 2010, the Company did not recognize revenue related to some WTGs, which had already installed and were operating and generating energy to its clients and the Company had received the clients' acceptance ("Facility Commissioning Completion or Taken Over") for all projects (WTGs) at that date. Had above adjustment been considered in financial statement total impact would be an increase in projects' revenues in the amount of R\$ 446,575,000, PIS and Cofins (VAT Taxes) in the amount of R\$ 17,246,000, costs of sales in the amount of R\$ 347,747,000, general expenses in the amount of R\$ 27,424,000 and income and social contribution taxes in the amount of R\$ 18,400,000. Thus, the shareholders' equity and the statements of operations for the year ended March 31, 2010 are understated in R\$ 35,758,000.



4. Due to the effect of the issue described on paragraph three, the aforementioned financial statements do not present fairly the financial position of Suzlon Energia Eólica do Brasil Ltda. as of March 31, 2010, the results of its operations, changes in its shareholders' equity and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.
5. The financial statements related to the year ended March 31, 2009, and for which the amounts are presented for comparative purposes, were audited by us and our unqualified report was dated April 27, 2009.

Recife (PE), April 27, 2010

ERNST & YOUNG
Auditores Independentes S.S.
CRC 2SP015199/O-6-S-CE

Francisco da Silva Pimentel
Accountant CRC – 1SP 171.230/O-7-S-CE

Carlos Santos Mota Filho
Accountant CRC – PE 020.728/O-7-S-CE

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

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Balance sheets
March 31, 2010 and 2009
(In thousands of reais)

	2010	2009
Assets		
Current assets		
Cash and cash equivalents (Note 4)	53,498	220
Trade accounts receivable (Note 5)	40,509	26,240
Inventories (Note 6)	391,551	777,138
Taxes recoverable (Note 7)	28,768	51,881
Deferred income and social contribution taxes (Note 11)	10,685	8,805
Related parties (Note 8)	62	60
Other receivables	2,379	101
Total current assets	527,452	864,445
Noncurrent assets		
Property, plant and equipment (Note 9)	7,096	4,514
Deferred charges (Note 9)	22,568	28,586
Total noncurrent assets	29,664	33,100
Total assets	557,116	897,545

	2010	2009
Liabilities and shareholders' equity		
Current liabilities		
Suppliers	10,038	35,173
Loans and financing (Note 13)	41,881	-
Leasing (Note 12)	421	144
Salaries and social charges	950	463
Taxes and contributions payable (Note 7)	26,180	7,910
Intercompany payables (Note 8)	4,218	438,584
Advances from customers (Note 14)	430,463	412,374
Other accounts payable	16,897	19,798
Total current liabilities	531,048	914,446
Noncurrent liabilities		
Leasing (Note 12)	624	85
Total noncurrent liabilities	624	85
Shareholders' equity (capital deficiency) (Note 15)		
Capital	369	107
Accumulated profit (loss)	25,075	(17,093)
Total shareholders' equity	25,444	(16,986)
Total liabilities and shareholders' equity	557,116	897,545

See accompanying notes.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Statement of operations

Year ended March 31, 2010

(In thousands of reais, except per unit of interest information)

	2010	2009
Gross revenue	726,695	111,264
(-) Sales deductions	(42,884)	(7,707)
Net revenue	683,811	103,557
Cost of sales	(578,413)	(88,272)
Gross profit	105,398	15,285
Operating income (expenses)		
Selling	(690)	(101)
General and administrative (Note 16)	(38,582)	(40,060)
Financial expenses, net (Note 17)	(1,706)	(1,208)
Other operating income, net	1,574	186
	(39,404)	(41,183)
Income before income and social contribution taxes	65,994	(25,898)
Income and social contribution taxes (Note 11)	(23,826)	8,805
Net Income (loss) for the year	42,168	(17,093)
Earnings (loss) per unit of interest at year end – in Reais	114,28	(160.46)
Number of outstanding units of interest	368,995	106,526

See accompanying notes.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Statements of changes in shareholders' equity (capital deficiency)
Years ended March 31, 2010 and 2009
(In thousands of reais)

	Capital	Accumulated profit (losses)	Total
Balances at March 31, 2008	107	-	107
Loss for the year	-	(17,093)	(17,093)
Balances at March 31, 2009	107	(17,093)	(16,986)
Capital increase	262	-	262
Net income for the year	-	42,168	42,168
Balances at March 31, 2010	369	25,075	25,444

See accompanying notes.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Statement of cash flows
Years ended March 31, 2010 and 2009
(In thousands of reais)

	2010	2009
Operating activities		
Profit (loss) for the year	42,168	(17,093)
Adjustments to reconcile net income (loss) with cash generated by (used in) operating activities:		
Depreciation and amortization	6,862	1,863
Deferred income and social contribution taxes	(1,879)	(8,805)
Provision for warranty	14,019	2,876
Charges and foreign exchange variations, net	1,804	-
Loss on asset disposals	-	672
	62,974	(20,487)
Changes in operating assets:		
Trade accounts receivable	(14,269)	(26,240)
Inventories	367,656	(513,817)
Advances to suppliers	17,930	15,049
Taxes recoverable	23,113	(32,950)
Intercompany receivables	(2)	24,979
Other receivables	(2,278)	(47)
	392,150	(533,026)
Changes in operating liabilities:		
Suppliers	(25,136)	31,108
Salaries and social charges payable	487	252
Taxes, charges and contributions	18,270	7,824
Intercompany payables	(433,900)	387,390
Advances from customers	18,089	46,746
Other payables	(16,922)	16,922
	(439,112)	490,242
Cash flow generated by (used in) operating activities	16,012	(63,271)
Investing activities		
Fixed asset purchases	(3,426)	(4,428)
Increase in deferred charges	-	(19,304)
Cash flow used in investing activities	(3,426)	(23,732)
Financing activities		
Loans and financing	40,430	229
Capital increase	262	-
Cash flow generated by financing activities	40,692	229
Increase (decrease) in cash and cash equivalents	53,278	(86,774)
Increase (decrease) in cash and cash equivalents:		
At the beginning of the year	220	86,994
At the end of the year	53,498	220
Increase (decrease) in cash and cash equivalents	53,278	(86,774)

See accompanying notes.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements

March 31, 2010 and 2009

(In thousands of reais, except where otherwise indicated)

1. Operations

Suzlon Energia Eólica do Brasil Ltda. (the "Company") is a Limited Liability Company, headquartered in the city of Fortaleza, Ceará state, set up on October 10, 2006. Its main business purpose is the import, assembly, installation and maintenance of wind power generators and wind power generation equipment.

The Company has currently a contract for the delivery of 182 wind power generators, of which 182 were delivered and installed up to March 31, 2010.

The Company's financial year corresponds to the period of twelve months ended on March 31 of each year.

2. Basis of preparation and presentation of financial statements

The financial statements were prepared based on the accounting practices adopted in Brazil, in light of the accounting guidelines contained in the Corporation Law (Law No. 6404/76) with new provisions included, amended and repealed by Law No. 11638, of December 28, 2007, and Law No. 11941, of May 27, 2009.

The authorization to conclude the accompanying financial statements was obtained in the executive management meeting held on April 25, 2010.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements--Continued

March 31, 2010 and 2009

(In thousands of reais, except where otherwise indicated)

3. Summary of significant accounting practices

a) Determination of profit and loss

Revenue from sales contracts is recognized upon delivery, installation, issuance of the invoice, and when the Company receives the Final Completion Certificate, which means that (i) Facility Commissioning Completion has occurred; (ii) all items on the punch list have been completed; and (iii) all the Company's tools, equipment and debris have been removed from each project site. Revenues are not recognized if there is significant uncertainty as to their collection. The costs of each project compose inventory for each wind power generator until its delivery to customers.

The result of operations is determined on the accrual basis of accounting. Sales freight is included in the cost of products sold. Interest income and expenses are recognized by the effective interest rate method in financial income (expenses).

b) Transactions denominated in foreign currency

Monetary assets and liabilities denominated in foreign currency are translated into the functional currency (Brazilian real) at the exchange rate on the date of the corresponding balance sheets. Gains and losses resulting from restatement of these assets and liabilities due to the exchange rate variation from transaction date to year end are recognized as financial income (expenses) in the statement of operations.

c) Financial instruments

Financial instruments are recognized from the date the Company is party to the contractual provisions of the instruments. Upon recognition financial instruments are initially recorded at fair value plus transaction costs that are directly attributable to their acquisition or issue, except the case of financial assets and liabilities classified as fair value through profit and loss, when such costs are recorded directly in the statement of operations for the year. Their subsequent measurement takes place at each balance sheet date in accordance with the rules established for each type of classification of financial assets and liabilities; to wit (i) financial assets and liabilities measured at fair value through profit and loss; (ii) held to maturity; (iii) borrowings and receivables; (iv) financial liabilities not measured at fair value and (v) available for sale.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements--Continued

March 31, 2010 and 2009

(In thousands of reais, except where otherwise indicated)

3. Summary of significant accounting practices --Continued

c) Financial instruments --Continued

The main financial assets recognized by the Company are cash and cash equivalents and trade accounts receivable.

The main financial liabilities recognized by the Company are trade accounts payable, advances from customers, intercompany payables and loans and financing.

d) Cash and cash equivalents

Include cash, bank account balances, and short-term investments redeemable within 90 days from the balance sheet dates, subject to insignificant risk of change in their market value. The short-term investments included as cash equivalents are mostly classified as "financial assets at fair value through profit or loss". Breakdown of these investments by type of classification is provided in Note 4.

e) Trade accounts receivable

These are stated at realizable value. The balance recorded at March 31, 2010 refers to trade accounts receivable from two customers to which the wind power generators have already been delivered. All the amounts are falling due and the Company decided that there is no need of recording an allowance for loss on such receivables.

f) Inventories

Stated at average acquisition cost, including import and product nationalization costs not exceeding their market value.

g) Property, plant and equipment

Property, plant and equipment are stated at acquisition, buildup or construction cost. Depreciation is calculated on the straight-line basis at the rates mentioned in Note 9.

Expenses incurred with maintenance and repair are recorded only if the economic benefits related to these items are probable and the amounts may be reliably measured, while other expenses are recorded directly in the statement of operations when incurred.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements--Continued

March 31, 2010 and 2009

(In thousands of reais, except where otherwise indicated)

3. Summary of significant accounting practices --Continued

h) Capital lease

Capital lease agreements are recognized in property, plant and equipment and also in liabilities as loans and financing at the lower of minimum lease payments and fair value of the asset. Amounts recorded in property, plant and equipment are depreciated over the shorter between the estimated useful lives of the assets and the lease term. The implicit interest on loans and financing recognized in liabilities is charged to P&L over the life of the contract using the effective interest rate method. Operating lease agreements are recognized on a systematic basis that represents the period under which the benefit for the leased asset was obtained even when such payments were not made on this basis.

i) Deferred charges

These are stated at cost and represented by pre-operation and implementation expenses, less accumulated amortization. Net balance of deferred charges has been amortized over five years by the straight-line method as from the beginning of operations (Nota 10). According to changes introduced by Law No. 11638/07 and Provisional Executive Order (MP) No. 449/08, converted into Law No. 11941 on May 27, 2009, such expenses can no longer be recorded as deferred charges as from January 1, 2009.

j) Provision for impairment of assets

Management annually tests the net book value of the assets with a view to determining whether there are any events or changes in economic, operating or technological circumstances that may indicate impairment. When such evidence is found, and net book value exceeds the recoverable amount, a provision for impairment is recorded so as to adjust the net book value to the recoverable amount. No indication of the impairment of assets existed on March 31, 2010 and 2009.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements--Continued

March 31, 2010 and 2009

(In thousands of reais, except where otherwise indicated)

3. Summary of significant accounting practices --Continued

k) Other assets and liabilities

Assets are recognized in the balance sheet when it is likely that their future economic benefits will be generated on the Company's behalf and their cost or value can be safely measured.

Liabilities are recognized in the balance sheet when the Company has a legal or constructive obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits. Provisions are recorded reflecting the best estimates of the risk involved.

Assets and liabilities are classified as current when these items are likely to be settled or realized within 12 months; otherwise these are stated as noncurrent.

l) Taxation

Revenue from sales and services is subject to the following taxes and contributions, at their statutory rates:

l.1) On revenue from sales and services

- Service Tax – ISS: at the rate between 2% and 5%;
- Social Contribution Tax on Gross Revenue for Social Integration Program – PIS: at 1.65%;
- Social Contribution Tax on Gross Revenue for Social Security Financing – Cofins: at 7.6%; and
- State Value-added Tax (ICMS): at 17%.

These charges are presented as sales deductions in the statement of operations. The credits resulting from non-cumulative PIS/COFINS are presented deducting cost of products sold in the statement of operations. For some projects, for which the clients have obtained the benefits of REIDI (“Regime Especial de Incentivo ao Desenvolvimento da Infraestrutura”) there is no charge of PIS and COFINS.

The State Value-added Tax (ICMS) is charged over the sales of certain components that are not covered by the Agreement 101/97 and amendments.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements--Continued

March 31, 2010 and 2009

(In thousands of reais, except where otherwise indicated)

3. Summary of significant accounting practices--Continued

l) Taxation--Continued

l.2) Income taxes

Income taxes comprise income and social contribution taxes. Income tax is levied on taxable profit at 15%, plus a 10% surtax on the portion of profits in excess of R\$ 240 in the period of 12 months, while social contribution tax is levied at 9% on taxable profit, recognized on the accrual basis. Inclusions to book profit of expenses temporarily nondeductible, or exclusions of temporarily non-taxable revenues generate deferred tax credits or debits.

Tax prepayments or recoverable taxes are stated in current and noncurrent assets based on their expected realization.

Deferred tax credits on income and social contribution tax losses are recognized only to the extent that it is probable that there will be generation of taxable profit to allow use of temporary differences. Breakdown of deferred tax credits is shown in Note 11.

m) Accounting estimates

These are used in the measurement and recognition of certain assets and liabilities in the Company's financial statements. These estimates take into consideration experience from past and current events, assumptions in respect to future events, and other objective and subjective factors. Significant items subject to such estimates include: the selection of useful lives of property, plant and equipment; the provision for warranty; the analysis of recoverability of property, plant and equipment and deferred income and social contribution taxes. Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the uncertainties related to the estimate process. The Company periodically reviews its estimates and assumptions.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements--Continued

March 31, 2010 and 2009

(In thousands of reais, except where otherwise indicated)

3. Summary of significant accounting practices --Continued

n) Statement of cash flows

The statement of cash flows was prepared and is being presented in accordance with Brazilian Technical Accounting Rules NBCT 3.8 – Statement of Cash Flows equivalent to CPC 03 (R) issued by the Brazilian Federal Accounting Council (CFC).

o) Provision for contingencies

The Company does not present contingencies considered to involve probable losses by its legal advisors. Thus, no provision for such losses has been set up.

4. Cash and cash equivalents

	2010	2009
Cash	26	28
Banks	51,375	60
Short-term investments	2,097	132
	<u>53,498</u>	<u>220</u>

Short-term investments recorded in current assets as cash equivalents, in the amount of R\$ 2.097 at March 31, 2010, include basically Bank Deposit Certificates – CDB and Investment Funds, remunerated at rates from 99% to 101% of CDI.

5. Trade accounts receivable

Projects	Projects revenue		Receipts		Accounts receivable	
	2010	2009	2010	2009	2010	2009
SERVTEC	262,949	-	(262,949)	-	-	-
RDV	41,546	29,373	(41,546)	(9,873)	-	19,500
SIIF	528,831	81,114	(490,991)	(74,439)	37,840	6,675
Others	2,669	65	-	-	2,669	65
	<u>835,995</u>	<u>110,552</u>	<u>(795,486)</u>	<u>(84,312)</u>	<u>40,509</u>	<u>26,240</u>

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements--Continued

March 31, 2010 and 2009

(In thousands of reais, except where otherwise indicated)

6. Inventories

	2010	2009
Products in process	70,987	77,248
Raw and secondary materials	205,479	281,619
Inventories with third parties	98,973	171,800
Advances to suppliers	10,345	28,275
Imports in transit	5,766	218,196
	<u>391,551</u>	<u>777,138</u>

7. Taxes recoverable and payable

	2010	2009
Assets		
PIS	81	8,296
Cofins	2,506	34,482
ICMS	12,737	6,018
ISS	33	-
IPI	1,876	-
IRRF on financial investment redemption	788	747
IRRF recoverable (on an estimate basis)	6,438	1,656
CSLL recoverable (on an estimate basis)	4,300	682
Others	9	-
	<u>28,768</u>	<u>51,881</u>
Liabilities		
PIS payable	-	1,351
Cofins payable	-	6,224
ICMS payable	-	95
IRPJ(Income Tax)	18,901	-
CSLL(Income Tax)	6,804	-
Withholding ISS payable	136	206
IRRF payable	157	30
CSLL payable	182	4
	<u>26,180</u>	<u>7,910</u>

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements--Continued

March 31, 2010 and 2009

(In thousands of reais, except where otherwise indicated)

8. Transactions with related parties

	2010	2009
Assets:		
Current		
Suzlon Energy Australia Pty Ltd	62	60
	<u>62</u>	<u>60</u>
Liabilities		
Accounts payable		
Suzlon Energy Limited	3,770	4,172
Suzlon Wind Energy A/S	30	71,688
Suzlon Eletrical Internals Ltd	35	-
Suzlon Wind Energy Corporation Ltd	382	-
Suzlon Energy GMBH	1	-
Suzlon Energy A/S	-	362,724
	<u>4,218</u>	<u>438,584</u>
Statement of operations		
Purchases /cost of sales	(304,290)	(49,921)
Exchange variation, net	3,261	(5,436)
Financial income (expense), net	(4,968)	2,188

The transactions with related parties are carried out under conditions agreed by the parties.

Accounts payable refer to purchases of wind power generators and their parts and components. In addition, accounts receivable and payable in foreign currency are subject to exchange variation.

Total management fees for the years ended March 31, 2010 and 2009, totaled R\$ 197 and R\$ 194, respectively.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements--Continued

March 31, 2010 and 2009

(In thousands of reais, except where otherwise indicated)

9. Property, plant and equipment

	Average annual depreciation rate (% p.a.)	2010		2009	
		Cost	Accumulated depreciation	Net	Net
Machinery and equipment	10	2,582	(233)	2,349	1,391
Tooling	10	961	(164)	797	410
Furniture and fixtures	10	961	(159)	802	760
IT equipment	20	890	(163)	727	288
Vehicles	20	1,066	(330)	736	763
Leasehold improvements	20	591	-	591	579
Leased assets (Note 12)	20	1,124	(155)	969	248
Other	20	155	(30)	125	75
		<u>8,330</u>	<u>(1,234)</u>	<u>7,096</u>	<u>4,514</u>

Leasehold improvements refer to office installations and storage area, whose depreciation will begin on April 1, 2010, when the assets will be in conditions to be used.

Leased assets of R\$ 1,124 (R\$ 969, net of depreciation) were given in guarantee of leasing operations described in Note 12.

10. Deferred charges

	2010	2009
Preoperating expenses	16,947	16,947
Exchange variation, net	15,755	15,755
Tax expenses	1,471	1,471
Financial investments yield	(3,935)	(3,935)
Other revenues	(147)	(147)
	<u>30,091</u>	<u>30,091</u>
Accumulated amortization	<u>(7,523)</u>	<u>(1,505)</u>
	<u>22,568</u>	<u>28,586</u>

Deferred charges have been amortized since January 2009, when Suzlon Energia Eólica do Brasil started its sales, with amortization on the straight line basis, over the period of five years.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements--Continued

March 31, 2010 and 2009

(In thousands of reais, except where otherwise indicated)

11. Deferred income and social contribution taxes

Based on expected generation of future taxable profits, the Company recognized tax credits on income and social contribution tax losses of prior years and temporary differences that may be carried indefinitely and may be offset observing the limit of 30% of annual taxable profits.

Tax credits were recorded at the rates of 25% for income tax and 9% for social contribution tax, forecast to be in force on the date of their realization.

Deferred income and social contribution tax assets have the following composition at March 31, 2010:

	2010		2009	
	Income tax	Social contribution tax	Income tax	Social contribution tax
Accumulated Income Tax losses	31,425	31,425	25,898	25,898
	<u>31,425</u>	<u>31,425</u>	<u>25,898</u>	<u>25,898</u>
Calculation base				
Rate	25%	9%	25%	9%
Deferred taxes	7,856	2,829	6,475	2,330
Current	(7,856)	(2,829)	(6,475)	(2,330)
Noncurrent	-	-	-	-

Based on a technical study on the generation of future taxable results prepared by Company management, deferred income and social contribution tax assets will be realized in the year ending March 31, 2011.

The amount of income and social contribution tax expenses have the following composition at March 31, 2010 and 2009:

	2010	2009
Current year income taxes	(18,901)	-
Current year contribution taxes	(6,804)	-
Deferred income and contribution taxes	1,879	8,805
	<u>(23,826)</u>	<u>8,805</u>

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements--Continued

March 31, 2010 and 2009

(In thousands of reais, except where otherwise indicated)

11. Deferred income and social contribution taxes--Continued

The conciliation of income and contribution tax expenses, calculated by current legislation rates, and the values registered in the 2010 statements operations are showed below:

	<u>2010</u>
Income before income and social contribution taxes	65,994
Income and Contribution taxes (34%)	(22,438)
Adjustments to calculate the effective rate:	
Permanent additions	(1,388)
	<u>(23,826)</u>
Effective rate	<u>36%</u>

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements--Continued

March 31, 2010 and 2009

(In thousands of reais, except where otherwise indicated)

12. Leasing

The Company has certain vehicle leasing contracts which, according to technical pronouncement CPC 06 – Commercial Leasing Operations, are classified as capital or operating leasing. The Company classifies a leasing as capital leasing when at least one of the following conditions is met:

- i) There is transfer of asset title to the Company at the end of leasing term;
- ii) The Company has the option of purchasing the asset for the price expected to be sufficiently lower than the fair value as of the date on which the option becomes exercisable, and management probably intends to exercise it;
- iii) The leasing term refers to at least 75% of the economic life of the asset, even if title to it is not transferred. Company management believes that 75% substantially corresponds to the asset economic life;
- iv) At the beginning of the leasing, the present value of minimum leasing payments represents at least 90% of leased asset fair value. Company management believes that 90% basically corresponds to the leased asset fair value.

The Company estimates the total term of each leasing contract, considering the renewal terms, at the exclusive discretion of the Company, and for which there are economic losses or penalties in case contract end after its original term.

This estimated term is used to determine whether the leasing shall be classified as operating or finance leasing and in the calculation of rent expenses on the straight line basis during the contractual term. In addition, the useful lives of leasehold improvements is limited to the lease agreement term or the economic useful life of the leased asset. Discounts, grace periods and rebates are considered in the calculation of minimum lease payments to be used in the calculation of item "iv" above.

Based on the above analyses, the Company classified its leasing contracts into operating and capital as under:

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements--Continued

March 31, 2010 and 2009

(In thousands of reais, except where otherwise indicated)

12. Leasing--Continued

a) Capital lease

The Company has a leasing contract that was classified as capital lease. The main effects on the financial statements are described below:

a1) Permanent assets ("Leased properties"):

Type	Contract term	Cost (present value of minimum lease payments)	Accumulated depreciation	Net balance
Vehicles	2 - 3 years	1,124	(155)	969

a2) Leasing liabilities:

Minimum finance lease payments mature as under:

Maturity	Minimum payments	Discount to present value	Present value of minimum lease payments
From April 1, 2010 and March 31, 2011	421	-	421
After March 31, 2011	797	(173)	624
	1,218	(173)	1,045

Finance leasing is secured by the leased assets.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements--Continued

March 31, 2010 and 2009

(In thousands of reais, except where otherwise indicated)

12. Leasing--Continued

a3) Statement of operations accounts:

In the year ended March 31, 2010, the Company recorded in the statement of operations for the period, depreciation charges of R\$ 114 (R\$ 40 in 2009) and interest expenses on finance leasing of R\$ 97 (R\$ 56 in 2009). The minimum lease payments totaled in the period R\$ 269 (R\$ 115 in 2009).

b) Operating lease

The Company presents operating leasing totaling R\$ 277 for the year ended March 31, 2010 (R\$ 572 in 2009).

13. Loans and financing

	Index	2010	2009
Local currency:			
Banco ABC Brasil – Financing	16.35% p.a.	21,893	-
Bic Banco - Financing	9,38% p.a.	19,988	-
Total		41,881	-
Current		(41,881)	-
Non-current		-	-

Loans and financing are guaranteed by promissory notes in the total amount of the agreements and by shareholders' surety bond.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements--Continued

March 31, 2010 and 2009

(In thousands of reais, except where otherwise indicated)

14. Advances from customers

	2010	2009
Bons Ventos	261,133	111,682
Eolica Formosa Ltda	-	159,785
Eolica Icaraizinho	169,326	66,362
Siif Cinco Ltda	-	62,372
Rosa Dos Ventos Ltda	-	12,173
Others	4	-
	<u>430,463</u>	<u>412,374</u>

15. Members' equity (capital deficiency)

Capital, fully subscribed and paid up at March 31, 2010, amounts to R\$ 369 (R\$107 at March 31, 2009), divided into 368,995 units of interest (divided into 106,526 units of interest in 2009), as follows:

	2010	2009
Suzlon Wind Energy A/S – Denmark	106,525	106,525
Suzlon Energy Portugal - Energia Eólica, Unipessoal LDA	1	1
Suzlon Energy Australia PTY LT	262,469	-
	<u>368,995</u>	<u>106,526</u>

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements--Continued

March 31, 2010 and 2009

(In thousands of reais, except where otherwise indicated)

16. General and administrative expenses

	2010	2009
Expenses with contractual fines	(18,860)	(28,712)
Provision for warranty	-	(2,876)
Amortization	(6,018)	(1,506)
Consultancies	(4,199)	(626)
Property rent	(277)	(572)
Transportation and locomotion	(120)	(464)
Tooling and EPI	(26)	(439)
Salaries	(3,516)	(409)
Taxes	(2,592)	(77)
Depreciation	(844)	(120)
Audit fees	(455)	(29)
Other expenses	(1,675)	(4,230)
	<u>(38,582)</u>	<u>(40,060)</u>

Expenses with contractual fines refer to contractual penalty for late delivery of wind power generation equipment by the Company and availability under 97% at the sites.

17. Financial income (expenses), net

	2010	2009
Exchange variation, net	3,261	1,035
Interest on intercompany loans	(3,276)	(2,188)
Interest and fines	(2,962)	(54)
Other financial income (expense)	1,271	(1)
	<u>(1,706)</u>	<u>(1,208)</u>

18. Provision for contingencies

Suzlon Energia Eólica do Brasil Ltda. does not present any judicial or administrative proceeding against it involving the need of setting up a provision for contingencies.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements--Continued

March 31, 2010 and 2009

(In thousands of reais, except where otherwise indicated)

19. Financial instruments and risk management

In compliance with technical pronouncement CPC 14, the Company evaluated its financial instruments.

General considerations

At March 31, 2010, the main financial instruments were:

- Cash and cash equivalents – These are stated at market value, which approximates book value.
- Short-term investments – The market value is reflected in the amounts recorded in the balance sheets.
- 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.
- Suppliers – These result from transactions with third parties for the purchase of inputs, equipment and parts at market prices.
- Leasing – Leasing contracted on July 18, 2008 with HSBC Bank Brasil S/A and December 4, 2009 with Banco Toyota S/A, as described in Note 12.
- Loans and financing – Bank Loans with Banco Industrial e Comercial S/A (Bic Banco) and Banco ABC Brasil S/A as described in Note 12.
- Intercompany payables – Resulting from loans raised and other amounts payable, as described in Note 8.

The book and market value of the Company's financial instruments at March 31, 2010 and 2009 do not present material differences.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements--Continued

March 31, 2010 and 2009

(In thousands of reais, except where otherwise indicated)

19. Financial instruments and risk management--Continued

Risk Factors

- Financial risks – The Company does not have hedge against foreign exchange rate fluctuations.
- Foreign exchange rate risk

This risk arises from the possibility of loss due to the increase in foreign exchange rates, increasing the balance of accounts payable to the parent company. Assets and liabilities denominated in foreign currency are:

	Currency	2010	2009
Assets:			
Imports in transit	US\$	1,401	1,776
	EUR	1,101	400
Liabilities:			
Related parties	US\$	1,496	1,812
	EUR	645	6,673

- Credit risk

The Company's sales policies are subordinated to the credit policies established by management and aim at minimizing the problems from customers' default. This objective is attained through supply and air generators installation contracts entered into with the main customers. In addition, a significant part of the sales amounts are received in advance through advances from customers.

- Operating risks

Considering that the Company operates with international trade, this risk may occur in case of restriction of credit to importers and exporters, thus directly affecting transported cargo volume.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements--Continued

March 31, 2010 and 2009

(In thousands of reais, except where otherwise indicated)

20. Insurance coverage

The Company maintains insurance coverage in the amount of R\$ 1,227,960, against operating risks and other perils to which its property, plant equipment and inventories are subject. Insurance coverage at March 31, 2010 is considered sufficient in the opinion of insurance advisors to cover adventitious losses.