IMPORTANT NOTICE

YOU MAY NOT AND ARE NOT AUTHORIZED TO (I) FORWARD OR DELIVER THE ATTACHED PLACEMENT DOCUMENT, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR (II) REPRODUCE SUCH PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (A) (1) "QUALIFIED INSTITUTIONAL BUYERS" AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED OR (2) NON-U.S. PERSONS WITH ADDRESSES OUTSIDE OF THE U.S.; AND (B) QUALIFIED INSTITUTIONAL BUYERS AS DEFINED UNDER CLAUSE 2.2.2B (V) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000

IMPORTANT: **This e-mail is intended for the named recipient(s) only. If you are not an intended recipient, please delete this e-mail from your system immediately.** You must read the following before continuing. The following applies to the Placement Document (the "PD") attached to this e-mail, and you are therefore advised to read this page carefully before reading, accessing or making any other use of the attached PD. In accessing the PD, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

Confirmation of Your Representation: You have accessed the attached PD on the basis that you have confirmed your representation to each of Suzlon Energy Limited ("Company"), Citigroup Global Markets India Private Limited, DSP Merrill Lynch Limited, YES Bank Limited and JM Financial Consultants Private Limited as Bookrunners, that: (1) you received the attached PD; (2) (i) you are neither resident in the United States nor a U.S. person, as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"), nor acting on behalf of a U.S. person, the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the U.S., its territories or possessions, and, to the extent that you eventually purchase the securities described in the attached PD, you will be doing so pursuant to Regulation S under the Securities Act OR (ii) you are a "qualified institutional buyer" as defined in Rule 144A under the Securities Act; AND (iii) you are a Qualified Institutional Buyers as defined under clause 2.2.2B (v) of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 AND (3) that you consent to delivery of the attached PD and any amendments or supplements thereto by electronic transmission.

The attached PD has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Company, the Bookrunners, their respective affiliates or any person who controls any of them, or any of their respective directors, officers, employees or agents or any affiliates of any such person, accepts any liability or responsibility whatsoever in respect of any discrepancies between the PD distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

Restrictions: The attached PD and notice are being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the PD. In making an investment decision, investors must rely on their own examination of the merits and risks involved.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR ANY OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the issuer of the securities or any of the Bookrunners to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a "general solicitation" or "general advertising" (each as defined in Regulation D under the Securities Act) or "directed selling efforts" (as defined in Regulation S under the Securities Act) in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Bookrunners or any of their respective eligible affiliates on behalf of the Company in such jurisdiction. Further, nothing in this electronic transmission constitutes an offer or an invitation, or an offer or invitation to the public under the Indian Companies Act, 1956, by or on behalf of either the Company or any of the Bookrunners to subscribe for or purchase any of the securities described therein.

You are reminded that you have accessed the attached PD on the basis that you are a person into whose possession this PD may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

Placement Document
Not for Circulation

SUZLON ENERGY LIMITED

(Incorporated with limited liability under the laws of the Republic of India)

Suzlon Energy Limited ("**Suzlon**" or the "**Company**") is issuing 11,386,000 Equity Shares of face value of Rs.10 each (the "**Equity Shares**") at a price of Rs. 1,917 per Equity Share, including a premium of Rs. 1,907 per Equity Share, in aggregate amounting to Rs. 21,826.96 million (the "**Issue**").

ISSUE IN RELIANCE UPON CHAPTER XIII-A OF THE SEBI GUIDELINES

THIS OFFERING AND THE DISTRIBUTION OF THIS PLACEMENT DOCUMENT IS BEING MADE IN RELIANCE UPON CHAPTER XIII-A OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, AS AMENDED (THE "SEBI GUIDELINES"). THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA.

Invitations, offers and sales of the Equity Shares shall only be made pursuant to this Placement Document, the Confirmation of Allocation Note and the Application Form. See "Issue Procedure" in this Placement Document. The distribution of this Placement Document or the disclosure of its contents to any person, other than Qualified Institutional Buyers (as defined in the SEBI Guidelines) and persons retained by Qualified Institutional Buyers to advise them with respect to their purchase of the Equity Shares, is unauthorised and prohibited. Each Eligible Investor, by accepting delivery of this Placement Document agrees to observe the foregoing restrictions and to make no copies of this Placement Document or any documents referred to in this Placement Document.

This Placement Document has not been and will not be registered as a prospectus with the Registrar of Companies in India, and will not be circulated or distributed to the public in India and will not constitute a public offer in India.

Investments in equity and equity-related securities involve a degree of risk and Eligible Investors should not invest any funds in this Issue unless they are prepared to take the risk of losing all or part of their investment. Eligible Investors are advised to carefully read "Risk Factors" before making an investment decision in this Issue. Each Eligible Investor is advised to consult its advisers about the particular consequences to it of an investment in the Equity Shares being issued pursuant to this Placement Document.

The information on the Company's website or any website directly or indirectly linked to the Company's website does not form part of this Placement Document and prospective investors should not rely on such information contained in, or available through, such websites.

All of the Company's outstanding Equity Shares are listed on the National Stock Exchange of India Limited (the "**NSE**") and the Bombay Stock Exchange Limited (the "**BSE**"). Applications shall be made for the listing of the Equity Shares offered through this Placement Document on the NSE and the BSE (collectively, the "**Stock Exchanges**"). The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to trading on the Stock Exchanges should not be taken as an indication of the merits of the Company, or the Equity Shares.

YOU MAY NOT AND ARE NOT AUTHORISED TO (1) DELIVER THE PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE SUCH PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SEBI GUIDELINES OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

A copy of the Preliminary Placement Document has been delivered to the Stock Exchanges. A copy of this Placement Document will be filed with the Stock Exchanges. A copy of this Placement Document will also be delivered to the Securities and Exchange Board of India (the "**SEBI**") for record purposes.

THIS PLACEMENT DOCUMENT HAS BEEN PREPARED BY THE COMPANY SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE OF THE EQUITY SHARES DESCRIBED IN THIS PLACEMENT DOCUMENT.

The Equity Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S ("**Regulation S**") under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons who are qualified institutional buyers (as defined in Rule 144A under the Securities Act ("**Rule 144A**")) and (b) outside the United States to non U.S. persons in reliance on Regulation S. For further details, see "Transfer Restrictions".

Global Coordinators and Bookrunners

Joint Bookrunner

Co Bookrunner

This Placement Document is dated December 18, 2007

TABLE OF CONTENTS

NOTICE TO INVESTORS

The Company accepts full responsibility for the information contained in this Placement Document and to the best of the Company's knowledge and belief, having made all reasonable enquiries, confirms that this Placement Document contains all information with respect to the Company, its subsidiaries and joint ventures (the "Group") and the Equity Shares which is material in the context of this Issue. The statements contained in this Placement Document relating to the Group and the Equity Shares are, in every material respect, true and accurate and not misleading, the opinions and intentions expressed in this Placement Document with regard to the Group and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to the Group and are based on reasonable assumptions. There are no other facts in relation to the Group and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by the Group to ascertain such facts and to verify the accuracy of all such information and statements. The Bookrunners have not separately verified the information contained in this Placement Document (financial, legal or otherwise). Accordingly, neither the Bookrunners nor any of their respective members, employees, counsel, officers, directors, representatives, agents or affiliates makes any express or implied representation, warranty or undertaking and no responsibility or liability is accepted, by the Bookrunners, as to the accuracy or completeness of the information contained in this Placement Document or any other information supplied in connection with the Equity Shares. Each person receiving this Placement Document acknowledges that such person has not relied on the Bookrunners nor on any person affiliated with the Bookrunners in connection with its investigation of the accuracy of such information or its investment decision and each such person must rely on its own examination of the Group and the merits and risks involved in investing in the Equity Shares.

No person is authorised to give any information or to make any representation not contained in this Placement Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Group or the Bookrunners. The delivery of this Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The Equity Shares have not been approved, disapproved or recommended by the U.S. Securities and Exchange Commission, any state securities commission in the United States or the securities commission of any non-U.S. jurisdiction or any other U.S. or non-U.S. regulatory authority. None of these authorities has passed on or endorsed the merits of this offering or the accuracy or adequacy of this Placement Document. Any representation to the contrary is a criminal offence in the United States and may be a criminal offence in other jurisdictions.

The distribution of this Placement Document and the Issue may be restricted by law in certain jurisdictions. As such, this Placement Document does not constitute and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by the Group or the Bookrunners which would permit an offering of the Equity Shares or distribution of this Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly and neither this Placement Document nor any offering materials in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. **Within the United States, this Placement Document is being provided only to persons who are "qualified institutional buyers" as defined in Rule 144A.**

In making an investment decision, investors must rely on their own examination of the Group and the terms of this Issue, including the merits and risks involved. Investors should not construe the contents of this Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning this offering. In addition, neither the Group nor the Bookrunners are making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under applicable legal, investment or similar laws or regulations. Each purchaser of the Equity Shares in this offering is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in the Company under Indian law, including Chapter XIII-A of the SEBI Guidelines and is not prohibited by SEBI or any other statutory authority from buying, selling or dealing in securities. Each purchaser of Equity Shares in this offering also acknowledges that it has been afforded an opportunity to request from the Company and review information relating to the Company and the Equity Shares.

The information on the Company's website, www.suzlon.com, or the websites of the Bookrunners does not constitute nor form part of this Placement Document.

P-NOTES

Foreign Institutional Investors as defined under the SEBI Guidelines or their sub-accounts (together referred to as "FIIs"), including FII affiliates of the Bookrunners, were permitted under Regulation 15A(1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulation, 1995, as amended, to issue, deal in or hold, off-shore derivative instruments such as participatory notes, equity linked notes or any other similar instruments against Shares allocated in the Issue (all such off-shore derivative instruments referred to herein as "P-Notes"), for which they may receive compensation from purchasers of such instruments. However, on October 16, 2007 the SEBI issued a discussion paper on P-Notes which was followed by a SEBI board meeting announcement dated October 25, 2007 wherein the SEBI has placed certain restrictions on the issue of P-Notes. As a result of this announcement, P-Notes can now only be issued to regulated entities. Also, FIIs and their sub accounts cannot issue any P-Notes with derivatives as underlying securities and they are required to wind up any such outstanding derivative instruments within 18 months of the date of the SEBI's announcement. In addition, sub accounts of FII's cannot issue any further P-Notes and are also required to wind up all outstanding positions within 18 months from the date of SEBI's announcement.

FIIs with existing P-Notes (not linked to underlying derivatives) whose notional value as a percentage of their assets under custody in India ("AUC") is less than 40 per cent on 30 September 2007 ("AUC Date") are permitted to issue such instruments at the annual rate of five per cent of their AUC. SEBI has clarified that the five per cent rate is applicable only till the total percentage reaches 40 per cent at which time the FII shall comply with the regulations applicable to FIIs at or above the 40 per cent limit.

FIIs with existing P-Notes (not linked to underlying derivatives) whose notional value as a percentage of their AUC is more than 40 per cent are permitted to issue such instruments only against cancellation/redemption/closing out of the existing P-Notes of at least equivalent amount.

P-Notes have not been and are not being offered or sold pursuant to this Placement Document. This Placement Document does not contain nor will it contain any information concerning P-Notes or the issuer(s) of any P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of the Company and do not constitute any obligations of, claim on, or interests in the Company. The Company has not participated in any offer of any P-Notes, or in the establishment of the terms of the P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by and are solely the obligations of, third parties that are unrelated to the Company. The Company and its affiliates do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes.

Any P-Notes that may be issued are not securities of the Bookrunners and do not constitute any obligations of, or claim on, the Bookrunners.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosure as to the issuer(s) of any P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither the SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations. Affiliates of the Bookrunners who are registered as FIIs may issue P-Notes and earn commission on such issuance in accordance with applicable laws.

REPRESENTATIONS BY INVESTORS

By purchasing any Equity Shares under the Issue, you are deemed to have agreed as follows:

- you are a qualified institutional buyer as defined in Chapter XIII-A of the SEBI Guidelines ("QIB") and undertake to acquire, hold, manage or dispose of any Equity Shares that are allocated to you for the purposes of your business in accordance with Chapter XIII-A of the SEBI Guidelines;
- if you are allotted Equity Shares pursuant to the Issue, you shall not, for a period of one year from allotment, sell the Equity Shares so acquired except only on the floor of the Stock Exchanges;
- you are aware that the Equity Shares have not been and will not be registered under the SEBI regulations or under any other law in force in India. The Placement Document has not been verified or affirmed by the SEBI or the Stock Exchanges and will not be filed with the Registrar of Companies. The Placement Document has been filed with the Stock Exchanges for record purposes only and has been displayed on the websites of the Company and the Stock Exchanges;
- you are entitled to subscribe for the Equity Shares under the laws of all relevant jurisdictions which apply to you and that you have fully observed such laws and obtained all such governmental and other consents in each case which may be required thereunder and complied with all necessary formalities;
- you are entitled to acquire the Equity Shares under the laws of all relevant jurisdictions and that you have all necessary capacity and have obtained all necessary consents and authorities to enable you to commit to this participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorities to agree to the terms set out or referred to in the Placement Document) and will honour such obligations;
- none of the Bookrunners is making any recommendations to you, advising you regarding the suitability of any transactions it may enter into in connection with the Issue and that participation in the Issue is on the basis that you are not and will not be a client of any of the Bookrunners and that none of the Bookrunners has duties or responsibilities to you for providing the protection afforded to their clients or customers or for providing advice in relation to the Issue;
- you are aware and understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public and the allotment of the same shall be on a discretionary basis;
- you have made, or been deemed to have made, as applicable, the representations set forth under "Transfer Restrictions";
- you have been provided a serially numbered copy of the Placement Document and have read the Placement Document in its entirety;
- that in making your investment decision, (i) you have relied on your own examination of the Group and the terms of the Issue, including the merits and risks involved, (ii) you have made your own assessment of the Group, the Equity Shares and the terms of the Issue based on such information as is publicly available, (iii) you have consulted your own independent advisors or otherwise have satisfied yourself concerning without limitation, the effects of local laws and (iv) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of the Company and the Equity Shares;
- you have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the investment in the Equity Shares and you and any accounts for which you are subscribing the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to the Company and the Bookrunners for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares;
- that where you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorised in writing, by each such managed account to acquire the Equity Shares for each managed account;
- you are not a promoter and are not a person related to the Promoters, either directly or indirectly and your bid does not directly or indirectly represent the Promoter or Promoter Group of the Company.

- you have no rights under a shareholders agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board of Directors of the Company other than the acquired in the capacity of a lender which shall not be deemed to be a person related to the promoter;
- you have no right to withdraw your bid after the Bid Closing Date;
- you are eligible to bid and hold Equity Shares so allotted and together with any Equity Shares held by you prior to the Issue. You further confirm that your holding upon the issue of the Equity Shares shall not exceed the level permissible as per any applicable regulation;
- the bids made by you would not eventually result in triggering a tender offer under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended (the "Takeover Code");
- to the best of your knowledge and belief together with other QIBs in the Issue that belong to the same group or are under common control as you, the allotment under the present Issue shall not exceed 50 per cent of the Issue. For the purposes of this statement:
  a. the expression 'belongs to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act; and
  b. 'control' shall have the same meaning as is assigned to it by clause (c) of Regulation 2 of the Takeover Code.
- you shall not undertake any trade in the Equity Shares credited to your depository participant account until such time that the final listing and trading approval for the Equity Shares is issued by the Stock Exchanges;
- you are aware that applications have been made to the Stock Exchanges for in-principle approval for listing and admission of the Equity Shares to trading on the Stock Exchanges' market for listed securities;
- you are aware and understand that the Bookrunners will have entered into a memorandum of understanding with the Company whereby each of the Bookrunners has, subject to the satisfaction of certain conditions set out therein, undertaken severally and not jointly or jointly and severally, to use its reasonable endeavours as agents of the Company to seek to procure placees for the Equity Shares;
- that the contents of this Placement Document are exclusively the responsibility of the Company and that neither the Bookrunners nor any person acting on their behalf has or shall have any liability for any information, representation or statement contained in this Placement Document or any information previously published by or on behalf of the Company and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Placement Document or otherwise. By accepting a participation in this Issue, you agree to the same and confirm that you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the Bookrunners or the Company or any other person and neither of the Bookrunners nor the Company nor any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;
- that the only information you are entitled to rely on and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares and that you have neither received nor relied on any other information given or representations, warranties or statements made by any of the Bookrunners or the Company and the Bookrunners will not be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty or statement;
- you agree to indemnify and hold the Company and the Bookrunners harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations and warranties in this paragraph. You agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares by or on behalf of the managed accounts;
- that the Company, the Bookrunners and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings which are given to the Bookrunners on their own behalf and on behalf of the Company and are irrevocable; and
- that you are eligible to invest in India under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by Person Resident Outside India) Regulations, 2000 and have not been prohibited by the SEBI from buying, selling or dealing in securities.

NOTICE FOR NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of the Preliminary Placement Document has been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of the Preliminary Placement Document;
2. warrant that this Company's Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or
3. take any responsibility for the financial or other soundness of this Company its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that the Preliminary Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquires any Equity Shares of this Company may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

PRESENTATION OF FINANCIAL DATA

The Company's financial statements, included in this Placement Document are prepared in accordance with Indian GAAP. Indian GAAP differs significantly in certain respects from IAS/IFRS and U.S. GAAP. The Company does not provide a reconciliation of the Company's financial statements to IAS/IFRS or U.S. GAAP; however, the Company has provided in this Placement Document a narrative summary of the principal differences between Indian GAAP and IAS/IFRS relevant to the Company's financial statements. Also see "Risk Factors - Risks Related to India - Significant differences exist between Indian GAAP, International Accounting Standards ("IAS")/International Financial Reporting Standards ("IFRS") and U.S. GAAP, which may be material to the financial information prepared and presented in accordance with Indian GAAP contained in this Placement Document". In this Placement Document, certain monetary amounts have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

All references to "you" are to the prospective investors in the Equity Shares. References in this Placement Document to "India" are to the Republic of India and the "Government" are to the Governments in India, central or state, as applicable.

Unless stated otherwise, the financial data in this Placement Document is derived from the Company's consolidated financial statements prepared in accordance with Indian GAAP. The Company's fiscal year commences on April 1 of each year and ends on March 31 of the succeeding year, so all references to a particular fiscal year of the Company are to the twelve-month period ended on March 31 of that year.

CURRENCY CONVERSION TABLE

The Company prepares and publishes its financial statements in Rupees. All references herein to "Indian Rupees" and "Rs." are to Indian Rupees, all references to "U.S. Dollars" and "U.S.$" are to United States dollars and all references to "€" or "Eur" are to Euros. Unless otherwise indicated, all conversions of certain Rupee amounts into US Dollar amounts have been made at the rates specified below:

Year/Period	Rupees	US Dollar
Year ended March 31, 2005	43.62	1
Year ended March 31, 2006	44.48	1
Year ended March 31, 2007	43.10	1
Six months ended September 30, 2007	39.75	1

Such conversions should not be construed as a representation that Rupee amounts represent such US Dollar amounts or could be or could have been converted into US Dollars at the rates indicated or at all.

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts used throughout this Placement Document have been obtained from market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified and neither the Company nor the Bookrunners make any representation as to the accuracy of that information.

FORWARD LOOKING STATEMENTS

All statements contained in this Placement Document that are not statements of historical fact constitute "forward-looking statements". Investors can generally identify forward-looking statements by terminology such as "aim", "anticipate", "believe", "continue", "estimate", "expect", "intend", "may", "objective", "plan", "potential", "project", "pursue", "shall", "should", "will", "would" or other words or phrases of similar import. Similarly, statements that describe the Company's strategies, objectives, plans or goals are also forward-looking statements.

All statements regarding the Company or the Group's expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to the Group's business strategy, its revenue and profitability and other matters discussed in this Placement Document regarding matters that are not historical facts. These forward-looking statements and any other projections contained in this Placement Document (whether made by the Company or any third party) are predictions and involve known and unknown risks, uncertainties and other factors that may cause the Company or the Group's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. Important factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business".

The forward-looking statements contained in this Placement Document are based on the beliefs of management, as well as the assumptions made by and information available to management as at the date of this Placement Document. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable at this time, the Company cannot assure investors that such expectations will prove to be correct. The Company expressly disclaims any obligation or undertaking to publicly release any updated or revisions to any forward looking statements contained herein to reflect any changes in the expectations or assumptions with regard thereto or any change in events, conditions or circumstances on which statements are based. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materialise, or if any of the Company's underlying assumptions prove to be incorrect, its actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent written and oral forward-looking statements attributable to the Company are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

Suzlon is a company incorporated with limited liability under the laws of India. Some of its Subsidiaries are also incorporated in India. Most of the Company's Directors and senior management are residents of India and the assets of the Company are substantially located in India. As a result, it may not be possible for investors to effect service of process upon the Company or such persons outside India, or to enforce judgements obtained against such parties outside India.

Recognition and enforcement of foreign judgements is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908 ("Civil Code") on a statutory basis. Section 13 of the Civil Code provides that foreign judgements shall be conclusive regarding any matter directly adjudicated upon, except:

- where the judgement has not been pronounced by a court of competent jurisdiction;
- where the judgement has not been given on the merits of the case;
- where it appears on the face of the proceedings that the judgement is founded on an incorrect view of international law or a refusal to recognise the law of India in cases to which such law is applicable;
- where the proceedings in which the judgement was obtained were opposed to natural justice;
- where the judgement has been obtained by fraud; or
- where the judgement sustains a claim founded on a breach of any law then in force in India.

Under the Civil Code, a court in India shall, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgement was pronounced by a court of competent jurisdiction, unless the contrary appears on record.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Section 44A of the Civil Code provides that where a foreign judgement has been rendered by a superior court, within the meaning of such section, in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgement had been rendered by the relevant court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees not being of the same nature as amounts payable in respect of taxes, other charges of a like nature or of a fine or other penalties.

The United Kingdom, Singapore and Hong Kong have been declared by the Government to be reciprocating territories for the purposes of Section 44A of the Civil Code, but the United States has not been so declared. A judgement of a court of a country which is not a reciprocating territory may be enforced only by a suit upon the judgement and not by proceedings in execution. Such a suit has to be filed in India within three years from the date of the judgement in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action was brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgements if that court were of the view that the amount of damages awarded was excessive or inconsistent with Indian public policy. A party seeking to enforce a foreign judgement in India is required to obtain approval from the RBI to repatriate outside India any amount recovered pursuant to the execution of such a judgment. In addition, any judgement in a foreign currency would be converted into Indian Rupees on the date of the judgement and not on the date of payment.

DEFINITIONS AND ABBREVIATIONS

Definitions of certain capitalised terms used in this Placement Document are set forth below:

Term	Description
"Suzlon" or the "Company" or "SEL"	Suzlon Energy Limited, a public limited company incorporated under the Companies Act and having its registered office at "Suzlon", 5, Shrimali Society, Near Shri Krishna Complex, Navrangpura, Ahmedabad-380 009, India
Acquisition Facility	The €1.575 billion syndicated loan arranged by ABN AMRO Bank N.V. entered into on February 9, 2007
AERH	AE-Rotor Holding B.V.
AERT	AE-Rotor Techniek B.V.
AGM	Annual General Meeting
Allocated, Allocation	The determination of QIBs for the purpose of inviting of submission of Application Forms, done in consultation with the Bookrunners and in compliance with Chapter XIII-A of the SEBI Guidelines
Allotment	Unless the context otherwise requires, the allotment of Equity Shares pursuant to this Issue
Application Form	The form pursuant to which the QIBs who have been Allocated Equity Shares after discovery of the Issue Price apply for the Allotment of the Equity Shares Allocated
Articles/Articles of Association	The Articles of Association of the Company
Associate Companies	SIL, SIL Transmission (Rajasthan) Limited, SRL, Kurumadikere Energy Limited, Samiran Jaipur Windfarms Private Limited, Samiran Jaisalmer Windfarms Private Limited, Samiran Jodhpur Windfarms Private Limited, Samiran Udaipur Windfarms Private Limited, Shubh Realty (South) Private Limited, Shubh Realty (Gujarat) Private Limited, Sunset Windfarms Private Limited, Samimeru Windfarms Private Limited, Sunrise Wind Project Private Limited, Super Wind Project Private Limited, Simran Wind Project Private Limited, SE Energy Park Limited and REpower
Auditors	Unless the context otherwise requires, refers to SNK & Co., Chartered Accountants and S.R. Batliboi & Co., Chartered Accountants, the joint statutory auditors of the Company
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AWEA	American Wind Energy Association
Bid	An indication of the QIBs' interest, including all revisions and modifications of interest, as provided in the Bid cum Revision Form, to subscribe for Equity Shares of the Company under this Issue
Bid Closing Date	December 18, 2007
Bid Opening Date	December 17, 2007
Bid cum Revision Form	The form pursuant to which a QIB shall submit a Bid
Board of Directors/Board	The board of directors of the Company or a committee constituted thereof

Term	Description
BOLT	BSE On-Line Trading
Bookrunners	Collectively, the Global Coordinators and Bookrunners, the Joint Bookrunner and the Co Bookrunner
BSE	Bombay Stock Exchange Limited
BTM	BTM Consult ApS
BTM 2007 Report	The market study report published by BTM in March 2007 relating to the calendar year 2006
CAGR	Compound Annual Growth Rate
CAN/Confirmation of Allocation Note	Note or advice or intimation to QIBs inviting such QIBs to submit an Application Form for Allotment of Equity Shares after discovery of the Issue Price
China	The People's Republic of China
CMS	Central monitoring station
Citi	Citigroup Global Markets India Private Limited
Civil Code	The Code of Civil Procedure, 1908
Co Bookrunner	YBL
Companies Act	The Companies Act, 1956
Co-operation Agreement	The co-operation agreement in relation to REpower between Areva, SEDT and the Company dated May 24, 2007
Corporate Office	The corporate office of the Company at Godrej Millenium, 5th Floor, 9 Koregaon Park Road, Pune 411 001, India
Cut-off Price	The Issue Price of the Equity Shares which shall be finalised by the Company in consultation with the Bookrunners
CWET	The Centre for Wind Energy Technology
Depository	A body corporate registered under SEBI (Depositories and Participant) Regulations, 1996
Depositories Act	The Depositories Act, 1996
Depository Participant	A depository participant as defined under the Depositories Act
Director(s)	Director(s) of Suzlon Energy Limited, unless otherwise specified
DSPML	DSP Merrill Lynch Limited
DWEI	Deutsches Wind Energie-Institute
EGM	Extraordinary General Meeting
Elin	Elin EBG Motoren GmbH, Austria
EPC	Engineering, procurement and construction
EPS	Earnings per share
Equity Shares	Equity shares of the Company of Rs.10 each
ESOP	Collectively, the Employee Stock Option Plan 2005 and the Employee Stock Option Plan 2006

Term	Description
EWEA	The European Wind Energy Agency
FEMA	Foreign Exchange Management Act, 1999 and the regulations framed thereunder
FII	Foreign Institutional Investor (as defined under the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
Financial Year/fiscal/ FY/	Period of 12 months ended March 31 of that particular year, unless otherwise stated
First Bonds	U.S.$300 million convertible bonds due 2012 issued by the Company on June 11, 2007
Floor Price	The floor price of Rs.1,912.89 for the Equity Shares, which has been calculated in accordance with Clause 13A.3 of the SEBI Guidelines
FVCI	Foreign Venture Capital Investor (as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000) registered with SEBI under the applicable laws in India
GAAP	Generally accepted accounting principles
Global Coordinators and Bookrunners	Collectively, Citi and DSPML
GoI/Government	Government of India, unless otherwise specified
Group	The Company, its subsidiaries and joint ventures
GWEC	Global Wind Energy Council
GWEC 2006 Report	The Global Wind 2006 report published by GWEC relating to the calendar year 2006
Hansen	Hansen Transmissions International N.V.
Hansen Group	Hansen, its subsidiaries and joint ventures
HUF	Hindu undivided family
ICAI	Institute of Chartered Accountants of India
IEA	The International Energy Agency
IFRS	International Financial Reporting Standards of the International Accounting Standards Board
Income Tax Act	The Income Tax Act, 1961, as amended from time to time
Initial Bonds	The U.S.$300 million convertible bonds due 2012 issued by the Company on 11 June 2007
Issue	The offer and sale of the Equity Shares to Qualified Institutional Buyers, pursuant to Chapter XIII-A of the SEBI Guidelines
Issue Price	A price per Equity Share of Rs. 1,917
Issue Size	The issue of 11,386,000 Equity Shares aggregating to Rs. 21,826.96 million
JM Financial	JM Financial Consultants Private Limited
Joint Bookrunner	JM Financial Consultants Private Limited

Term	Description
Karta	The head of a HUF
KVA	Kilo volt amperes
KW	Kilo watts
kWh	Kilo watt hours
Martifer	Martifer SGPS, S.A.
Memorandum/Memorandum of Association	The Memorandum of Association of the Company
MNRE	The Ministry for New and Renewable Energy, Government of India
m/s	Metres per second
MT	Metric tonnes
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
MW	Mega watts
NSE	National Stock Exchange of India Limited
OECD	Organisation for Economic Co-operation and Development
O&M	Operations and maintenance
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to QIBs, as applicable
Placement Document	This Placement Document dated December 18, 2007 issued in accordance with Chapter XIII-A of the SEBI Guidelines
Preliminary Placement Document	The Preliminary Placement Document dated December 13, 2007 issued in accordance with Chapter XIII-A of the SEBI Guidelines
Promoter Group	The Promoters and Promoter Group Entities
Promoter Group Entities	Vinod R. Tanti, Jitendra R. Tanti, Sangita V. Tanti, Lina J. Tanti, Girish R. Tanti, Rambhaben Ukabhai, Vinod R. Tanti (as karta of Vinod Ranchhodbhai HUF), Jitendra R. Tanti (as karta of Jitendra Ranchhodbhai HUF), Pranav T. Tanti, Nidhi T. Tanti, Rajan V. Tanti (through guardian Vinod R. Tanti), Brij J. Tanti (through guardian Jitendra R. Tanti), Trisha J. Tanti (through guardian Jitendra R. Tanti), Girish R. Tanti (as karta of Girish Ranchhodbhai HUF), Suruchi Holdings Private Limited, Sugati Holdings Private Limited, Sanman Holdings Private Limited and Samanvaya Holdings Private Limited
Promoters	Tulsi R. Tanti, Tanti Holdings Limited, Gita T. Tanti, Tulsi R. Tanti (as karta of Tulsi Ranchhodbhai HUF), Tulsi R. Tanti (as karta of Ranchhodbhai Ramjibhai HUF) and jointly by Tulsi R. Tanti, Vinod R. Tanti and Jitendra R. Tanti
QIBs or Qualified Institutional Buyers	A Qualified Institutional Buyer as defined under clause 2.2.2B(v) of the SEBI Guidelines or, if the context may require, a qualified institutional buyer as defined in Rule 144A under the U.S. Securities Act
R & D	Research and development
RBI	The Reserve Bank of India
REC	Renewable Energy Credits
Registered Office	The registered office of the Company being "Suzlon", 5, Shrimali Society, Near Shri Krishna Complex, Navrangpura, Ahmedabad 380009, India
Regulation S	Regulation S under the U.S. Securities Act

Term	Description
Relevant Date	November 6, 2007 (i.e., the day which is thirty days prior to the date on which the result of the postal ballot was announced by the Chairman, in terms of sub-section (1A) of Section 81 of the Companies Act
Reserve Bank of India Act/ RBI Act	The Reserve Bank of India Act, 1934
REpower	REpower Systems AG
REpower Group	REpower, its subsidiaries and joint ventures
REpower Offer	The Group's offer for the outstanding equity share capital of REpower
REpower Takeover Agreement	The takeover agreement in relation to REpower between Martifer, Martifer Energy Systems, SEDT and the Company dated 9 February 2007
RPS	Renewable Portfolio Standards
Rs./Rupees	Indian Rupees
SEAS	Suzlon Energy A/S
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	The Securities and Exchange Board of India Act, 1992
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
Second Bonds	U.S.$200 million convertible bonds due 2012 issued by the Company on October 10, 2007
SEDT	SE Drive Technik GmbH
SEG	Suzlon Energy GmbH
SERC	State Electricity Regulatory Commission
SICA	Sick Industrial Companies (Special Provisions) Act, 1995
SIL	Suzlon Infrastructure Limited (formerly known as Aspen Infrastructures Limited)
SISL	Suzlon Infrastructure Services Limited (formerly known as Suzlon Windfarm Services Limited)
SRL	Sarjan Realities Limited (formerly known as Sarjan Realities Private Limited)
State Governments	State governments of India
Stock Exchanges/ Indian Stock Exchanges	NSE and BSE
Suzlon Generators	Suzlon Generators Private Limited
Suzlon Structures	Suzlon Structures Private Limited
SWEAS	Suzlon Wind Energy A/S
SWECO	Suzlon Wind Energy Corporation
SWG	Suzlon Windenergie GmbH
Takeover Code	The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997
WTGs	Wind turbine generators
YBL	YES Bank Limited

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with and is qualified in its entirety by, more detailed information appearing elsewhere in this Placement Document, including under "Issue Procedure" and "Description of the Shares".

Issuer	Suzlon Energy Limited
Issue Price per Equity Share	Rs. 1,917
Issue Size	Rs. 21,826.96 million
Floor Price	The Floor Price of the Issue on the basis of clause 13A.3 of Chapter XIII-A of the SEBI Guidelines is Rs.1,912.89 per Equity Share.
Equity Shares outstanding prior to the Issue	288,000,480 Equity Shares are issued and outstanding immediately prior to the Issue. Immediately after the Issue, 299,386,480 Equity Shares will be issued and outstanding.
Eligible Investors	QIBs as defined in clause 2.2.2B (v) of the SEBI Guidelines.
Issue Procedure	The Issue is being made only to QIBs in reliance on Chapter XIII-A of the SEBI Guidelines. For details, see "Issue Procedure".
Listing	The Company has made applications to the Stock Exchanges and received in-principle approval for listing of the Equity Shares offered through this Placement Document.
Transferability Restriction	The Equity Shares being allotted pursuant to this Issue shall not be sold for a period of one year from the date of Allotment except on the floor of the Stock Exchanges.
Closing	The allotment of the Equity Shares offered pursuant to this Issue is expected to be made on or about December 20, 2007 (the "Closing Date").
Ranking	The Equity Shares being issued shall be subject to the provisions of the Company's Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividends. The shareholders will be entitled to participate in dividends and other corporate benefits, if any, declared by the Company after the Closing Date, in compliance with the Companies Act. Shareholders may attend and vote in shareholders' meetings on the basis of one vote for every Equity Share held.
Voting Rights of Equity Shareholders	For details, see "Description of the Shares - Voting Rights".
Dividends	For details, see "Description of the Shares - Dividend".
Use of Proceeds	The net proceeds of this issue (after deduction of fees and commissions) are expected to be approximately Rs. 21,556.96 million.
	The Company intends to use the net proceeds of the Issue either directly or through investments made in its Subsidiaries or a combination of both towards capital expenditure and working capital requirements, repayment of outstanding loans including the Acquisition Facility, potential acquisition of shares of REpower from Martifer and Martifer Energy Systems and for general corporate purposes. For details, see "Use of Proceeds".

Lock up	The Company has agreed to not issue equity or equity-linked securities for a period of 60 days from the date of the Placement Document, subject to customary exceptions. Each member of the Promoter Group has also entered in to a lock-up agreement in a form similar to the Company. For details, see "Placement".
Risk Factors	Prior to making an investment decision, prospective investors should carefully consider the matters discussed under "Risk Factors".
Security Codes:	
ISIN	INE040H01013
BSE Code	532667
NSE Code	SUZLON EQ

SUMMARY OF BUSINESS

Overview

The Group is Asia's leading manufacturer of WTGs and was ranked fifth in the world in terms of annual installations with market share of 7.7 per cent for the year ended December 31, 2006 (Source: BTM 2007 Report). The Group is the leading provider of integrated WTG solutions in India and has expanded its operations in the international markets with a presence in the United States, Europe, China, Australia, Brazil, South Africa and South Korea. The Group's accumulated WTG sales from the Company's inception were 2,091 MW, 3,547 MW and 4,547.60 MW as at March 31, 2006, March 31, 2007 and the six months ended September 30, 2007, respectively. India, with 954.60 MW and the international markets, with 501.65 MW, accounted for 65.55 per cent and 34.45 per cent of the Group's WTG sales (by volume) in the year ended March 31, 2007. India, with 364.10 MW and the international markets, with 636.50 MW, accounted for 36.39 per cent and 63.61 per cent of the Group's WTG sales (by volume) for the six months ended September 30, 2007.

In May 2006, the Group acquired Hansen, the second largest gearbox and drive train manufacturer for WTGs worldwide. Through the acquisition of Hansen, the Group entered into a new line of business, namely the manufacture and sale of gearboxes used in the wind industry and for other industrial uses. For the period from May 2006 to March 2007, Hansen and its subsidiaries generated a turnover of Rs.18,560.74 million and profit before tax of Rs.1,910.92 million before elimination. See "Business - Hansen Transmissions" for a more detailed description of the business of Hansen. For the six months ended September 2007 Hansen and its subsidiaries generated a turnover of Rs.9,704,48 million and profit before tax of Rs.395.06 before elimination.

In May 2007 the Group announced that it had been successful in its bid for REpower. In aggregate, the Group now controls or influences, either directly or through voting pool agreements, approximately 86.5 per cent of the votes in REpower. REpower is currently one of the leading WTG producers in the German wind energy sector. See "Business - REpower Systems AG" for further details on the REpower acquisition and the business of REpower.

The Group develops and manufactures technologically advanced WTGs with an emphasis on high performance and cost-efficiency. The Group's current product range includes 0.35 MW, 0.60 MW, 1.25 MW, 1.50 MW and 2.10 MW WTGs and it is among the first Asia-based companies to manufacture WTGs with MW and multi-MW capabilities. The Group considers itself to be an integrated developer of WTGs, focused on: the design, engineering and development of WTGs and components, the development and in-house manufacture of rotor blades for its MW and multi-MW WTGs, tubular towers, control panels, nacelle covers and generators. The Group also has established supply sources for the components that it does not manufacture in-house for its WTGs, such as rotor blades for its 0.35 MW WTGs, gearboxes, casting parts and a portion of its nacelle cover, tower and generator requirements. Raw materials for WTG rotor blades, such as glass fibre, epoxy resin and foam are also sourced from leading suppliers. The Group is in the process of integrating the operations of Hansen and has recently begun sourcing a limited part of its gearbox requirements from them. The Group is also in the process of setting up facilities to manufacture forging and foundry components that are required for the manufacture of WTGs and their components. These facilities are expected to become operational during the second quarter of fiscal year 2009.

The Group conducts research and development activities primarily through its subsidiaries, SEG, Suzlon Windkraft GmbH and AERT. These subsidiaries focus on designing and developing new WTG models, upgrading the Group's current models and developing efficient and effective rotor blade technology for its WTGs. Further, the Group also conducts R&D in gearboxes through Hansen. The Group usually gets its design, manufacture, operations and maintenance services certified as ISO 9001:2000 by Det Norske Veritas. The Group's WTG models are generally validated with type certification by either Germanischer Lloyd or CWET, an autonomous body attached to the MNRE.

With respect to the Indian market, the Group together with its Associate Companies (excluding Repower) has positioned itself as an integrated solution provider of services related to wind energy. Besides manufacturing WTGs, the Group is involved in wind resource mapping, identification of suitable sites and technical planning of wind power projects. The Group also provides after-sale O&M services through SISL for WTGs it supplies in India. The Group's Associate Companies, including SRL, acquire sites that have been identified by the Group as suitable for wind energy projects, which are then sold or leased to its customers.

With respect to the international markets, the Group operates as a manufacturer and supplier of WTGs and is involved in O&M and wind farm project activities. Through its subsidiary, Hansen, the Group is also involved in the manufacture of WTG gearboxes and industrial gearboxes. It also assists its customers in the supervision of project execution and provides training to the employees of its customers so that they can carry out the O&M of projects developed by them. In select markets and with respect to certain projects, the Group also undertakes infrastructure development, installation and commissioning of WTGs and connection to power grids. In some cases, the Group also provides O&M services to its customers for agreed periods of time.

The Group's consolidated total income was Rs.19,659.20 million, Rs.39,154.94 million and Rs.80,822.30 million for the years ended March 31, 2005, 2006 and 2007 respectively and Rs.56,820.19 million for the six months ended September 30, 2007 (compared with Rs.31,806.67 million for the six months ended September 30, 2006). Consolidated profit after tax was Rs.3,651.24 million, Rs.7,605.19 million, Rs.8,648.04 million for the years ended March 31, 2005, 2006 and 2007 and Rs.4,177.97 million for the six months ended September 30, 2007 (compared with Rs.3,331.00 million for the six months ended September 30, 2006).

The following table shows the breakdown of the Group's total consolidated income:

	For the year ended March 31,						For the six months ended September 30,			
	2005	Per cent of Total Income	2006	Per cent of Total Income	2007	Per cent of Total Income	2006	Per cent of Total Income	2007	Per cent of Total Income
	(amounts are in Rs.millions)									
Sales:										
WTG and its Components	19,438.57	98.88	37,917.40	96.84	59,985.62	74.22	23,604.17	74.21	45,713.48	80.45
Gearboxes	-	-	-	-	18,560.74	22.96	7,520.00	23.64	9,704.49	17.08
Others	259.61	1.32	499.27	1.28	1,321.32	1.63	440.60	1.39	688.78	1.21
Intersegment Sales	(273.36)	(1.39)	(6.37)	(0.02)	(10.38)	(0.01)	(5.70)	(0.02)	(247.51)	(0.44)
Total Sales	19,424.82	98.81	38,410.30	98.10	79,857.30	98.81	31,559.07	99.22	55859.24	98.31
Other Income [1]	234.39	1.19	744.64	1.9	965	1.19	247.60	0.78	960.95	1.69
Total Income	**19,659.21**	**100.00**	**39,154.94**	**100.00**	**80,822.30**	**100.00**	**31,806.67**	**100.00**	**56,820.19**	**100.00**

Note:

[1] Other income consists primarily of interest received, dividend income and other miscellaneous income

The following table represents the percentage breakdown of the Group's total sales geographically:

	For the year ended March 31,			For the six months ended September 30,	
	2005	**2006**	**2007**	**2006**	**2007**
India	99.67	91.91	52.21	49.38	36.82
Europe	-	-	20.49	20.72	17.15
United States	0.33	8.09	20.68	25.72	28.08
China	-	-	3.94	0.26	4.31
Others	-	-	2.68	3.92	13.64
Total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Competitive Strengths

The Group believes that the following are its principal competitive strengths:

- *Focus on providing "integrated solutions" wind energy packages to customers in India.* The Group's business model for the Indian market involves, providing "integrated solutions" packages for wind energy projects. The Group's key activities include: (a) designing, developing and manufacturing WTGs; (b) wind resource mapping; (c) identifying suitable sites for wind farms; (d) coordinating together with its Associate Companies, the acquisition of sites, (e) developing of these sites and installing WTGs and connecting them to the power grid; and (f) providing after-sales O&M services. This business model allows the Group's Indian customers to benefit from the cost-efficiencies and the economies of scale that wind farms can offer. At the same time, the Group's customers can avoid the need to undertake the cumbersome processes associated with developing wind farms, which requires expertise in various areas such as wind study, land acquisition and project execution/management skills.

- *Track record of executing large-scale wind power projects*. The Group has a track record of executing a number of large-scale wind power projects in different regions in India. These complex projects have allowed the Group to develop the capabilities and expertise needed for wind farm projects and the Group's customers benefit from the experience the Group has gained through operating its WTGs in different operating environments and its industry knowledge. The Group believes that the successful development of these wind farm projects has enhanced its recognition in the wind power marketplace.

- *In-house technology and design capabilities.* Through its subsidiaries' design capabilities, the Group has been able to develop its MW and multi-MW WTG models, as well as the rotor blades for these WTGs. The acquisition of REpower also gives the Group the potential to manufacture 5MW offshore WTGs. The Group has also been able to develop many of the processes and technologies that enable it to manufacture certain key components, such as nacelle covers, nose cones control panels, the construction of tooling and moulds used in the manufacture of rotor blades, generators and gearboxes. These capabilities were achieved as a result of the Group's recognition that various countries in Europe have developed strengths in different facets of WTG design, which led to its establishment of research and development subsidiaries in Europe. This has enabled the Group to access the personnel with the requisite technical background and expertise to assist it in designing, developing and upgrading WTGs and their key components.

- *Cost-efficient manufacturing and supply-chain.* The Group's manufacturing facilities located in India and China give it a cost advantage in terms of capital, manufacturing and labour costs over some of the Group's larger competitors whose manufacturing facilities are in higher cost regions, such as Western Europe. Further, the Group is able to source efficiently many key components, such as castings, generators and towers, from lower-cost suppliers based in India and China.

- *Global production platform and access to an integrated manufacturing base.* With production facilities in India, China, Belgium (Hansen) and the United States, the Group has created a global production platform for supplying to key growth markets. Also, the Group has an integrated manufacturing base with most of the key components such as rotor blades, generators, gearboxes, control panel and towers manufactured in-house. The Group also manufactures other components such as nose cones and nacelle covers and is establishing facilities to manufacture forging and foundry components used in WTGs and their components.

- *Market leader in India and presence in several other high growth markets.* For the last nine fiscal years, the Group has been the leading WTG manufacturer in India with a market share of 52.3 per cent of the total capacity installed in India during the year ended December 31, 2006, with India being the third largest wind power market in terms of annual installed capacity during the same period *(Source: BTM 2007 Report)*. The Group has established a market presence in seven states, among which are the states that have the highest installed capacity of wind energy, including Tamil Nadu, Karnataka, Maharashtra, Rajasthan and Gujarat. The Group's leading market share makes it well-positioned to leverage its reputational and existing customer relationships to take advantage of anticipated future growth in demand for renewable energy sources.

  The Group has over the last four years established a significant presence in some of the key wind markets such as the United States, Europe, China and Australia. It has successfully implemented projects in the United States and is currently implementing projects in Australia and China. The Group undertakes marketing activities in several parts of Europe and has received orders for WTGs from several European countries including Italy and Portugal. As at January 1, 2007, REpower was the third largest supplier of WTGs in Germany by market share.

- *Operations and maintenance expertise.* The Group believes that its ability to provide WTG O&M services to its customers has helped it in assessing and enhancing the performance of WTGs under operational conditions. The Group's introduction of the CMS concept as part of its O&M services provides its personnel and customers with real-time data relating to the WTGs. This allows the Group's technical personnel to control and monitor WTG performance on-line, even from remote locations and during adverse weather conditions. The Group believes this helps in reducing WTG downtime and maintenance costs. Further, the Group's research and development teams are able to use the operational data gathered by its operations and maintenance teams in order to upgrade its current WTG models and to design, develop and roll-out newer and more cost-efficient WTG models.

- *Strong management team.* The Group's senior management brings with them extensive experience in the design, engineering, manufacture, marketing and maintenance of WTGs. The Group's senior management team, located primarily in India and Europe, overseas research and development, manufacturing, finance, sales, business development and strategic planning and have extensive experience in the wind energy industry.

Business Strategy

The Group seeks to expand its global presence by penetrating the key growth markets and to enhance further its position in India as a provider of integrated wind energy solutions. The Group intends to accomplish this through:

- *Expanding its presence in international growth markets.* In order to increase its share of the world market for wind energy, the Group plans to continue to grow its overseas operations. The Group considers its key international markets to be: North America, in particular the United States, which has many sites that offer wind conditions that are optimal for WTGs and also currently offer tax incentives for power generated by WTGs; China, where the level of demand for energy is high and where the government is encouraging the development of renewable energy sources; Australia, which also has sites with optimal wind conditions and where the government has declared that it intends to encourage a sustainable and internationally competitive renewable energy industry; key growth markets in Europe, including Germany, France, Portugal, Italy, Spain and the United Kingdom, which have the potential for further development and investment in renewable energy and wind power in particular; and Brazil, where WTG orders have recently been received. Further, the Group is also seeking to increase its presence in markets in Europe through its recent acquisition of REpower and the location of its global senior management team in Europe. Through the acquisition of REpower, the Group also has the potential to expand its offshore WTG capabilities.

- *Maintaining its strategic focus on the Indian market.* The Group believes that India is and will continue to be an important growth market for wind power. The Group intends to continue to focus on growing its India business by leveraging its status as the leading "integrated solution provider in wind" by continuing to develop large-scale wind farm projects. The Group will also continue to utilise the experience and expertise gained through its Indian operations to seek to win and execute orders from international customers.

- *Expanding manufacturing capacity in domestic and key international markets.* The Group and REpower are in the process of designing and/or constructing additional manufacturing facilities in India and Europe for WTGs and key components and it expects these facilities to be located close to markets with growing demand for power generated by wind energy. Some of these facilities may be located in geographical locations that are eligible for fiscal incentives. In furtherance of the Group's goal of expanding its international presence, the Group has established an integrated WTG manufacturing facility in Tianjin, China. The Group has also established a rotor blade unit in the United States, in order to meet increasing demand for wind energy projects in certain regions of North America. The Group's strategy is to expand its WTG and/or component manufacturing footprint in markets which have the potential for growth and where the Group believes it will be able to develop a strong marketing foothold.

  The Group also intends to expand its manufacturing capacity for gearboxes in Belgium and set up new manufacturing capacities in India and China in order to cater to new customers, increasing demand from existing customers and some of the in-house requirements of the Group.

- *Expanding its WTG product line and improving existing models.* The Group intends to leverage the WTG design and development capabilities that it has developed through its R&D subsidiaries to enhance its existing WTG models and develop new models, particularly in the MW and multi-MW class. The Group plans to strengthen its research and development capabilities further by setting up an "innovation centre" in Europe. The Group is also planning to establish a joint research centre in Germany in cooperation with REpower. Further, the Group aims to take advantage of its vertically integrated structure to combine WTG research with its R&D platform at the component level in order to design and develop more advanced and cost efficient WTGs.

- *Integrated manufacturing.* The Group has developed and continues to implement a backward integration strategy. Since November 2001 it has manufactured rotor blades in-house. In March 2005 the Group began in-house manufacture of a portion of its tubular towers requirements through its 75 per cent owned subsidiary, Suzlon Structures. The Group has established an in-house manufacturing facility for a portion of its generator requirements through its 75 per cent owned subsidiary, Suzlon Generators. In May 2006, the Group also completed the acquisition of Hansen, which is the second largest gearbox and drive train manufacturer for WTGs worldwide. The Group is in the process of expanding production capacity in Hansen to meet part of the Group's and REpower's in-house gearbox requirements. The Group manufactures certain other components in-house, which include nose cones, control panels and nacelle covers. The Group is also establishing forging and foundry capacity in India. The Group believes that increasing its component manufacturing capabilities will allow it to lower WTG manufacturing costs, give it greater control over the supply chain for key WTG components and enable quicker and more efficient assembly and delivery of WTG components to its customers.

- *Growing its business through strategic acquisitions and alliances.* The Group will evaluate on a case-by-case basis potential acquisition targets and alliance partners that offer an opportunity to grow its business and/or expand its capabilities or geographical reach. The Group intends only to pursue those transactions that complement its key strengths, are synergistic and in its assessment, have manageable integration risks. In line with this strategy, the Group acquired REpower in May 2007. See "Business - REpower Systems AG".

SUMMARY FINANCIAL INFORMATION

The selected audited Income Statement data and Balance Sheet data for the years ended March 31, 2006 and 2007 set forth below have been derived from the Company's audited consolidated financial statements and schedules thereto for the years ended March 31, 2006 and 2007 which have been prepared in accordance with Indian GAAP as applicable at the time of their initial preparation and have been audited jointly by SNK & Co., Chartered Accountants and SR Batliboi & Co., Chartered Accountants, the Company's independent joint statutory auditors.

The selected Income Statement and Balance Sheet data for the six months ended September 30, 2006 and September 30, 2007 set forth below have been derived from the Company's unaudited Consolidated Financial Statements for the six months ended September 30, 2006 and September 30, 2007 which have been prepared in accordance with Indian GAAP as applicable at the time of their initial preparation. They have been subject to limited review by SNK & Co., Chartered Accountants and SR Batliboi & Co., Chartered Accountants.

Consolidated Profit & Loss Accounts

	For the Year / Period Ended					
	March 31, 2006 Rs. (Audited) (in millions)	**March 31, 2007 Rs. (Audited) (in millions)**	**March 31, 2007 U.S.$ (Audited) (in millions)**	**September 30, 2006 Rs. (Unaudited) (in millions)**	**September 30, 2007 Rs. (Unaudited) (in millions)**	**September 30, 2007 U.S.$ (Unaudited) (in millions)**
INCOME						
Sales and service income	38,410.30	79,857.30	1,852.84	31,559.07	55,859.24	1,405.26
Other income	744.64	965.00	22.39	247.60	960.95	24.17
	39,154.94	**80,822.30**	**1,875.23**	**31,806.67**	**56,820.19**	**1,429.43**
EXPENDITURE						
Cost of goods sold	23,278.90	48,113.65	1,116.33	18,986.00	35,707.19	898.32
Operating and other expenses	5,121.39	12,031.55	279.15	4,186.49	7,998.76	201.23
Employees' remuneration and benefits	1,215.88	6,495.90	150.72	2,855.03	4,499.22	113.19
Financial charges	647.78	2,763.44	64.12	974.67	2,851.95	71.75
Depreciation	715.90	1,717.98	39.86	775.50	1,168.42	29.39
Preliminary expenditure written off	1.80	17.14	0.40	11.63	-	-
	30,981.65	**71,139.66**	**1,650.57**	**27,789.32**	**52,225.54**	**1,313.88**
PROFIT BEFORE TAX	8,173.29	9,682.64	224.66	4,017.35	4,594.65	115.55
Current tax	1,103.00	1,747.81	40.55	806.67	709.41	17.85
MAT Credit Entitlement	-	(512.32)	(11.89)	-	(307.03)	(7.72)
Earlier years ' tax	1.70	(111.83)	(2.59)	-	(0.06)	-
Deferred tax	(568.20)	(125.70)	(2.92)	(134.11)	(7.37)	(0.19)
Fringe benefit tax	31.60	36.64	0.85	13.79	21.73	0.55
	568.10	1,034.60	24.00	686.35	416.68	10.49
PROFIT AFTER TAX	7,605.19	8,648.04	200.65	3,331.00	4,177.97	105.06
Add : Share in Associate's profit after tax	-	-	-	-	5.40	0.14
Add/(Less): Share of loss/(profit) of Minority	(10.20)	(7.72)	(0.18)	(24.61)	(47.47)	(1.19)

	For the Year / Period Ended					
	March 31, 2006 Rs. (Audited) (in millions)	March 31, 2007 Rs. (Audited) (in millions)	March 31, 2007 U.S.$ (Audited) (in millions)	September 30, 2006 Rs. (Unaudited) (in millions)	September 30, 2007 Rs. (Unaudited) (in millions)	September 30, 2007 U.S.$ (Unaudited) (in millions)
NET PROFIT	7,594.99	8,640.32	200.47	3,306.39	4,135.90	104.01
Balance brought forward	5,016.58	7,948.07	184.41	7,948.07	11,630.38	292.59
PROFIT AVAILABLE FOR APPROPRIATIONS	12,611.57	16,588.39	384.88	11,254.46	15,766.28	396.60
Interim dividend on equity shares	718.80	1,442.20	33.46	-	-	-
Proposed dividend on equity shares	720.30	3.21	0.07	5.63	-	-
Dividend on preference shares	16.60	17.00	0.39	1.00	-	-
Tax on dividends	207.80	211.40	4.90	3.72	-	-
Transfer to general reserve	3,000.00	3,284.20	76.20	-		
	4,663.50	4,958.01	115.04	10.35	-	-
Balance carried to the Balance Sheet	7,948.07	11,630.38	269.85	11,244.11	15,766.28	396.60
Earnings per share (in Rs.)						
Basic (Nominal Value of shares Rs.10) (Previous Year Rs. 10)	27.73	29.96	0.70	11.46	14.36	0.36
Diluted (Nominal Value of shares Rs.10) (Previous Year Rs.10))	27.68	29.91	0.69	11.44	14.14	0.36

Note:

1. The financial statements for the year ended March 31, 2007 have been adopted by the Board of Directors at their meeting dated May 14, 2007 and approved by the members of the Company at the annual general meeting dated July 25, 2007.

2. For the convenience of the reader, Indian Rupee amounts have been translated into U.S. dollar amounts at the rate of US$1: Rs.39.75 for the period ended 30 September 2007 and US$1 : Rs.43.10 for the period ended 31 March 2007, being the noon buying rate in New York City for cable transfers in Indian Rupee, as certified for custom purposes by the Federal Reserve Bank of New York.

Consolidated Balance Sheets

	As at					
	March 31, 2006 Rs. (Audited) (in millions)	March 31, 2007 Rs. (Audited) (in millions)	March 31, 2007 U.S.$ (Audited) (in millions)	September 30, 2006 Rs. (Unaudited) (in millions)	September 30, 2007 Rs. (Unaudited) (in millions)	September 30, 2007 U.S.$ (Unaudited) (in millions)
SOURCES OF FUNDS						
Shareholders' Funds						
Share Capital	3,025.31	2,877.65	66.77	3,026.60	2,879.75	72.45
Share Application Money Pending Allotment	1.87	0.15	-	50.30	9.16	0.23
Employee Stock Options	103.64	117.11	2.72	118.49	83.83	2.11
Management Option Certificates issued by Subsidiary Company	-	890.03	20.65	-	756.38	19.03
Reserves and Surplus	24,217.12	31,225.94	724.50	26,928.81	35,971.35	904.91
	27,347.94	**35,110.88**	**814.64**	**30,124.20**	**39,700.47**	**998.73**
Preference Shares Issued by Subsidiary Company	25.00	25.00	0.58	25.00	25.00	0.63
Minority Interest	74.69	141.12	3.27	116.79	198.27	4.99
Loan Funds	-					
Secured Loans	3,899.05	19,844.25	460.42	10,539.30	86,433.74	2,174.43
Unsecured Loans	608.10	31,776.03	737.27	28,326.09	17,096.03	430.09
	4,507.15	51,620.28	1,197.69	38,865.39	103,529.77	2,604.52
Deferred Tax Liability (Net)	-	176.78	4.10	157.77	197.47	4.97
	31,954.78	**87,074.06**	**2,020.28**	**69,289.15**	**143,650.98**	**3,613.84**
APPLICATION OF FUNDS						
Fixed Assets						
Gross Block	6,288.52	43,210.76	1,002.57	37,518.56	47,137.60	1,185.86
Less - Accumulated Depreciation	1,531.45	7,015.82	162.78	6,110.66	8,146.03	204.93
Net Block	4,757.07	36,194.94	839.79	31,407.90	38,991.57	980.93
Capital work in progress	1,651.60	4,498.17	104.37	3,756.90	8,444.88	212.45
	6,408.67	**40,693.11**	**944.16**	**35,164.80**	**47,436.45**	**1,193.38**
Preoperative Expenses, pending allocation	16.66	38.64	0.90	140.12	161.90	4.07
Investments	76.10	155.66	3.61	92.66	25,117.39	631.88
Deferred Tax Asset (Net)	817.59	-	-	-	-	-
Current Assets, Loans and Advances						
Inventories	13,801.99	31,362.98	727.68	25,976.84	33,565.46	844.40
Sundry Debtors	16,473.10	25,704.02	596.38	21,486.95	35,799.10	900.60
Cash and Bank Balances	5,514.82	15,382.95	356.91	7,323.57	37,889.72	953.20
Loans and Advances	5,897.22	12,075.50	280.17	7,311.67	11,660.96	293.36
	41,687.13	**84,525.45**	**1,961.15**	**62,099.03**	**118,915.24**	**2,991.56**

	As at					
	March 31, 2006 Rs. (Audited) (in millions)	**March 31, 2007 Rs. (Audited) (in millions)**	**March 31, 2007 U.S.$ (Audited) (in millions)**	**September 30, 2006 Rs. (Unaudited) (in millions)**	**September 30, 2007 Rs. (Unaudited) (in millions)**	**September 30, 2007 U.S.$ (Unaudited) (in millions)**
Less: Current Liabilities and Provisions						
Current Liabilities	12,977.04	33,340.00	773.55	24,530.85	43,125.85	1,084.93
Provisions	4,082.82	4,998.80	115.98	3,676.61	4,854.15	122.12
	17,059.86	38,338.80	889.53	28,207.46	47,980.00	1,207.05
Net Current Assets	24,627.27	46,186.65	1,071.62	33,891.57	70,935.24	1,784.51
Miscellaneous Expenditure	8.49	-	-	-	-	-
(To the extent not written off or adjusted)						
	31,954.78	**87,074.06**	**2,020.28**	**69,289.15**	**143,650.98**	**3,613.84**

Note:

1. The Financial Statements for the year ended March 31, 2007 have been adopted by the Board of Directors at their meeting dated May 14, 2007 and approved by the members of the Company at the annual general meeting dated July 25, 2007.
2. For the convenience of the reader, Indian Rupee amounts have been translated into U.S. dollar amounts at the rate of US$1 : Rs.39.75 for the period ended 30 September 2007 and US$1 : Rs.43.10 for the period ended 31 March 2007, being the noon buying rate in New York City for cable transfers in Indian Rupee, as certified for custom purposes by the Federal Reserve Bank of New York.

RISK FACTORS

This Placement involves a high degree of risk. Any potential investor in and purchaser of, the Equity Shares should pay particular attention to the fact that the Company is an Indian company and is subject to a legal and regulatory environment which in some respects may be different from that which prevails in other countries. Prior to making an investment decision with respect to the Equity Shares offered hereby, all such prospective investors and purchasers should carefully consider all of the information contained in this Placement Document, including the Risk Factors set out below and the Financial Statements and related schedules thereto included elsewhere in this Placement Document. The occurrence of any of the following events could have a material adverse effect on the Group's business, results of operations, financial condition and future prospects and cause the market price of the Equity Shares to fall significantly. Unless otherwise stated in the relevant Risk Factors set forth below, the Company is not in a position to specify or quantify the financial or other implication of any of the risks mentioned herein.

RISKS RELATING TO THE REPOWER ACQUISITION

The Group's acquisition of REpower may negatively impact the Group's financial condition and results of operations.

For details about the REpower acquisition see "Business - REpower Systems AG". REpower made net losses of € 9.57 million and € 6.75 million in the years ended December 31, 2004 and 2005, respectively. Although REpower reported consolidated net income of € 7.1 million in the year ended December 31, 2006, REpower will initially be earnings dilutive to the Group and there can be no assurance as to when (if at all) it will become earnings accretive. In addition, the acquisition resulted in the Group recognising a significant amount of goodwill arising from the acquisition, in addition to the amount of Rs.17,633.03 million already recognised in relation to the acquisition of Hansen. The goodwill amount is based on management accounts of REpower which have not been audited or reviewed by REpower's or the Company's auditors. There can be no assurance that this goodwill amount would not change if it was subject to an audit or review. Pursuant to Indian GAAP, the Group is required to assess in its annual and interim financial statements whether such goodwill is impaired. Any future significant impairment charge may have a material adverse effect on the Group's results of operations.

The REpower acquisition is subject to all the attendant risks associated with acquisitions. See the risk "The Group may, in the future, enter into strategic alliances, investments, partnerships and acquisitions. These may harm its business, dilute shareholdings and cause it to incur debt".

The Group has increased its outstanding long-term debt in order to finance the offer for the outstanding equity share capital of REpower ("REpower Offer"). The Group has paid approximately € 450 million for the aggregate number of REpower shares purchased or subscribed to date. In addition, the Group has potential future commitments to purchase REpower shares from Martifer and Areva pursuant to option arrangements (see "Business - REpower Systems AG"). The REpower Offer is being financed by the relevant tranches of a € 1.575 billion syndicated loan arranged by ABN AMRO Bank N.V. ("Acquisition Facility") which was partly refinanced by the proceeds from the U.S.$300 million convertible bonds due 2012 issued by the Company on June 11, 2007 ("First Bonds") and the U.S.$200 million convertible bonds due 2012 issued by the Company on October 10, 2007 ("Second Bonds"). As at September 30, 2007 the Company's net debt to equity ratio was 2.22 (as calculated under the Acquisition Facility). Such a level of debt increases the risks as set out below in "The Group's indebtedness could adversely affect its financial condition and results of operations".

No formal due diligence was conducted on REpower prior to its acquisition and the Company is still developing a complete understanding of REpower's business.

Given that the REpower Offer was made in the context of an open offer for a publicly listed company, the Group did not have access to any non-public information and no formal due diligence (financial, legal or otherwise) was undertaken in relation to REpower. Although the Group has not become aware of any material adverse facts in relation to the REpower Group since the acquisition, the lack of formal due diligence increases the risk that adverse information may come to light as and when the Group takes control of REpower. Any such adverse information may have a negative impact on the Group's financial performance and operations.

The Group has only recently acquired its interest in REpower and currently holds only 33.6 per cent of REpower's capital (in addition to the voting rights under the voting pool arrangements with Martifer and Areva). The Group has only one representative on the Supervisory Board of REpower, Tulsi R. Tanti, who joined the Supervisory Board on

June 21, 2007. In addition, it is contemplated that Andre Horbach will join the supervisory board and Per Hornung Pederson will join as CEO tentatively, both from January 1, 2008. The Company has only had a limited amount of time to review and analyse information provided to it regarding REpower's business, financial performance and operations. In addition, pursuant to German law, until a domination agreement is entered into by the Company and REpower, the Company has to be treated in the same way as other minority shareholders and hence the businesses are still operated on an arms length basis. As a result, the Company has not yet developed a complete understanding of REpower's business, financial performance or operations or the associated risks relevant to the REpower Group. Therefore, there is a risk that adverse information (including risks) relating to REpower´s business, financial performance or operations may come to light after the date of this Placement Document. The Company expects that the wind power industry risks relevant to the Group and many of the Group's business risks (set out in more detail below) will also apply to the REpower Group. In particular, the Company is aware of the risks involved in REpower's dependence on external suppliers for key WTG components and the current market wide supply shortages of some WTG components. See the risk "The Group is dependent on external suppliers for key raw materials and components".

There can be no assurance that the Company's strategy of ultimately integrating the business operations of REpower will be successful which may impact the financial performance of the Group.

Both the Company and REpower believe that, through the acquisition, there are opportunities to establish a strong worldwide business for the development, production and service of WTGs. The Group sees considerable growth potential for REpower and will support its expansion plans by providing its resources and expertise to REpower in order to strengthen REpower's position in the global wind energy market further and where relevant, undertaking joint R&D activities. See "Business - REpower Systems AG".

Since the acquisition, a joint working group has been established, consisting of management from both the Company and REpower, to focus on the creation of synergies between the Group and REpower. To date, the Company believes that the joint working group has made satisfactory progress. However, the full integration of REpower into the Group is currently restricted as the Group currently only holds 33.6 per cent of REpower's capital and has limited influence over the operations or management of REpower. The full integration of REpower with the Group will require substantial management time and resources going forward.

Although there are currently no material problems with the integration plans or strategy, there can be no assurance that problems will not arise in the future. Further, there is a risk that the integration plans of the Company may (i) take longer than expected; (ii) cost more than expected; or (iii) not be able to be implemented at all. Any delays in the integration plans of the Company, or a failure to effectively implement the REpower integration strategy, would have an adverse impact on the business of the Group and the financial performance of the Group.

RISKS RELATING TO THE WIND POWER INDUSTRY

The demand for wind power projects is primarily dependent on the demand for electricity.

The demand for electricity in India and in international markets such as the United States, China, Australia and Europe is closely linked to economic growth in these countries. As the economy grows, economic activities, such as industrial production and personal consumption, also tend to expand which increases the demand for electricity. Conversely in economic downturns, activities such as industrial production and consumer demand decline or stagnate, causing demand for electricity to decrease. If either the Indian economy or the economies of major international markets, such as the United States, China, Australia and Europe do not continue to grow at their current rates, or if there is an economic downturn, demand for electricity generally and demand for renewable energy sources such as wind power particularly are likely to decrease. A sustained economic downturn would have a material adverse effect on the Group's and REpower's business, financial condition and results of operations.

The viability of wind power projects is dependent on the price at which they can sell electricity.

The viability of wind power projects is dependent on the price at which they can sell electricity as well as the cost of wind-generated electricity compared to electricity generated from other sources of energy. Governments in certain jurisdictions have introduced pricing incentives to encourage generation of electricity from renewable sources. See the risk "The decrease in or elimination of government initiatives and incentives relating to renewable energy sources and in particular to wind energy may have a material adverse effect on the demand for wind power". In addition, wind power projects require higher initial capital investment per kWh of energy produced from the Group's and REpower's customers as compared to that required for a fossil fuel-based power plant. The cost of electricity produced by wind power projects is dependent on the cost of establishment of the wind power projects themselves, including access to the electricity grid, financing costs, maintenance costs and wind conditions at the designated site. The cost of oil, coal and other fossil fuels are key factors in determining the effectiveness of wind power from an economic perspective, as cheaper and large supplies of fossil fuels favour non-wind power generation, while more expensive and limited supplies of fossil fuels favour wind power generation. Also, continued investment in product techniques and technical advances in WTG design have led to an overall reduction in the cost per kWh of power from wind energy over a period of time. However, an increase in cost competitiveness or significant developments in technology for other sources of power generation, the discovery of new and significant oil, gas and coal deposits or a decline in the global prices of oil, gas and coal and other petroleum products, could result in lower demand for wind power projects, which would have a material adverse effect on the Group's and REpower's business, financial condition and results of operations.

The viability of wind power and wind power projects is dependent on wind patterns.

As the viability and level of generation of wind power is dependent on wind patterns, which are not constant and which vary over time, WTGs are generally not considered a viable base load source of electricity. This means that while demand for wind power may increase, it is unlikely that wind power will be considered a large-scale substitute for fossil-fuel generated power and for renewable energy from more reliable sources, such as hydropower. This may adversely affect the future growth prospects of the wind power industry in general and the Group's and REpower's growth prospects in particular.

The viability of wind power projects is primarily dependent on the wind patterns at project sites conforming to the patterns that had previously been used to determine the suitability of these sites for wind power projects. Although the Group conducts wind resource assessments based on long-term wind patterns at identified sites, there can be no assurance that wind patterns at a particular site will remain constant. Any changes in wind patterns at particular sites that have previously been identified as suitable for wind power projects could affect the Group's ability to sell WTGs to potential customers. Also, changes in wind patterns at wind power projects where the Group's WTGs have been installed could give rise to warranty claims from customers to whom the Group has provided an absolute "unit" warranty. For example, in the last two years generation guarantee claims were paid by the Group as a result of lower than expected wind patterns in the Tamil Nadu and Rajasthan states in India and additional payments may be required to be made in the future. Further, any change in wind patterns at sites the Group has identified as suitable for wind power projects could also damage its reputation and prospects. Any of these could have a material adverse effect on the Group's business, financial condition and results of operations.

The decrease in or elimination of government initiatives and incentives relating to renewable energy sources and in particular to wind energy, may have a material adverse effect on the demand for wind power.

In recent years, governments in many countries, including India, have enacted legislation or have established policies that support the expansion of renewable energy sources, such as wind power and such support has been a significant contributing factor in the growth of the wind power industry. Support for investments in wind power is provided through fiscal incentive schemes or public grants to the owners of wind power systems, for example through preferential tariffs on power generated by WTGs or tax incentives promoting investments in wind power. In addition, the governments of some countries also prescribe specified levels of electricity that utilities are required to obtain from renewable energy sources. Further, international attention being paid to reducing carbon dioxide emissions and the possibility of trading carbon dioxide emission quotas taking place has led to extra duties being applied to those sources of energy, primarily fossil fuels, which cause carbon dioxide pollution. The imposition of these duties has indirectly supported the expansion of power generated from renewable energy and in turn, the wind power industry in general. Many of the Group's and REpower's customers have purchased WTGs and participated in wind farm projects due to these policies.

In the past, the decrease in, or elimination of, direct or indirect government support schemes for renewable energy including wind power in a country has had a negative impact on the market for wind power in that country. There can be no assurance that any such government support will continue at the same level or at all. For example, on December 13, 2007 an amendment to the United States Energy Bill that would have extended the Production Tax Credit (“PTC”) for an additional two years beyond 2008 did not receive the required votes in the U.S. senate. The existing PTC scheme remains valid until December 31, 2008 and although it is possible that the PTC may be extended through other legistation, the continuation of the PTC scheme after 2008 is currently uncertain. Also in the United States, custom duties on WTGs and certain WTG components came into effect on July 1, 2007 which the Company estimates will increase the cost of providing WTGs to the United States by approximately 3 per cent of the value of nacelle and other components.

If direct and indirect government support for wind power was terminated or reduced, this would make producing electricity from wind power less competitive. In addition, if policies change in a manner that makes it less attractive for investors to establish captive generating facilities in general and wind power projects in particular or governments decide not to extend the effective date for these policies, demand for the Group's and REpower's WTGs could decrease and this would have a material adverse effect on the Group's and REpower's business, financial condition and results of operations.

The construction and operation of wind power projects is subject to regulation, including environmental controls and changes in these regulations could have a material adverse effect on the Group's and REpower's business, financial condition and results of operations.

Many countries, including India, have introduced legislation governing the manufacture, erection, operation and decommissioning of WTGs, including compliance with procedures relating to the acquisition of land to be used for wind power plants, compliance with relevant planning regulations and approvals for the commencement of a wind power project, including clearances from environmental regulators. Further, the preparatory activities on the land used for wind farms and the refining and consumption of raw materials used in the manufacture of WTGs, the impact of noise pollution from manufacturing facilities and noise from the transport to and from production sites are subject to regulation. In the event legislation and regulation relating to the foregoing activities are made more stringent, such as increasing the requirements for obtaining approvals or meeting government standards, this could result in changes to the infrastructure necessary for wind power projects and the technical requirements for WTGs and the methods used to manufacture them, increasing the costs related to changing production methods in order to meet government standards and increasing penalties for non-compliance. These developments could have a material adverse effect on the Group's and REpower's business, financial condition and results of operations.

The construction and operation of wind power projects has faced opposition from local communities and other parties. This may delay future construction or operations and impact the financial results of the Group and REpower.

The construction and operation of wind power plants in a number of countries has faced opposition from the local communities where these plants are located and from special interest groups. The Group has faced protests at certain of its wind farms in India and a number of its WTGs have been damaged in the course of these protests, requiring expensive and time consuming repairs. WTGs also cause noise and are considered by some to be aesthetically unappealing. Certain environmental organisations have expressed opposition to WTGs based on the allegations that wind farms affect weather patterns, kill birds and have other adverse effects on the environment. Legislation is in place in many countries, which regulates the accepted distance between wind power plants and urban areas to guard especially against the effects of noise. A significant increase in the extent of such legislation or other restrictions could cause significant constraints on the growth of the wind power industry as a whole. This would have an adverse effect on the Group's and REpower's business, financial condition and results of operations.

The Group and REpower may be unable to keep pace with rapidly evolving technology in the design and production of WTGs and WTG components.

The global market for WTGs and WTG components involves rapidly evolving technology. WTGs are progressively becoming larger and their operational performance has improved, resulting in the Group's and REpower's customers demanding more cost efficient WTGs. To maintain a successful business in the WTG sector, the Group and REpower will have to quickly and consistently design and develop new and improved WTGs and WTG components that keep pace with technological developments and changing customer standards and meet the constantly growing demands of its customers in terms of WTG performance. The Group's and REpower's ability to design, develop, manufacture and market financially viable and cost-efficient WTGs on an ongoing basis is particularly important. The Group's and REpower's inability to adequately respond to the technological changes in the WTG industry in a timely manner could have a material adverse effect on their business, financial condition and results of operations.

The market for WTGs is highly competitive, which could limit the Group's and REpower's ability to grow.

The market for WTGs is intensely competitive. Important factors affecting competition in the WTG industry include performance of WTGs, reliability, product quality, technology, price and the scope and quality of services, including O&M services and training offered to customers. Although the Group and REpower have expended considerable resources on design, development and manufacture of WTGs, some of their competitors have longer industry experience and greater financial, technical, personnel, marketing and other resources. Some competitors may also be able to react faster to trends and changes in customer demand. The Group's and REpower's competitors may be willing and able to spend more resources to develop products and sales and may be able to provide comparable products and services faster or at a lower price than they can. If the Group's and REpower's competitors consolidate through joint ventures or cooperative agreements with each other, or otherwise, the Group and REpower may have difficulty competing with them.

Growing competition may result in a decline in the Group's and REpower's market share or may force them to reduce the prices of their products and services, which may reduce revenues and margins, any of which could have a material adverse effect on the their business, financial condition and results of operations. The Group and REpower cannot give any assurance that they will be able to compete successfully against such competitors, or that they will not lose potential customers to such competitors.

The terms of financing that the Group's and REpower's customers can obtain for wind power projects has a significant influence on the Group's and REpower's business, financial condition and results of operations.

Most customers require bank financing for purchasing a WTG and therefore the financing terms available in the market have a significant influence on the wind power industry's opportunities to sell its products. Higher interest rate levels cause the costs of investing in wind power to increase, making wind power a less attractive investment proposition. The creditworthiness of a wind power project sponsor and the terms of any such financing also determine whether financing for a project can be obtained. Further, wind power plants are financed over terms that may be shorter than for fossil fuel-based power plants. As a result, WTG customers assume a higher degree of risk regarding upward interest rate movements in the event a WTG project requires refinancing. Factors having an adverse impact on the financing terms for wind power plants therefore influence the Group's and REpower's opportunities for selling its products and could adversely affect their business, financial condition and results of operations.

The ability to obtain financing for a wind power project also depends on the willingness of banks and other financing institutions to provide loans to the wind power industry, including their willingness to participate in financing of large wind power projects. If banks and other financing institutions decide to reduce their exposure to the wind power industry or to one or more suppliers of WTG components, this could have a material adverse effect on the Group's and REpower's business, financial condition and results of operations.

RISK RELATING TO THE GROUP'S BUSINESS

The Group's revenues and results of operations fluctuate depending on many factors including the timing of sales and seasonality trends and can vary significantly from period to period.

The size and timing of sales in a particular financial period can have a material impact on revenues and profits. The Group recognises revenues at the time of transfer of significant risks and rewards of ownership to the respective customer, which is dependent on the terms of the particular purchase order. For example, in sales contracts which satisfy the definition of construction contract as per Accounting Standard-7 issued by the ICAI, sales revenue is recognised in accordance with the percentage of completion method. Generally, the transfer of significant risks and rewards of ownership coincides with the delivery of all key components of the WTGs. Delays in the delivery of key components could result in delays in the recognition of revenue resulting in such WTG components being recognised as inventory.

The Group's revenues and results are also affected by seasonal factors. For instance, in India, WTG sales are usually higher during the second and fourth quarters of each fiscal year and in Europe sales of WTGs and gearboxes generally peak in the fourth quarter of the fiscal year. The Group believes that the seasonality in India is primarily for two reasons, namely commissioning of WTGs in time to take advantage of the high wind season and availment of the policy benefits prior to the end of the fiscal year. Therefore, a large portion of revenue is generated and annual expenditure incurred during these periods. The seasonality in the WTG business also impacts the WTG gearbox business. A significant portion of the Group's overhead expenses cannot be adjusted for seasonal variations in business activity. As a result, a drop in sales revenue in one quarter may have a disproportionate effect on the Group's results in such quarter. The Group's revenues and results of operations may therefore vary significantly in the future from period to period.

The Group's multinational operations and its continued expansion into markets outside of India subject it to risk.

The Group currently has a direct presence in several countries, including China, Denmark, Belgium, Germany, the United States and Australia and intends to further expand its operations in international markets. For the year ended March 31, 2007 the Group generated Rs.38,164.05 million in revenue from the sale of its WTGs, gearboxes and other WTG components in foreign markets which accounts for 47.79 per cent of the total revenue of the Group.

As a part of the Group's growth strategy, it is currently undertaking substantial investments in its new production capacity in Belgium, India and China. The Group has established an integrated WTG manufacturing facility in Tianjin, China and a rotor blade manufacturing facility in Minnesota in the United States and will be making further investments in marketing to increase its customer base in overseas markets. The Group is also establishing, in cooperation with REpower, a joint research centre in Germany.

The Group's international expansion will require the Group to establish new offices, expand its workforce and manage offices in widely disparate locations and will require significant management attention and financial resources. Cost structures and business dynamics are different in each of the countries in which the Group operates, which may result in lower margins as compared to Indian operations. Also, the Group's international marketing experience is limited and there can be no assurance that it will be able to expand international activities as planned. The Group's business strategy of further expansion into foreign markets will require it to adapt its products to and secure required financing in foreign markets. To the extent that the Group expands through joint ventures and other cooperation arrangements, there can be no assurance that the Group will be able to negotiate attractive terms or prevail in any potential disagreement with its business partners.

The Group's expansion into foreign markets exposes it to risks associated with different legal and taxation regimes and economic conditions in each country and to different (and potentially more onerous) legal regimes with respect to product liability and warranty requirements. The Group will also increase its exposure to risks of fluctuation in foreign currency exchange rates. As a result, the Group's strategy of expansion into markets outside India could increase its costs of operations and thereby could have a material adverse effect on the Group's future prospects, financial condition and results of operations.

The Group may, in the future, enter into strategic alliances, investments, partnerships and acquisitions. These may harm its business, dilute shareholdings and cause it to incur debt.

As part of the Group's growth strategy, it may enter into strategic alliances, make strategic investments, establish partnerships and/or make acquisitions relating to raw materials, components, complementary businesses, technologies, services or products. The Group's investments in REpower and Hansen are notable examples of such strategy. The Group may not be able to identify suitable investment opportunities, partners or acquisition candidates. If the Group acquires another company or forms a new joint venture or other strategic partnership, it could have difficulty in integrating and assimilating that company's business, including products, components, personnel, operations, technology and culture, with its business. Further, the Group may not be able to realise the expected strategic benefits of future alliances, investments, partnerships or acquisitions. In addition, the key personnel of an acquired company may decide not to work for the Group. Any potential acquisition, alliance or joint venture could involve a number of specific risks, including diversion of management's attention, higher costs, unanticipated events or circumstances, legal liabilities, failure of the business of the acquired company, fall in value of investments and amortisation of acquired intangible assets, some or all of which could have a material adverse impact on the Group's business, financial condition and results of operations. In the event that the Group plans to acquire or invest in an overseas company, it may be required to obtain the prior approval of the RBI, other regulators and/or the Government of India and there can be no assurance that such approvals will be obtained in a timely manner or at all.

The Group may finance future investments, partnerships or acquisitions with cash from operations, its existing cash balances, debt financing, the issuance of additional Shares or a combination of these or any other forms of financing. The Group cannot assure that it will be able to arrange financing on acceptable terms, if at all, to complete any such transaction. Investments, partnerships or acquisitions financed by the issuance of its Shares would dilute the ownership interest of its shareholders and debt financing would increase its leverage and financial risks. See "Risks Relating to the REpower Acquisition".

The Group and REpower are dependent on external suppliers for key raw materials and components.

WTGs require certain components which are specifically designed for application in wind energy generation. The type and configuration of particular WTGs also require specifically designed components. Recently, WTG suppliers, including the Group and REpower, have witnessed supply shortages of certain key components such as WTG towers due to inability of component suppliers to match the demand. In certain cases, this has also led to delay in supplying and commissioning of WTGs which delays the timing of booking of sales. This occurred to the Company in the first quarter of the fiscal year 2008 when there were delays in the delivery of WTG towers and to REpower in the first half of 2007 where delays in the delivery of key turbine components have resulted in delays in the installation and completion of turbines. Unlike the Group, REpower historically has not manufactured the key components of its WTGs, such as towers, or rotor blades. As a result, REpower has historically been more dependent on third party suppliers than the Group.

While the Group manufactures key components needed for the manufacture of WTGs inhouse, it also sources from outside suppliers raw materials that it uses to manufacture WTG components, such as steel, glass fibre and epoxy resin for rotor blades, as well as several key WTG components, such as gearboxes, yaw and pitch drives and a portion of its tower and generators requirements, from suppliers in India and overseas. The quality of the Group's and REpower's products and customer acceptance of their products depends on the quality of raw materials and components and their ability to deliver products in a timely manner. The failure of the Group's and REpower's suppliers to deliver these raw materials or components in the necessary quantities or to adhere to delivery schedules or specified quality standards/ technical specifications, could adversely affect the Group's and REpower's production processes and their ability to deliver orders on time and at the desired level of quality giving rise to contractual penalties or liability, for failure to perform contracts and a loss of customers and damage its reputation, any of which could materially adversely affect their results of operations.

Some key components, such as the gearboxes for the Group's WTGs and the rotor blades for its 0.35 MW WTG, are developed and manufactured by specifically approved suppliers. As there are very few suppliers who are able to supply the gearboxes and the 0.35 MW rotor blades, the Group believes it is not practical for it to broaden its base of suppliers to any significant extent. Although the Group has recently acquired Hansen, which is a key manufacturer of gearboxes for WTGs, due to capacity constraints Hansen has only recently been able to start supplying a limited volume of gearboxes to the Group. As a result, any increase in the prices of gearboxes and rotor blades for the 0.35 MW WTG, the inability of the Group's suppliers to meet its supply needs or the failure of its suppliers to deliver these components in a timely manner may adversely affect its business, financial condition and results of operations. Also, qualifying alternative suppliers that can meet the Group's technical and quality standards and who can supply these components in necessary quantities, would entail substantial cost and could cause delays in deliveries of its products. Any of the foregoing could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group and REpower are subject to the risk of rises in the price of raw materials and components.

If the costs of raw materials and components were to rise due to factors such as rises in input and commodity prices or shortages in supply (as has been the case recently) and the Group or REpower are not able to recover these costs through cost saving measures elsewhere or by increasing the prices of its WTGs, the Group's and REpower's results of operations could be adversely affected. In addition, under the terms of the Group's agreements with customers, prices for its WTGs are generally fixed as of the date of the agreement, with limited or no mechanisms for periodic price increases. Where possible, REpower includes price escalation clauses in its purchase agreements with customers. However, REpower is not fully protected from price increases in key inputs. Should the cost of raw materials or components rise, the Group can provide no assurance that it will be able to pass on any additional costs to its customers and accordingly its results of operations could suffer.

As a manufacturing business the Group's success depends on the smooth transport of raw materials and components to its plants and transportation of its WTGs from its plants to its customers.

The Group depends on various forms of transport, such as air, seaborne freight, rail and road, to receive raw materials and components used in the WTG production and to deliver its products from its manufacturing facilities to its customers. These transportation facilities may not be adequate to support the Group's operations. Further, disruptions of transportation services because of weather-related problems, strikes, lock-outs, inadequacies in the road infrastructure and port facilities, or other events could impair the ability of its suppliers to deliver raw materials and components and the Group's ability to supply its products to its customers. Finally, the Group also has limited storage facilities and may not be able to store sufficient WTG components and raw materials.

The Group's employees and third parties may also sustain injuries in the course of manufacturing, transporting or loading and unloading its WTGs and WTG components, such as rotor blades, nacelles, towers and gearboxes, which could cause delays in delivery of its products.

Although the Group has not encountered any significant disruptions in the transportation of its raw materials and components and in the transportation of its products, the Group can provide no assurance that such disruptions due to occurrence of any of the factors cited above will not occur in the future.

The Group and REpower have significant planned capital expenditures; their capital expenditure plans may not yield the benefits intended.

The Group's operations require significant capital expenditure to be utilised for the purpose of setting up new manufacturing facilities and expansion of its existing manufacturing and storage facilities. See "Business - Manufacturing Facilities" for details of the Group's capital expenditure plans. REpower is also committing significant expenditure for expansion of its capacity both in Germany and at its overseas assembly facilities. There are expansion activities already underway at its sites in Husum and Trampe (Brandenburg) and REpower is also planning to expand significantly its capacity for the assembly of its offshore turbines. The figures in the Group's and REpower's capital expenditure plans are based on management estimates and have not been appraised by any bank, financial institution or other independent organisation. In addition, the Group's and REpower's capital expenditure plans are subject to a number of variables, including possible cost overruns; construction/development delays or defects; receipt of critical governmental approvals; availability of financing on acceptable terms; and changes in management's views of the desirability of current plans, among others. The Group and REpower may also require additional financing to expand and upgrade their existing facilities. Such financing may not be available on acceptable terms or at all. The actual amount and timing of its future capital requirements may differ from the Group's and REpower's estimates as a result of, among other things, unforeseen delays or cost overruns, unanticipated expenses, regulatory changes, engineering design changes, weather-related delays and technological changes.

There can be no assurance that any capacity addition or improvement at the Group's or REpower's facilities will be completed as planned or on schedule or that the Group and REpower will achieve its planned capacity, operational efficiency or product base, or its targeted return on investment. The Group and REpower cannot provide any assurance that they will be able to execute their capital expenditure plans as contemplated. If the Group or REpower experience significant delays or mishaps in the implementation of their capital expenditure plans or if there are significant cost overruns, then the overall benefit of such plans to their revenues and profitability may decline. To the extent that completed capital expenditure does not produce anticipated or desired revenue or cost-reduction outcomes, the Group's and REpower's profitability and financial condition will be adversely affected.

The Group's indebtedness could adversely affect its financial condition and results of operations.

As at September 30, 2007 the Group's indebtedness to banks and financial institutions and others totalled Rs.103,529.77 million and the Company's net debt to equity ratio was 2.22 (as calculated under the Acquisition Facility). The Group's leverage may constrain its ability to raise incremental financing or the cost at which it could raise such financing. The Group has entered into agreements with certain banks and financial institutions for short-term loans and long-term borrowings. Some of these agreements contain restrictive covenants, such as requiring lender consent for, among other things, issuance of new shares, incurring further indebtedness, creating further encumbrances on or disposing of its assets, undertaking guarantee obligations, declaring dividends or incurring capital expenditures beyond certain limits. Documentation for some of these borrowings also contain covenants, which limit the Group's ability to make any change or alteration in its capital structure, make investments, effect any scheme of amalgamation or restructuring and enlarge or diversify its scope of business. In addition, documentation for certain of these borrowings, including the Acquisition Facility, the First Bonds and the Second Bonds, contain financial covenants which require the Group to maintain, amongst others, a specified net worth to debt ratio and debt service cover ratio. There can be no assurance that the Group will be able to comply with these financial or other covenants or that it will be able to obtain the consents necessary to take the actions it believes are necessary to operate and grow its business. A default under one debt instrument may also trigger cross-defaults under its other debt instruments. An event of default under any debt instrument, if not cured or waived, could have a material adverse effect on the reputation and prospects of the Group. The Group's level of existing debt and any new debt that it incurs in the future has important consequences. For example, it could:

- increase its vulnerability to general adverse economic and industry conditions;
- limit its ability to fund future working capital, capital expenditures, research and development and other general corporate requirements;
- require it to dedicate a substantial portion of its cash flow from operations to service its debt;
- limit its flexibility to react to changes in its business and the industry in which it operates;
- place it at a competitive disadvantage to any of its competitors that have less debt;
- require it to meet additional financial covenants; and
- limit, along with other restrictive covenants, among other things, its ability to borrow additional funds.

The Group cannot provide any assurance that its business will generate cash in an amount sufficient to enable it to service its debt or to fund its other liquidity needs. In addition, it may need to refinance all or a portion of its debt on or before maturity. The Group cannot provide any assurance that it will be able to refinance any of its debt on commercially reasonable terms, or at all.

The Group provides financial assistance to, and is involved in, certain transactions with its Associate Companies in India.

The Group provides financial assistance to its Associate Companies (excluding REpower) in the form of advances and has also guaranteed their obligations to banks and other financial institutions. As at March 31, 2007, loans and advances to Associate Companies totalled Rs.4,433.41 million and the Group had guaranteed Rs.3.04 million of its Associate Companies' loans. As at September 30, 2007, there were no outstanding loans and guarantees to the Associate Companies. The Group is not paid any consideration for providing guarantees in relation to Associate Companies. The Group also leases certain properties to Associate Companies, for which it is paid rent. Further, under the Group's agreements with SRL, SRL is entitled to receive a commission of 11 per cent in consideration for its acquisition of windfarm land and exclusively offering such land for transfer at the option of the Company. Some of the Group's Associate Companies (including SRL) are entitled to receive an exclusivity fee of Rs.10,000 per megawatt in relation to the wind farm development services offered by them.

The Group is dependent on its Associate Companies (excluding REpower) in providing integrated wind energy solutions packages to customers in India; the Group does not control its Associate Companies.

The Group's business strategy in India involves the ability to offer customers integrated solutions relating to wind power projects. This involves the acquisition and/or lease by certain of the Group's Associate Companies of land identified by the Group as suitable for wind farms, which is then sold or leased or sub-leased exclusively to its customers by these Associate Companies with the Company's consent. Certain Associate Companies are also involved in the acquisition of capacity allocations from state governments. As with the land acquisitions, the Associate Companies transfer the capacity allocations to customers at the direction of the Company.

The Group's integrated solutions strategy previously involved another Associate Company, Suzlon Infrastructure Limited ("SIL"), which was engaged up to March 31, 2007 in development of wind farm sites and the installation and commission of WTGs sold by the Group. These activities relating to the development of wind farm sites and the installation and commission of WTGs are now conducted by a wholly-owned subsidiary of the Group, SISL, with effect from April 1, 2007. SIL is currently the developer of special economic zones ("SEZs") at three locations, Coimbatore, Padubidri (Udupi) and Vadodara. SIL will be providing plots on a lease basis to certain subsidiaries of the Group to set up manufacturing units in these SEZs for manufacturing of WTGs and its components.

Certain of the Group's Associate Companies are involved in the development of wind farm projects and for this purpose they apply for approvals from the Indian Central Government and various State Governments to participate in the development of wind farm projects. There can be no assurance that any such approvals will be received in a timely manner or at all.

The Group cannot provide any assurance that its agreement with Associates Companies will not be breached or that customers will agree to use the land acquired by its Associate Companies. In the event an Associate Company breaches its agreement with the Group or customers choose not to enter into transactions with an Associate Company, the Group may be required to incur significant expense and undertake the acquisition of land for wind farm projects in its own name which would involve substantial capital risks and expense, especially from lawsuits by others claiming rights over land acquired. Further, if the Group incurs higher costs than those that would have been incurred by its Associate Companies in carrying out their activities, this would increase the cost to the Group's customers of using wind farms developed by it and so adversely affect the competitiveness of the Group's wind farm projects. Any of the foregoing could materially adversely affect the Group's business in India and accordingly, the financial condition and results of operations.

As both the Group and its Associate Companies (excluding REpower) are controlled by the Group's Promoter Group, there can be no assurance that transactions with Associate Companies (excluding REpower) will be entered into on an arm's-length basis. However, all transactions with Associated Companies are reviewed by the Company' audit committee. Further, because the Group's Promoters, along with other members of the Group's Promoter Group, are the controlling shareholder of both the Group and the Associate Companies (excluding REpower) and has a conflict of interest with respect to dealings between the Group and its Associate Companies (excluding REpower), there can be no assurance that any dispute that may arise between the Group and its Associate Companies (excluding REpower) will be resolved in the Group's favour.

The Group and its Associate Companies in India may not be able to secure suitable locations for wind power projects.

The ability of the Group and Associate Companies in India to acquire sites that the Group has identified as suitable for wind power projects either through lease agreements or purchase agreements depends on many factors, among which are whether the land is private or state-owned, whether the land is classified in a manner that allows its use for a wind power project site and the willingness of the owner or owners to sell or lease their land. In many cases the area that has been identified as a suitable site is owned by numerous small landowners.

In certain states in India, the Associate Companies are required to acquire directly the land on which a wind power project will be established. Acquisition of private land in India can involve many difficulties, including litigation relating to ownership of and liens, on land inaccurate title records, negotiations with numerous land owners and obtaining government approvals. The Group may also become liable for environmental hazards on land that it acquires.

Further, in certain cases the approval of government authorities is required for the purchase or lease of land. The Group also faces competition from other WTG manufacturers and operators in the acquisition of suitable sites for wind power projects. Given that the acquisition of these sites is of fundamental importance to the Group's integrated solutions business strategy in India and further growth of WTG business in other international markets, difficulties in acquiring new sites could have a significant impact on future project development by the Group and its Associate Companies as well as its sales. Land negotiations can be time-consuming, require the Group to incur additional costs and can involve a significant amount of attention and effort from its management. In certain cases the Group and the Associate Companies may not be able to acquire land at all. Any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is not generally involved, directly or indirectly, with land acquisitions in the international markets in which it currently has a presence.

The Group and REpower are dependent on the acceptance and marketability of WTGs which carry a high degree of technical risk.

The Group's and REpower's future performance depends almost entirely on the acceptance and marketability of WTGs and in particular, on the future success of the models which they currently manufacture or are developing. The performance of the Group's and REpower's WTGs in the medium and long-term is subject to important technical risks.

Although WTGs are generally designed for a 20-year life cycle, no definitive statements can be made about the service life of WTGs or WTG components, or about their medium to long-term operational reliability. While the direct risk from limited operational reliability and reduced life of WTGs is borne by the Group's or REpower's customers, disputes between WTG manufacturers and customers based on actual or alleged product defects may take place. Further, the Group undertakes various testing processes on new models of WTG and WTG components in different operating conditions to acquire data for making decisions for series production of such new models and the WTGs and WTG components used in the course of such tests may get damaged or become unfit to be used. Based on the Group's understanding with customers to whom such new models are sold, any loss incurred in the course of such tests, is borne by the Group. Such instances could damage the reputation of the Group and therefore impair the marketability of its products.

WTGs and WTG components supplied by the Group or REpower may get damaged where the design loads are exceeded. Insurance coverage may not be available for such damage or may not be sufficient to cover the costs incurred, in which event the Group or REpower may be required to bear customer claims or replace the WTG or WTG components. Further, any WTG or WTG component malfunction or the failure of WTGs to meet specified performance levels could damage the reputation of the Group's and REpower's products.

Further, if demand for the Group's and REpower's products declines, or the marketability or life span of their products diminishes so that the products can no longer be sold on the market or can only be sold in smaller quantities, the Group's and REpower's business, financial condition and results of operations could be adversely affected.

The Group and REpower can provide no assurance that its new products will be commercially successful.

The Group's and REpower's growth depends on designing, developing and marketing new and more cost-efficient WTGs. The development of new WTG models requires considerable investment. The Group plans to invest in research and development and to commit a significant investment in personnel for product development over the next few years. The Group operates several research and testing centres in India and at overseas locations. It has recently agreed to establish a joint research center in Germany with REpower. See "Business - Research and Development". In relation to REpower, significant resources and investment are currently being focused on the development and expansion of its offshore WTGs.

There is a risk that development of new and existing products may be delayed, may result in incurrence of higher than expected costs or may fail technologically. It cannot be assured that the Group or REpower will be able to develop more cost-efficient products or that this will lead to increased profitability or that it will be able to continue to develop successfully and exploit its expertise in the future. In the offshore WTG sector, there is no assurance that REpower will be able to successfully develop larger and more efficient turbines. In addition, it cannot be assured that the cost of developing new products will not be greater than future income from those products. Any of these factors could have a material adverse effect on the Group's and REpower's business, financial condition and results of operations.

The Group and REpower are exposed to unanticipated cancellations of orders, contract terminations and deferrals of wind power projects.

In markets outside India, the Group generally enters into medium to long term WTG supply contracts which require the supply of WTGs at various times over the life of the contract and staggered payments to the Group. Entry into such contracts exposes the Group to certain risks including the unanticipated cancellation of orders or termination of contracts and deferrals of orders and projects. REpower has a more concentrated customer base than the Group and typically enters into longer term contracts with its customers. Longer term contracts increase counterparty risks such as bankruptcy or dissolution of customers. Although the Group's and REpower's WTG supply contracts usually include penalties for failures or delays on behalf of the customer, the full value of orders will not be recoverable. Hence, any cancellations, deferrals or other unanticipated delays to orders and projects may have a material adverse effect on the Group's and REpower's business, financial condition and results of operations.

The Group could be liable to pay liquidated damages, amounting to a certain percentage of the total order value, in the case that any delays or disruptions in delivery and installation of WTGs are caused by the Group. In some cases, corporate guarantees from the Company are also provided in its WTG supply contracts. Any cancellations, deferrals or other unanticipated delays which are the fault of the Group may have a material adverse effect on the Group's reputation and results of operations.

The Group faces product liability and warranty risks and may face related claims.

The Group provides its customers in India with various types of warranties. These include an availability warranty, based on the percentage of time (generally 95 to 97 per cent) per year a WTG will be available and either (a) an absolute "unit" warranty on the minimum number of units of electricity that will be generated by the WTG, subject to grid availability although regardless of fluctuations in wind speed ("performance guarantee") or (b) a power curve warranty pursuant to which it warrants that a WTG will produce a specified number of units of electricity at different wind speeds. The performance guarantees are generally only provided in the Indian market. REpower does not provide performance guarantees to its customers but does provide availability warranties and power curve warranties. For the years ended March 31, 2005, 2006 and 2007, the Group paid customers Rs.57.36 million, Rs.230.43 million and Rs.632.31 million respectively, arising from performance guarantee claims. For the six months ended September 30, 2007, the Group paid customers Rs.475.53 million arising from performance guarantee claims. While the Group believes it has made adequate provisions for potential claims arising from warranties, there can be no assurance that the provisions it has made or may make will be sufficient to cover these claims. In May 2007, two customers of the Group claimed Rs.440.7 million with respect to a performance guarantee and the future shortfall in generation. See "Legal Proceedings". With regard to customers to whom the Group has provided performance guarantees, there can be no assurance that wind patterns will be such that the unit warranty will be achieved. In the event such provisions are not sufficient, the amount of claims arising from the failure of the Group's WTGs to meet generation warranties could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group also offers O&M services for its WTGs in India and some select international markets, which involves round-the-clock monitoring and maintenance and repair of the units. The Group's standard service package includes preventive and planned maintenance of WTGs, transformers and related structures and includes a warranty on machine availability. Such a warranty typically ranges from 95 to 97 per cent depending on the agreement reached with the customer, as well as warranties relating to the maximum allowable percentages of reactive power and transmission losses. If the machine availability warranty is not met, the Group is liable to its customers for a part or the whole of the annual maintenance fees it receives for each WTG that did not perform as warranted. The Group also offers, for a higher fee, a comprehensive service package that includes free repair or replacement of damaged components in addition to the services offered in the standard service package. Depending on the number of WTGs that a customer has acquired and that do not perform as warranted or are damaged, the amount of claims against the Group can be significant. Although the Group's WTGs are tested comprehensively before delivery and ongoing production is subject to quality assurance measures, there can be no assurance that defects will not arise or latent defects will not become apparent during the operation of WTGs that would entitle its customers to seek compensation based on warranties or component breakdowns. The costs related to addressing and settling claims against the Group arising from the Group's O&M services, including costs related to repairing and replacing WTG components, could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, the Group does not obtain insurance coverage for product warranty claims for WTGs or WTG components sold in India. As such, product defect or warranty claims brought against it by its Indian customers may adversely affect its financial condition and results of operations. For WTGs and WTG components sold to customers outside India, the Group only carries insurance coverage covering claims arising from defects in the construction, materials and manufacture, including warranty claims. In connection with product defect or warranty claims that could be brought against the Group by international customers, there can be no assurance that its insurance coverage will prove adequate.

The Group may be unable to seek compensation from suppliers for defective components or raw materials used in its products.

In the event the Group becomes subject to product liability or warranty claims caused by defective components or raw materials obtained from an outside supplier, it can attempt to seek compensation from the relevant supplier. However, the Group's agreements with suppliers often include limitations on recovery including against recovery for lost profits and indirect or consequential losses. In some cases, warranties provided by suppliers may be for shorter periods than the warranty periods the Group provides to its WTG customers. Further, warranty claims against suppliers may be subject to certain conditions precedent. Also, the Group only carries insurance coverage covering claims arising from defective materials only for WTGs sold to customers in overseas markets. If no claim can be asserted against a supplier, or amounts that the Group claims cannot be recovered from either a supplier or from the Group's insurer and the defective raw materials or components affects a large number of the relevant WTG models or various WTG series, the Group's business, financial condition and results of operations could be materially adversely affected.

Any disruption affecting the Group's or REpower's manufacturing facilities could have a material adverse effect on its business, financial condition and results of operations.

At present the Group's manufacturing facilities are predominantly located in India, the United States, China and Belgium. The manufacture of the Group's and REpower's WTGs and WTG components involve many significant hazards that could result in fires, explosions, spills and other unexpected or dangerous conditions or accidents. Any significant interruption to the Group's and REpower's operations as a result of industrial accidents, floods, severe weather or other natural disasters could materially and adversely affect their business, financial condition and results of operations. There can be no assurance that such events or natural disasters may not occur in the future and if they do occur, that the Group's and REpower's manufacturing ability and capacity would not be materially and adversely impacted.

The Group and REpower are also subject to mechanical failure and equipment shutdowns. In such situations, undamaged manufacturing units may be dependent on or interact with damaged sections of the Group's facilities and accordingly, are also subject to being shut down. If such events occur, the Group's manufacturing capacity may be materially and adversely impacted. In the event the Group or REpower are forced to shut down any of its manufacturing facilities for a significant period of time, it would have a material adverse effect on their earnings, other results of operations and financial condition as a whole.

The Group and REpower also require power for their manufacturing facilities. Industrial accidents, natural disasters or other factors may affect the Group's and REpower's ability to produce or procure the necessary power to operate its manufacturing facilities. This could have a material adverse effect on the Group's and REpower's business, financial condition and results of operations.

The Company's transactions with its subsidiaries are subject to transfer pricing regulations. These transactions may be subject to regulatory challenges, which may subject the Company to higher taxes and adversely affect its earnings.

The Company enters into transactions with its subsidiaries in the ordinary course of its business. The Company also extends loans to some of its wholly-owned subsidiaries. Pursuant to these transactions, it has determined transfer prices that it believes are the same as the prices that would be charged by unrelated parties dealing with each other at arm's length. However, if the tax authorities of India or other jurisdictions were to challenge these or past transactions successfully or require changes in its transfer pricing policies, the Company could be required to redetermine transfer prices and/or pay additional taxes with respect to past transactions which may result in a higher tax liability to it and as a result its earnings would be adversely affected. The Company believes that it operates in compliance with all applicable transfer pricing laws in all applicable jurisdictions. However, there can be no assurance that it will be found to be in compliance with transfer pricing laws, or that such laws will not be modified, which, as a result, may require changes to the Company's transfer pricing policies or operating procedures. Any modification of transfer pricing laws may result in a higher overall tax liability to the Group and adversely affect its earnings and results of operations.

The Group may face labour disruptions that would interfere with its operations.

The Group is exposed to the risk of strikes and other industrial actions. As at October 31, 2007, the Group employed approximately 12,164 employees. Other than certain employees at its operations and maintenance centres in Vankusawade, Dhule, Kutch, Nagda and Sangli and those employed by Hansen, none of its employees belong to a union. The Group believes its relationship with its employees is generally good. However, there have been limited occasions in the past where short disruptions have occurred. For instance, from March 5, 2007 to March 8, 2007, work at the Pondicherry factory was suspended due to an employee strike. Employees made several demands, including for an increase in salaries, but work normalised at the factory on March 9, 2007.

The Group cannot assure that its other employees or REpower's employees will not unionise or that it will not experience any strike, work stoppage or other industrial action in the future. Any such event could disrupt the Group's operations, possibly for a significant period of time, result in increased wages and other benefits or otherwise have a material adverse effect on its business, financial condition or results of operation.

The Group may not be able to obtain or maintain adequate insurance.

The Group's operations are subject to hazards and risks inherent in the use of chemicals and other hazardous materials in the course of its production processes, such as explosions, chemical spills, storage tank leaks, discharges or releases of hazardous substances and other environmental risks, mechanical failure of equipment at its facilities and natural disasters. In addition, many of these operating and other risks may cause personal injury and loss of life, severe damage to or destruction of the Group's properties and the properties of others and environmental pollution and may result in suspension of operations and the imposition of civil or criminal penalties. While the Group believes that its insurance coverage is consistent with industry norms, it does not carry business interruption insurance for its operations in India. Internationally, only Hansen carries business interruption insurance. In addition, the Group does not take out insurance during the WTG erection process. If any or all of the Group's production facilities are damaged in whole or in part and its operations are interrupted for a sustained period, there can be no assurance that its insurance policies will be adequate to cover the losses that may be incurred as a result of such interruption or the costs of repairing or replacing the damaged facilities or any third party claims. If the Group suffers a large uninsured loss or any insured loss suffered by it significantly exceeds its insurance coverage, the Group's business, financial condition and results of operations may be adversely affected.

In addition, the Group's insurance coverage is generally subject to annual renewal. In the event premium levels increase, it may not be able to obtain the same levels of coverage in the future as it currently has or it may only be able to obtain such coverage at substantially higher cost than it is currently paying. If it is unable to pass these costs to its customers, the costs of higher insurance premiums could have an adverse effect on its financial condition and results of operations. Alternatively, the Group may choose not to insure, which, in the event of any damage or destruction to its facilities or defects to its products, could have a material adverse effect on its business, financial condition and results of operations.

The failure to keep the Group's technical knowledge confidential could erode its competitive advantage.

Like many of its competitors, the Group possesses extensive technical knowledge about its products. The Group's know-how is a significant independent asset, which may not be adequately protected by intellectual property rights such as patents. Some know-how is protected only by secrecy. As a result, the Group cannot be certain that its know-how will remain confidential in the long run.

Even if all reasonable precautions, whether contractual or otherwise, are taken to protect confidential technical knowledge about the Group's products or its business, there is still a danger that such information may be disclosed to others or become public knowledge in circumstances beyond its control. In the event that confidential technical information or know-how about its products or its business becomes available to third parties or to the public, the Group's competitive advantage over other companies in the wind energy industry could be harmed, which could have a material adverse effect on its business, future prospects, financial condition and results of operations.

The Group may inadvertently infringe the intellectual property rights of others.

While the Group takes care to ensure that it complies with the intellectual property rights of others, it cannot determine with certainty whether it is infringing any existing third-party intellectual property rights which may force it to alter its technologies, obtain licences or significantly cease some portions of its operations. The Group may also be susceptible to claims from third parties asserting infringement and other related claims. Regardless of whether claims that the Group is infringing patents or other intellectual property rights have any merit, those claims could: (a) adversely affect its relationships with current or future customers; (b) result in costly litigation; (c) cause product shipment delays or stoppages; (d) divert management's attention and resources; (e) subject it to significant liabilities; (f) require it to enter into potentially expensive royalty or licencing agreements; and (g) require it to cease certain activities. Furthermore, necessary licences may not be available to the Group on satisfactory terms, if at all. Any of the foregoing could materially and adversely affect the Group's business, results of operations and financial condition.

The loss of the services of the Group's Chairman and Managing Director, or of its key senior management personnel could adversely affect its business.

The Group's success depends in part on the continued services of its Chairman and Managing Director, Mr. Tulsi Tanti and other key members of senior management. The Group has "key man" insurance for a limited number of its Directors and senior management. If it loses the services of the Chairman and Managing Director or any of its key senior management personnel, it would be very difficult to find and integrate replacement personnel in a timely manner and could significantly impair the Group's ability to develop and implement its business strategies. This could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may not be able to hire and retain sufficient numbers of qualified professional personnel that it needs.

If the Group fails to hire and retain sufficient numbers of qualified personnel for functions such as finance, marketing and sales, engineering, research and development and operations and maintenance services, its business, operating results and financial condition could be adversely affected. The success of the Group's business will depend on its ability to identify, attract, hire, train, retain and motivate skilled personnel. Competition for qualified professional personnel is intense as these personnel are in limited supply, particularly as the wind power industry continues to expand. The Group might not be able to hire and retain sufficient numbers of such personnel to grow its business. There can be no assurance that the Group will be able to attract, assimilate or retain sufficiently qualified personnel successfully.

Compliance with and changes in safety, health and environmental laws and regulations may adversely affect the Group's results of operations and its financial condition.

The Group is subject to a broad range of safety, health and environmental laws and regulations in the areas in which it operates. The Group's manufacturing facilities located in India, the United States, Germany, China and Belgium are subject to laws and government regulations of such countries on safety, health and environmental protection. The development and operation of wind power projects is subject to a broad range of safety, health and environmental laws and regulations. These laws and regulations impose controls on the Group's air and water discharges, on the storage, handling, discharge and disposal of chemicals, employee exposure to hazardous substances and other aspects of its operations and products. Some of the manufacturing and O&M processes of the Group are hazardous and require stringent safety standards to be met. The Group has incurred and expects to continue to incur, operating costs to comply with such laws and regulations. In addition, it has made and expects to continue to make capital expenditures on an ongoing basis to comply with safety, health and environmental laws and regulations. While the Group believes it is in compliance in all material respects with all applicable safety, health and environmental laws and regulations, the discharge of its raw materials that are chemical in nature or of other hazardous substances or other pollutants into the air, soil or water may nevertheless cause it to be liable to the Indian Government or the State Governments or Union Territories or any analogous liability in the United States, Germany, China or Belgium, where its manufacturing facilities and wind farms are located, or to third parties. In addition, it may be required to incur costs to remedy the damage caused by such discharges or pay fines or other penalties for non-compliance.

Further, the adoption of new safety, health and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require that the Group make additional capital expenditures or incur additional operating expenses in order to maintain its current operations, curtail its production activities or take other actions that could have a material adverse effect on its financial condition, results of operations and cash flow, or affect its ability to provide, in coordination with its Associate Companies, integrated wind power solutions to its Indian customers. Safety, health and environmental laws and regulations in India, in particular, have been increasing in stringency and it is possible that they will become significantly more stringent in the future. The costs of complying with these requirements could be significant. The measures the Group implements in order to comply with these new laws and regulations may not be deemed sufficient by governmental authorities and its compliance costs may significantly exceed current estimates. If it fails to meet environmental requirements, it may also be subject to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against it as well as orders that could limit or halt its operations.

The Group requires certain registrations and permits from government and regulatory authorities in the ordinary course of business and the failure to obtain them in a timely manner or at all may adversely affect its operations.

The Group requires certain approvals, licences, registrations and permissions for operating its business, some of which have expired and for which the Group has either made or are in the process of making an application for obtaining the approval or its renewal. If the Group fails to obtain any of these approvals or licences, or renewals thereof, in a timely manner, or at all, the Group's business may be adversely affected.

The Company's principal shareholders may have the ability to determine the outcome of any shareholder resolution.

The Company's principal shareholders, comprising the Promoter Group, own 68.51 per cent of the Company's currently issued Equity Shares as at the date of this Placement Document. As significant shareholders, the Promoter Group may have interests that are adverse to the interests of other shareholders and/or the Group's own interests and may have the ability to determine the outcome of any shareholder resolution. Specifically, the Company's Chairman and Managing Director along with other members of the Promoter Group are the controlling shareholders of both the Company and its Associate Companies and so, with respect to dealings between the Company and its Associate Companies, has a conflict of interest and there can be no assurance that any such conflict will be resolved in the Company's favour. In addition, the Promoter Group need not consider the interests of minority shareholders in making any determinations regarding shareholder resolutions.

The Company may have to incur additional tax liability in relation to its current employee stock option plan.

The Income Tax Act, 1961 (as amended by the Finance Act, 2007) provides that employee stock option plans shall be treated as a fringe benefit and the value of the fringe benefit is the difference between the exercise price and the "fair market value" of the option shares granted, calculated on the date of vesting of options by the employees.

In terms of the employee stock option plan 2005 of the Company, 30 per cent of the 921,000 options granted vested in June 2006, 30 per cent vested in June 2007 and the remaining 40 per cent shall vest in June 2008 which may be exercised within a period of five years from the date of first vesting. The shareholders of the Company have also approved a new employee stock option plan allowing grants of options to eligible employees of the Company and its subsidiaries. 103,900 options have been granted to eligible employees of the Company and its subsidiaries under this new scheme.

While the fringe benefit tax is required to be borne by the employer, it is permissible under the Income Tax Act to recover the amount of fringe benefit tax that the employer is required to pay, from the respective employees.

Foreign currency fluctuations could adversely affect the costs of raw materials, the cost of borrowings and repayment of indebtedness, revenues from exports and profitability of the Group and REpower.

The Group generates revenues and makes payments in a number of different currencies, including Rupees, Euros, US dollars and Chinese yuan. The exchange rates between the countries can fluctuate substantially, which could have a material adverse effect on the Group's financial condition and results of operations.

The Group exports a significant amount of its products produced in India to overseas customers, generates significant revenues from such customers and receives payment from such customers in various foreign currencies including US dollars. Recently the US dollar has depreciated against the Rupee. As such, an appreciation of the Rupee decreases the Rupee value of such revenues. Appreciation of the Rupee also affects the competitive advantage the Group derives from lower costs in its Indian manufacturing facilities.

REpower has historically generated revenues and made payments predominantly in euros. However, as it expands it expects more revenues to be generated in different foreign currencies, particularly the US dollar. If REpower's expenses remain predominantly in euros and a greater portion of its revenues are made in US dollars, an appreciation of the euro against the US dollar could cause REpower's operating margins to decrease.

For the years ended March 31, 2005, 2006 and 2007, imported raw materials and components accounted for approximately 50.16 per cent 54.81 per cent and 58.82 per cent respectively, of the Company's raw material costs, respectively. A devaluation or depreciation in the value of the Rupee increases the total costs of such imports and the Group may be unable to recover these costs through cost-saving measures elsewhere or by passing on these increased costs to its customers. Similarly, the Group sources certain types of equipment from overseas, which it pays for primarily in Euros and U.S. dollars. A depreciation of the Rupee against the Euro or U.S. dollar increases the cost of such equipment in Rupee terms.

Also, as at September 30, 2007, approximately 87.51 per cent of the Company's total indebtedness was denominated in foreign currencies, primarily Euros and U.S. dollar. Any depreciation of the Rupee against such foreign currencies increases the Rupee value of the Group's total indebtedness.

The Group's earnings from its overseas subsidiaries may be subject to double taxation.

A part of the Group's earnings may comprise dividends received from its overseas subsidiaries. The Group may be subject to double taxation on any dividends paid by its overseas subsidiaries. Further, dividend payments will also be subject to foreign currency fluctuations. In such an event, the Group's earnings may be adversely affected.

Certain events which have occurred to the Group in the last two years impair the ability to effectively compare the Group's consolidated financial statements.

The Group acquired 100 per cent of Hansen in May 2006. The Group's consolidated financial statements for the six months ended September 30, 2006 and the year ended March 31, 2007 include Hansen's results from May 9, 2006.

The Group currently controls or influences, either directly or through voting pool agreements, approximately 86.5 per cent of the votes in REpower. REpower's financial year ends on December 31 of each year and its financial results for the three months ended September 30, 2007 had not yet been adopted by REpower's Board nor made available to REpower's shareholders on the date that Group's interim financial statements for the six months ended June 30, 2007 were announced. Consequently, the Group's consolidated financial statements for the six months ended September 30, 2007 do not equity account REpower's contribution for the three months ended September 30, 2007. However, REpower's results for the period from June 6 to June 30, 2007 have been included on an equity accounting basis in the Group's consolidated financial statements for the six months ended September 30, 2007.

As a result of the above, the Group's consolidated financial statements for the six months ended September 30, 2007 and the year ended March 31, 2007 are not directly comparable with the corresponding information for the six months ended September June 30, 2006 and the year ended March 31, 2006.

RISKS RELATING TO HANSEN

The Group has incurred a number of risks in regard to its acquisition of Hansen.

In May 2006, the Group completed the acquisition of Hansen, which is the second largest gearbox and drive train manufacturer for WTGs worldwide. The results of operations of Hansen are material to the Group. Hansen accounted for Rs.18,560.74 million, or 23.24 per cent of the Group's total consolidated revenue and Rs.1,402.88 million, or 16.24 per cent of the Group's total consolidated net profit, for the year ended March 31, 2007, notwithstanding that financial statements of the Group have only consolidated the 11-month results of operations of Hansen from May 2006 to March 2007. For the six months to September 30, 2007, Hansen accounted for Rs.9,466.99 million or 16.95 per cent of the Group's total consolidated revenue.

Unforeseen contingent risks or latent liabilities relating to Hansen may only become apparent after a period post the completion of the acquisition and there may be difficulties in the integration and management of business operations and systems, in the retention of select personnel or in the co-ordination of sales and marketing efforts. Hansen has announced plans to increase its annual capacity in Belgium and it plans to establish a gearbox manufacturing plant in India and China. With the proposed capacity expansion, the Group is expected to source a larger part of its gearbox requirements from Hansen. If the Group is unable to integrate the operations of Hansen successfully or profitably, its growth plans may not be met and its revenue and profitability may decline.

Hansen listed its equity shares on the London Stock Exchange on December 11, 2007. The listing process and the subsequent public trading of Hansen shares are subject to certain risks. There is no assurance as to the extent to which investor interest in Hansen will lead to the development of a trading market or how liquid that market might be. The price at which Hansen shares are initially offered may be different to the price that the shares will trade after listing. The share price of Hansen following listing may be highly volatile. There is no assurance that the listing of Hansen will be a success for Hansen and the Group.

Hansen's strategy is based on the expansion of its manufacturing capabilities. In particular, any delay or failure by Hansen to complete its expansion projects in Belgium, India or China could have a material adverse effect on Hansen's growth prospects.

Hansen intends to increase its manufacturing output to meet the strong current market demand for gearboxes for WTGs and to make additional capacity available for the production of industrial gearboxes to enable it to satisfy existing orders placed by its customers. In order to do so, Hansen must expand its existing facilities, construct new facilities and purchase additional machinery and equipment. In 2006, Hansen commenced the expansion of its dedicated WTG gearbox facility in Lommel, Belgium, which is expected to be completed in April 2008. Production of Hansen's WTG gearboxes will gradually be transferred from Edegem, Belgium, to Lommel to make additional capacity available for the manufacture of Hansen's industrial gearboxes. Hansen is also pursuing expansion projects in Coimbatore, India and in China, where it plans to construct new fully integrated facilities for the manufacture of WTG gearboxes. Both planned facilities are expected to begin assembly and testing of gearboxes in September 2008, with full manufacturing capacity expected to be available from April 2011.

Achieving completion and reaching full manufacturing capacity on the scheduled dates is dependent on, among other things, timely delivery and commissioning of machinery and equipment, satisfactory and timely performance by construction contractors, obtaining the required permits, construction not being affected by adverse weather conditions or any other unexpected construction delays, establishing a reliable and adequate supply of high quality raw materials and key intermediate components, recruiting and training required personnel and in the case of the China facility, identifying and acquiring a suitable site. Hansen has established a training programme in Belgium to train key employees for its proposed facility in India and intends to implement a similar programme for employees for its planned facility in China. Whilst Hansen has started its training programme for its Indian facility, the success of its training programmes and as a result the quality of its manufacturing processes, will, however, in part depend upon Hansen's ability to recruit a sufficient number of appropriately skilled and/or experienced personnel in India and China to meet the demands of the proposed facilities within the given timeframe.

In addition, Hansen's new facilities in China and India will require the use of a large amount of new machinery to achieve the ramp-up of these facilities. An unsatisfactory performance of a section of any of these machines could result in significant project delays and Hansen would not be able to bring a claim against any of its machine suppliers for any consequential damage suffered.

Since the acquisition, Hansen has been supported in its current expansion activities by the Group. Loss of the Group's support could have a material adverse effect upon Hansen's business, financial condition and/or results of operation.

If the expansion or construction of any of Hansen's manufacturing facilities exceed budgeted costs and Hansen is unable to obtain additional financing in time or on terms that are reasonably acceptable to it, or if the capacity of any of the new manufacturing facilities fails to reach the originally envisaged levels, or if Hansen is unable to achieve the intended economic benefit from its new facilities in full or at all, any of these factors, individually or in the aggregate, may materially and adversely affect Hansen's business, financial condition and/or results of operations. Although Hansen has historically been able to obtain financing for its expansion projects on reasonably acceptable terms, there is no assurance that financing for further projects will be available on terms that Hansen finds to be acceptable. Further, although Hansen is not a party to such agreement, the Acquisition Facility requires the Company to ensure that the debt of the Hansen Group does not at any time exceed € 500 million for the duration of the facility agreement.

Any delays to the expansion of the Lommel facility or to the construction of the currently planned or any future manufacturing plants, inability to recruit a sufficient number of skilled and/or experienced personnel, failure to secure sufficient supplies of raw materials of the necessary quality and intermediate components or inability to secure financing on terms that Hansen finds to be acceptable could delay or prevent the expected increase in Hansen's production levels and the associated revenue increases that they are expected to generate. Any or all of these factors could also result in significant costs to Hansen and any resulting failure by Hansen to meet its committed delivery schedules could trigger late delivery penalty payments payable by Hansen under its supply agreements with its customers. Any of these factors, individually or in the aggregate, could have a material adverse effect on Hansen's business, financial condition and/or results of operations.

The Company is a competitor of Hansen's customers and this might affect their willingness to contract with Hansen.

The Company and REpower are direct competitors of Vestas, Gamesa and Siemens Wind, Hansen's other WTG gearbox customers. There can be no assurance that these customers might not in the future decide to reduce or cease their purchases of WTG gearboxes from Hansen due to Hansen's relationships with the Company and/or REpower or decide to expand their own activities and manufacture gearboxes. As of the date of this Placement Document, Hansen is in negotiations with Vestas and Gamesa regarding their existing long-term supply agreements (in accordance with Hansen's policy of renegotiating its long-term supply agreements well in advance of their expiration). On the basis of these discussions, Hansen believes that Vestas may seek to reduce its reliance on Hansen over time and to reduce the total MW capacity provided by Hansen's WTG gearboxes as a percentage of its total requirements. The loss of Vestas, Gamesa or Siemens Wind as a customer, or a weakening of Hansen's customer relationship with any or all of them, could result in lower than expected revenue and could have a material adverse effect on Hansen's business, financial condition and/or results of operations, in particular in light of the small number of participants within the WTG market generally and Hansen's dependence on a small number of customers within this market. The loss or substantial reduction of an existing customer relationship could have a material adverse effect on Hansen's business, financial condition and/or results of operations.

The number of WTG manufacturers is limited and Hansen's sales of WTG gearboxes are made to a small number of customers.

The WTG market is characterised by a small number of large manufacturers, a trend which has become more concentrated in recent years as the WTG market has experienced consolidation. The top ten WTG manufacturers are estimated to constitute over 95 per cent of MW shipments in 2006 *(Source: BTM 2007 Report)*. In the fiscal year 2007, Hansen's sales of WTG gearboxes to its three principal WTG manufacturing customers accounted for 79.4 per cent of its total revenue (unaudited). Whilst Hansen intends that no single customer will account for more than 40 per cent of its total revenue in any one fiscal year in the long term, this is not yet the case and there can be no assurance that Hansen will be successful in diversifying its WTG gearbox customer base. Moreover, one or more of Hansen's customers, in particular WTG customers to whom Hansen is a main supplier, may in the future seek to reduce their reliance on Hansen and seek to diversify their supply chain, which could affect their demand for Hansen's products. Further, Hansen's customers may in future look to take the production of gearboxes inhouse, thereby further reducing demand for Hansen's products. The loss of any one of Hansen's WTG customers or a fall in orders from any customer, as a result of, for example, bankruptcy of a customer, a desire to decrease reliance on Hansen, increased vertical integration in the industry, additional consolidation among WTG manufacturers or the adoption of alternative technologies by its WTG manufacturing customers, such as gearless direct-drive designs, could result in lower than expected revenue and could have a material adverse effect on sales of Hansen's WTG gearboxes and on Hansen's business, financial condition and/or results of operations.

Hansen may be exposed to product failure, design failure, serial failure, reputational damage, product liability and/or warranty claims and there can be no certainty that adequate insurance will be available.

Hansen is exposed to potential product liability risks that are inherent in the research, development, manufacture, marketing and sales of its products. Whilst Hansen's products undergo extensive testing and key raw materials and components are inspected for defects, there can be no guarantee that raw materials and components supplied to Hansen, or that its end products, are free from defects or are in line with specifications and of the necessary standard, or that Hansen's products will not experience design errors. If defective raw materials or components affect any of Hansen's products, or if, as a result of design errors, any products are defective or fail to meet contracted standards or Hansen experiences serial manufacturing defects (identical defects affecting several products of the same design), Hansen may be subject to product liability or warranty claims from its customers. Regardless of their ultimate outcome, such claims may result in the diversion of management time and in significant expenditure by Hansen of money and resources in investigating such claims. Further, such claims, whether meritous or not, could also attract adverse publicity, which in turn could have an adverse impact on Hansen's reputation, sales and ability to attract and retain customers.

Hansen's gearboxes constitute one of approximately 8,000 components and sub-components used in the manufacture of a typical WTG and one of a number of components in various industrial applications. If a WTG or industrial application were to fail due to a problem caused by a component other than Hansen's gearboxes and if this real cause of the failure is not identified or clearly communicated to existing and potential customers or to the market, Hansen may be exposed to the risk of reputational damage. Further, where the cause of failure of a WTG or an industrial application is not identified, Hansen has historically and may in the future enter into settlement agreements with its customers agreeing to be responsible for a proportion of the costs incurred by its customers in remedying any defect. Further, even where the cause of failure of a WTG has not been identified, or has been identified as attributable to a product supplied by another supplier, Hansen has historically worked with its customers to develop a solution.

Hansen's WTG customers and industrial gearbox customers currently have the benefit of a two-year and one-year warranty respectively, although in certain circumstances the warranty period may be longer at the customer's cost and in certain cases serial defect clauses may apply. Hansen has incurred and continues to incur warranty claims. Hansen has incurred costs of up to 2.2 per cent of its revenue in each of the financial years ended March 31, 2005, 2006 and 2007 respectively. Although warranty claims have not historically had a material effect on Hansen's financial condition, results of operations or reputation, there can be no assurance that Hansen will not face material claims in the future.

Hansen maintains insurance against damage and consequential loss to third party property, including first and third party recall. Warranty claims and repair costs, however, are not covered. There can be no guarantee that the level of insurance carried by Hansen now or in the future will be sufficient, or that an uninsured claim could not materially and adversely affect Hansen's reputation, business, financial condition and/or results of operations.

Failure by Hansen to protect, enforce and defend its current and future intellectual property rights and industrial know could erode its competitive advantage.

Hansen has already obtained over 30 patents used in its products or manufacturing processes. The success of Hansen's products and processes depends in part on its ability to protect current and future technologies, processes and products and to defend its intellectual property rights. If Hansen fails to do this, competitors may manufacture and market similar products. There is only limited certainty as to the scope, validity and enforceability of Hansen's existing and future intellectual property rights and there is no assurance that such property rights will afford adequate protection to Hansen in all of its geographical markets against unauthorised use of its proprietary know-how by others. This may adversely affect Hansen's ability to exclusively market its own products in the relevant geographical markets.

In addition to its existing patents, Hansen has lodged over 100 patent applications which are currently being examined by the relevant authorities. There can be no assurance that patents will be issued with respect to any or all such applications and there is a risk that patents may be granted over a narrower range of applications or processes than is necessary to fully protect Hansen's interests.

There is no assurance that third parties are not currently infringing any of Hansen's intellectual property rights or proprietary subject matter. Any legal action to enforce its intellectual property rights may be costly and take up substantial management time and even if action taken to protect intellectual property rights is successful, any infringement might still have a material adverse effect on its business, financial condition and/or results of operations.

Developments in the market for gearless wind turbine solutions may affect demand for Hansen's products.

Developments in the wind turbine market, such as the widespread adoption of direct-drive or gearless wind turbines in the future for example could affect demand for Hansen's wind turbine gearboxes. Further, a decrease in the price of copper or permanent magnets, both key raw materials for the manufacture of gearless wind turbines, could encourage wind turbine manufacturers to use gearless generators in preference to gear-driven solutions. A move towards gearless wind turbines or direct-drive applications, for whatever reason, could threaten the commercial viability of Hansen's products and have a material adverse effect on Hansen's business, financial condition, and/or results of operations.

RISKS RELATING TO INDIA

Political instability or changes in the government in India could delay the further liberalisation of the Indian economy and adversely affect economic conditions in India generally and the Group's business in particular.

In the years ended March 31, 2006 and 2007, 91.91 per cent and 52.21 per cent respectively, of the Group's total sales was derived from the Indian market. The Group's business may be affected by foreign exchange rates and controls, interest rates, changes in government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India. Since 1991, successive Indian governments have pursued policies of economic liberalisation, including significantly relaxing restrictions on the private sector. Nevertheless, the roles of the Indian central and state governments in the Indian economy as producers, consumers and regulators have remained significant. A significant change in India's economic liberalisation and deregulation policies could adversely affect business and economic conditions in India generally and the Group's business in particular, if new restrictions on the private sector are introduced or if existing restrictions are increased.

If regional hostilities, terrorist attacks or social unrest in India increase, the Group's business could be adversely affected and the trading price of the Equity Shares could decrease.

The Asian region has from time to time experienced instances of civil unrest, terrorist attacks and hostilities among neighbouring countries, including between India and Pakistan. Since May 1999, military confrontations between India and Pakistan have occurred in Kashmir. Also, since early 2003, there have been a number of terrorist attacks in India in the last several years. Military activity or terrorist attacks in India in the future could influence the Indian economy by creating a greater perception that investments in Indian companies involve higher degrees of risk. These hostilities and tensions could lead to political or economic instability in India and a possible adverse effect on the Indian economy, the Group's business, its future financial performance and the trading price of the Equity Shares.

Furthermore, India has also experienced social unrest in some parts of the country. If such tensions occur in other parts of the country, leading to overall political and economic instability, it could have an adverse effect on the Group's business, future financial performance and the trading price of the Equity Shares.

Natural disasters could have a negative impact on the Indian economy and cause the Group's business to suffer.

India has experienced significant natural disasters such as earthquakes, a tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy and infrastructure. Further, prolonged spells of below normal rainfall or other natural calamities could have a negative impact on the Indian economy, adversely affecting the Group's business and the price of the Company's Equity Shares.

Financial instability in other countries, particularly countries with emerging markets, could disrupt Indian markets and the Group's business and cause the trading price of the Equity Shares to decrease.

The Indian financial markets and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Financial turmoil in Asia, Latin America, Russia and elsewhere in the world in recent years has had limited impact on the Indian economy and India was relatively unaffected by financial and liquidity crises experienced elsewhere. Although economic conditions are different in each country, investors´ reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause volatility in Indian financial markets and indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. This in turn could negatively impact on the movement of exchange rates and interest rates in India. In short, any significant financial disruption could have an adverse effect on the Group's business, future financial performance and the trading price of the Equity Shares.

The Indian securities markets are more volatile than certain other securities markets.

The Indian securities markets are more volatile than the securities markets in certain countries which are members of the Organisation for Economic Co-operation and Development. Indian stock exchanges have, in the past, experienced substantial fluctuations in the prices of listed securities.

Indian stock exchanges have experienced problems which, if such or similar problems were to continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. A closure of, or trading stoppage on, either of the BSE and the NSE could adversely affect the trading price of the Equity Shares. Historical trading prices, therefore, may not be indicative of the prices at which the Equity Shares will trade in the future. In addition, the governing bodies of the Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time disputes have occurred between listed companies, stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment.

There may be less company information available in the Indian securities markets than securities markets in developed countries.

The Equity Shares will not be listed on any stock exchange outside India. There is a difference between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants than that of markets in other more developed economies. SEBI is responsible for monitoring disclosure and other regulatory standards for the Indian securities market. SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in developed countries, which could adversely affect the market for the Company's Equity Shares. As a result, investors may have access to less information about the Group's business, financial condition and results of operation and those of the Group's competitors that are listed on Indian stock exchanges, on an ongoing basis, than investors may in the case of companies subject to reporting requirements of other countries.

If inflation were to rise in India, the Group might not be able to increase the prices of its products in order to pass costs on to its customers and the Group's profits might decline.

The annual rate of inflation, as measured by variations in the wholesale price index, on a point-to-point basis, was 5.1 per cent in the fiscal year 2005, 4.1 per cent in the fiscal year 2006 and 5.7 per cent in the fiscal year 2007. In its Annual Policy Statement for 2007-2008, the RBI inflation rate forecast for fiscal year 2008 is 5.00 per cent. However, the rate of inflation may rise in the future and the Group may not be able to pass these costs on to its customers by increasing the price the Group charges for its products. If this occurs, the Group's profits may decline.

Any downgrading of India´s debt rating by an international rating agency could have a negative impact on the Group's business and the trading price of the Equity Shares.

Any adverse revisions to India´s credit ratings for domestic and international debt by international rating agencies may adversely affect the Group's ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could have an adverse effect on the Group's business and future financial performance and the Group's ability to obtain financing to fund its growth, as well as the trading price of the Equity Shares.

The Group's profitability would decrease if the Indian Government reduced or withdrew tax benefits and other incentives it currently provides.

The statutory corporate income tax rate in India is currently 30.0 per cent This tax rate is presently subject to a 10.0 per cent surcharge and an education cess of 3.0 per cent resulting in an effective tax rate of 33.99 per cent The Group cannot assure that the tax rate or the surcharge will not be increased further in the future. Presently, the Group benefits from the tax holidays given by the Indian Government for the establishment of manufacturing facilities in backward areas (as notified by the Indian Government). As a result of these incentives, which include a five-year full income tax holiday and five-year partial income tax holiday from Indian corporate income taxes for the operation of certain of the Group's Indian facilities, the Group's operations have been subject to relatively low tax liabilities. The Group's income tax exemptions expire at various points of time.

The Group is also entitled to certain sales tax, excise and customs duty exemptions and concessions, for manufacture and sale of renewable energy products and the export of its products. There can be no assurance that similar or greater reductions in tax benefits would not be introduced in future. When these tax benefits expire or terminate, the Group's tax expense could materially increase, reducing its profitability.

Significant differences exist between Indian GAAP, International Accounting Standards ("IAS")/International Financial Reporting Standards ("IFRS") and U.S. GAAP, which may be material to the financial information prepared and presented in accordance with Indian GAAP contained in this Placement Document.

As stated in the reports of the Company's statutory auditors included in this Placement Document, the Company's financial statements included in this Placement Document are prepared and presented in conformity with Indian GAAP and no attempt has been made to reconcile any of the information given in this Placement Document to any other principles or to base it on any other standards. Indian GAAP differs from accounting principles and auditing standards with which prospective investors may be familiar in other countries, such as IAS/IFRS and U.S. GAAP. Significant differences exist between Indian GAAP, IAS/IFRS and U.S GAAP, which may be material to the financial information prepared and presented in accordance with Indian GAAP contained in this Placement Document. The Company has made no attempt to quantify the effect of any of those differences. In making an investment decision, potential investors must rely upon their own examination of the Group and the financial information contained in this Placement Document. See "Summary of Significant Differences between Indian GAAP and IAS/IFRS".

Investors in the Equity Shares may not be able to enforce a judgement of a foreign court against the Company.

The Company is a limited liability company incorporated under the laws of India. All of the Company's directors and executive officers named herein are residents of India and a substantial portion of the assets of the Company and such persons are located in India. As a result, it may not be possible for investors to effect service of process upon the Company or such persons outside India or to enforce judgements obtained against such parties outside India. India has reciprocal recognition and enforcement of judgements in civil and commercial matters with a limited number of jurisdictions. In order to be enforceable, a judgement from certain specified courts located in a jurisdiction of reciprocity must meet certain requirements of the Code of Civil Procedure, 1908 ("Civil Code").

Judgements or decrees from jurisdictions which do not have reciprocal recognition with India cannot be executed in India as if the judgement had been rendered by an appropriate court in India. The United States and India do not currently have a treaty providing for reciprocal recognition and enforcement of judgements (other than arbitration awards) in civil and commercial matters. Therefore, a final judgement for the payment of money rendered by any federal or state court in the Unites States for civil liability, whether or not predicated solely upon the general securities laws of the United States, would not be enforceable in India except by a suit filed upon judgment.

However, the party in whose favour such final judgement in rendered may bring a new suit in a competent court in India based on a final judgement that has been obtained in the United States within three years of obtaining such final judgment. It is unlikely that an Indian court would award damages on the same basis as a foreign court if an action is brought in India. Moreover, it is unlikely that an Indian court would enforce foreign judgements if it viewed the amount of damages as excessive or inconsistent with Indian practice. In addition, any person seeking to enforce a foreign judgement in India is required to obtain the prior approval of the RBI to repatriate any amount recovered pursuant to such enforcement. Any judgement in a foreign currency would be converted into Indian Rupees on the date of the judgement and not on the date of payment. For more details see "Enforcement of Civil Liabilities".

RISKS RELATING TO THE SHARES

After this Issue, the Equity Shares may experience price and volume fluctuations.

The prices of the Equity Shares on the Indian stock exchanges may fluctuate after this Issue as a result of several factors, including volatility in the Indian and global securities market; the Group's operations and performance; performance of the Group's competitors, the wind energy industry and the perception in the market about investments in the wind energy sector; changes in the estimates of the Group's performance or recommendations by financial analysts; significant developments in India's economic liberalisation and deregulation policies; and significant developments in India's fiscal regulations. There can be no assurance that the prices at which the Equity Shares are initially traded will correspond to the prices at which the Equity Shares will trade in the market subsequent to this Issue.

Any further Issue of the Equity Shares by the Company or significant sales of the Equity Shares by the Company's major shareholders may dilute investor's shareholding and affect the trading price of the Equity Shares.

Any future equity offerings by the Company may lead to the dilution of investor shareholding in the Company or affect the market price of the Equity Shares and could affect the Company's ability to raise capital through an offering of its securities. Additionally, sales of a large number of the Equity Shares by the Company's principal shareholders could adversely affect the market price of the Equity Shares. In addition, any perception by investors that such issuances might occur could also affect the market price of the Equity Shares.

Investors may be subject to Indian taxes arising out of capital gains.

Under current Indian tax laws and regulations, capital gains arising from the sale of shares in an Indian company are generally taxable in India. Any gain realised on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if Securities Transaction Tax ("STT") has been paid on the transaction. STT will be levied on and collected by a domestic stock exchange on which the equity shares are sold. Any gain realised on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognised stock exchange and on which no STT has been paid, will be subject to long term capital gains tax in India. Further, any gain realised on the sale of listed equity shares held for a period of 12 months or less will be subject to short term capital gains tax in India. Capital gains arising from the sale of the Equity Shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of Equity Shares. For further information, please see "Taxation".

There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell, the Equity Shares at a particular point in time.

The Company is subject to a daily circuit breaker imposed by all stock exchanges in India, which does not allow transactions beyond certain volatility in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on the Company's circuit breaker is set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares.

The stock exchanges do not inform the Company of the percentage limit of the circuit breaker from time to time and may change it without its knowledge. This circuit breaker effectively limits the upward and downward movements in the price of the Equity Shares. Because of this circuit breaker, there can be no assurance regarding the ability of investors to sell the Equity Shares or the price at which shareholders may be able to sell the Equity Shares.

There is no assurance that the Equity Shares will be listed on the BSE and the NSE in a timely manner or at all.

In accordance with Indian law and practice, permission for listing of the Equity Shares will not be granted until after the Equity Shares have been issued and allotted. Approval will require all other relevant documents authorising the issuing of the Equity Shares to be submitted. There could be a failure or a delay in listing the Equity Shares on the BSE and the NSE. Any failure or delay in obtaining the approval would restrict the investor's ability to dispose of their Equity Shares.

An investor will not be able to sell any of the Equity Shares purchased in this Issue other than across a recognised Indian stock exchange for a period of 12 months from the date of the issue of the Equity Shares.

Pursuant to the SEBI Guidelines, for a period of 12 months from the date of the issue of the Equity Shares in the Issue, QIBs purchasing Equity Shares in the Issue may only sell their Equity Shares across the NSE or the BSE and may not enter into any off-market trading in respect of these Equity Shares. The Company cannot be certain that these restrictions will not have an impact on the price of the Equity Shares.

A third party could be prevented from acquiring control of the Group because of the anti-takeover provisions under Indian law.

There are provisions in Indian law that may discourage a third party from attempting to take control of the Group, even if a change in control would result in the purchase of the Equity Shares at a premium to the market price or would otherwise be beneficial to the shareholders. Indian takeover regulations contain certain provisions that may delay, deter or prevent a future takeover or change in control. Any person acquiring either "control" or an interest (either on its own or together with parties acting in concert with it) in 15 per cent or more of the Company's voting Equity Shares must make an open offer to acquire at least another 20 per cent of the Company's outstanding voting Equity Shares. A takeover offer to acquire at least another 20 per cent of the Company's voting Equity Shares also must be made if a person (either on its own or together with parties acting in concert with it) holding between 15 per cent and 55 per cent of the Company's voting Equity Shares in any fiscal year acquires more than 5 per cent of the Company's voting Equity Shares. These provisions may discourage or prevent certain types of transactions involving an actual or threatened change in control. For more information, see "Indian Securities Market".

MARKET PRICE INFORMATION

The Company's Equity Shares are listed on the BSE and the NSE. The Company's Equity Shares were first listed on the BSE and the NSE on October 19, 2005. Its stock market data given below is for periods subsequent to such date. As the Company's Equity Shares are actively traded on the NSE and the BSE, its stock market data has been given separately for each of these Stock Exchanges. As of November 30, 2007, the Company had 288,000,480 Equity Shares outstanding.

A. The following tables set forth the reported high and low closing prices of the Company's Equity Shares on the NSE and the BSE and the number of Equity Shares traded on the days such high and low prices were recorded, for the fiscal years 2006 and 2007.

NSE

Year ending March 31	High (Rs.)	Date of High	Volume on date of high (No. of Equity Shares)*	Low (Rs.)	Date of Low	Volume on date of low (No. of Equity Shares)	Average price for the year (Rs.)*
2006	1,356.10	March 27, 2006	648,172	646.90	October 20, 2005	7,815,706	959.11
2007	1,493.55	November 23, 2006	774,854	803.75	June 13, 2006	537,086	1,180.74

** Average of the daily closing prices*

(Source: www.nseindia.com)

BSE

Year ending March 31	High (Rs.)	Date of High	Volume on date of high (No. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (No. of Equity Shares)	Average price for the year (Rs.)*
2006	1,354.55	March 23, 2006	457,586	647.40	October 20, 2005	4,164,519	958.53
2007	1,496.15	November 23, 2006	277,179	803.95	June 13, 2006	426,346	1,180.30

**Average of the daily closing prices*

(Source: www.bseindia.com)

The following tables set forth the reported high and low closing prices of the Company's Equity Shares on the NSE and the BSE, the number of Equity Shares traded on the days such high and low prices were recorded and the volume of securities traded in each month during the last six months

NSE

Month, Year	High (Rs.)	Date of High	Volume on date of high (No. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (No. of Equity Shares)	Average price for the month (Rs.)*	Total volume of Equity Shares traded in the month
June 2007	1,530.90	June 27, 2007	2,049,521	1,288.50	June 1, 2007	2,732,622	1,372.15	18,183,532
July 2007	1,531.60	July 23, 2007	580,501	1,251.00	July 30, 2007	793,438	1,441.59	14,362,646
August 2007	1,302.05	August 13, 2007	257,861	1,174.75	August 17, 2007	712,731	1,249.95	16,215,211

Month, Year	High (Rs.)	Date of High	Volume on date of high (No. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (No. of Equity Shares)	Average price for the month (Rs.)*	Total volume of Equity Shares traded in the month
September 2007	1,503.75	September 20, 2007	563,718	1,255.15	September 4, 2007	232,097	1,379.19	12,962,326
October 2007	1,997.65	October 29, 2007	1,421,588	1,473.65	October 1, 2007	1,150,918	1,749.57	21,152,169
November 2007	2,095.15	November 19, 2007	741,490	1,819.35	November 29, 2007	1,484,740	1,936.95	16,550,714

** Average of the daily closing prices*

(Source: www.nseindia.com)

BSE

Month, Year	High (Rs.)	Date of High	Volume on date of high (No. of Equity Shares)	Low (Rs.)	Date of Low	Volume on date of low (No. of Equity Shares)	Average price for the month (Rs.)*	Total volume of Equity Shares traded in the month
June 2007	1,532.70	June 27, 2007	832,875	1,285.40	June 1, 2007	269,999	1,370.57	6,202,000
July 2007	1,532.85	July 23, 2007	147,067	1,251.10	July 30, 2007	208,364	1,440.25	4,135,133
August 2007	1,302.05	August 13, 2007	119,086	1,175.65	August 17, 2007	546,474	1,250.34	4,969,838
September 2007	1,500.95	September 20, 2007	157,090	1,255.40	September 4, 2007	80,004	1,378.41	3,182,594
October 2007	1,997.90	October 29, 2007	201,021	1,474.25	October 1, 2007	60,644	1,748.75	6,627,958
November 2007	2,094.25	November 19, 2007	128,538	1,826.55	November 29, 2007	200,920	1,937.05	2,946,978

** Average of the daily closing prices*

(Source: www.bseindia.com)

B. The following tables set forth the details of the volume of business transacted during the last six months on the NSE and the BSE.

(No. of Equity Shares)

Period	NSE	BSE
June 2007	18,183,532	6,202,000
July 2007	14,362,646	4,135,133
August 2007	16,215,211	4,969,838
September 2007	12,962,326	3,182,594
October 2007	21,152,169	6,627,958
November 2007	16,550,714	2,946,978

(Source: www.nseindia.com; www.bseindia.com)

(Rs. in million)

Period	NSE	BSE
June 2007	25,214.33	8,662.10
July 2007	20,259.73	5,817.45
August 2007	20,144.60	6,173.30
September 2007	17,950.80	4,417.11
October 2007	36,793.51	11,559.87
November 2007	32,201.18	5,791.20

C. The following table sets forth the market price of the Company's Equity Shares on the NSE and the BSE on the first working day following the Board meeting approving the Issue.

Date	NSE				BSE			
	Open	High	Low	Close	Open	High	Low	Close
October 24, 2007	1,799.00	1,954.70	1,742.00	1,906.20	1,776.45	1,959.00	1,742.05	1,908.75

(Source: www.nseindia.com; www.bseindia.com)

USE OF PROCEEDS

The total proceeds of the Issue will be Rs. 21,826.96 million. After deducting issue expenses of approximately Rs. 270 million, the net proceeds from the issue will be approximately Rs. 21,556.96 million.

Purpose of the Issue

Subject to compliance with applicable laws and regulations, the Company intends to use the net proceeds of the Issue either directly or through investments made in its Subsidiaries or a combination of both towards capital expenditure and working capital requirements, repayment of outstanding loans including the Acquisition Facility, potential acquisition of shares of REpower from Martifer and Martifer Energy Systems and for general corporate purposes.

In accordance with policies set up by the Board of Directors of the Company and as permissible under applicable laws and government policies, the management of the Company will have flexibility in deploying the proceeds received from the Issue. Pending utilisation for the purposes described above, the Company intends to use the proceeds to temporarily invest in creditworthy instruments, including money market mutual funds and deposits with banks and corporates and to temporarily reduce its working capital borrowings. Such investments would be in accordance with the investment policies approved by the Board of Directors from time to time.

CAPITALISATION

The following table shows, as at September 30, 2007:

- the Company's actual consolidated capitalisation; and
- the Company's consolidated capitalisation as adjusted for the Issue.

This table should be read in conjunction with the Company's consolidated financial statements as of and for the half-year ended September 30, 2007 and the related notes, the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other financial statements and information contained elsewhere in this Placement Document.

(in million)

	As at September 30, 2007		As adjusted for the Issue	
	Actual			
	(Rs.)	(USD)[1]	(Rs.)	(USD)[1]
Shareholders' Funds[2]				
Share capital	2,879.75	72.45	2,993.61	75.31
Share application money pending allotment	9.16	0.23	9.16	0.23
Employee stock options	83.83	2.11	83.83	2.11
Management option certificates issued by subsidiary company[4]	756.38	19.03	756.38	19.03
Reserves and Surplus	35,971.35	904.91	57,684.45	1,451.18
Total Shareholders' Funds[5]	**39,700.47**	**998.73**	**61,527.43**	**1,547.86**
Loan Funds[3]				
Secured loans	86,433.74	2,174.43	86,433.71	2,174.43
Unsecured loans				
Zero coupon convertible bonds	11,954.25	300.74	11,954.25	300.74
Other than zero coupon convertible bonds	5,141.78	129.35	5,141.78	129.35
Total unsecured loans	17,096.03	430.09	17,096.03	430.09
Total Debt	**103,529.77**	**2,604.52**	**103,529.77**	**2,604.52**
Total Capitalisation	**143,230.24**	**3,603.25**	**165,057.20**	**4,152.38**

Notes:

1. Calculated using an exchange rate of Rs.39.75 to U.S.$1.00
2. On October 15, 2007 and November 5, 2007, 24,100 Equity Shares and 900 Equity Shares, respectively, were allotted to employees of the Company and its subsidiaries pursuant to the Employee Stock Option Plan 2005 at a price of Rs.255 per Equity Share. Pursuant to such allotments, share capital increased from Rs.2,879.75 million to Rs.2,880.00 million and reserves and surplus increased from Rs.35,971.35 million to Rs.35,983.85 million.
3. On October 10, 2007, the Company issued zero coupon convertible bonds due 2012 with an aggregate principal amount of US$200 Million (Rs.7,862.00 million) the proceeds of which were used to pre-pay amounts due under the Acquisition Facility.
4. As part of the preparation for listing of Hansen and in accordance with a pre-existing agreement, certain managers of Hansen acquired 8,529 ordinary shares of Hansen on November 16, 2007. The shares were transferred by AERH to the relevant managers and AERH has purchased the related management option certificates. As result of this transaction, the value of management option certificates issued by a subsidiary company was reduced to Rs. Nil from Rs.756.38 million.
5. Hansen listed its equity shares on the London Stock Exchange on December 11, 2007. Aggregate net proceeds of approximately € 400 million have been raised by Hansen by the issue of such new shares.
6. Other than as stated above and approximately US$100 million additional term loan and working capital facilities used for capital expenditure, working capital requirements and other corporate use, there has been no material change in the capitalisation of the Company since September 30, 2007.

DIVIDEND POLICY

Under the Companies Act, an Indian company pays dividends upon a recommendation by its board of directors and approval by a majority of the shareholders, who have the right to decrease but not to increase the amount of the dividend recommended by the board of directors. Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits or reserves of previous fiscal years or out of both.

The Company does not have a formal dividend policy. The declaration and payment of dividend will be recommended by the Company's Board of Directors and approved by its shareholders, at their discretion and will depend on a number of factors, including but not limited to its profits, capital requirements and overall financial condition.

The table below sets forth the details of the dividends declared by the Company on its Equity Shares during the last five fiscal years:

Fiscal year	Interim dividend per Share Rs.	Final dividend per Share Rs.	Total dividend per Share Rs.	Interim dividend Rs. in millions	Final dividend Rs. in millions	Total dividend Rs. in millions
2003	5.00	Nil	5.00	60.86	Nil	60.86
2004	3.00	7.00	10.00	73.04	170.44	243.48
2005	4.00	2.00	6.00	231.84	115.92	347.76
2006	2.50	2.50	5.00	718.8	718.8	1,437.6
2007	5.00	Nil	5.00	1,438.82	Nil	1,438.82

The amounts paid as dividends in the past are not necessarily indicative of the dividend policy of the Company or dividend amounts, if any, in the future.

Dividends are payable within 30 days of approval by the Company's shareholders at its annual general meeting. The Articles of Association also give the Board the discretion to declare and pay interim dividends without shareholder approval at an annual general meeting. When dividends are declared, all the shareholders whose names appear in the share register as on the "record date" or "book closure date" are entitled to be paid dividend declared by the Company. Any shareholder who ceases to be a shareholder prior to the record date, or who becomes a shareholder after the record date, will not be entitled to the dividend declared by the Company.

Under the current Indian tax laws, dividends are not subject to income tax in India in the hands of the recipient. However, the Company is liable to pay "dividend distribution tax" currently at the rate of 15 per cent (plus surcharge at 10 per cent and education cess on dividend distribution tax and surcharge at the rate of 3 per cent) on the total amount distributed as dividend. The effective rate of dividend distribution tax is approximately 17 per cent. See the section titled "Taxation".

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with the Group's audited consolidated financial statements as at and for the years ended March 31, 2005, 2006 and 2007 and unaudited consolidated financial statements for the six months ended September 30, 2006 and 2007 and in each case, the notes thereto, which are prepared in accordance with Indian GAAP and included elsewhere in this Placement Document. For purposes of this discussion, references to "fiscal year" are to the year ended and as at March 31. For a discussion of certain significant differences between Indian GAAP and IFRS, see "Summary of Significant Differences between Indian GAAP and IAS/IFRS."

Overview

The Group is Asia's leading manufacturer of WTGs and was ranked fifth in the world in terms of annual installations with market share of 7.7 per cent for the year ended December 31, 2006 (Source: BTM 2007 Report). The Group is the leading provider of integrated WTG solutions in India and has expanded its operations in the international markets with a presence in the United States, Europe, China, Australia, Brazil, South Africa and South Korea. The Group's accumulated WTG sales from the Company's inception were 2,091 MW, 3,547 MW and 4,547.60 MW as at March 31, 2006, March 31, 2007 and the half-year ended September 30, 2007, respectively. India, with 954.60 MW and the international markets, with 501.65 MW, accounted for 65.55 per cent and 34.45 per cent of the Group's WTG sales (by volume) in the year ended March 31, 2007. India, with 364.10 MW and the international markets, with 636.50 MW, accounted for 36.39 per cent and 63.61 per cent of the Group's WTG sales (by volume) for the half-year ended September 30, 2007.

In May 2006, the Group acquired Hansen, the second largest gearbox and drive train manufacturer for WTGs worldwide. Through the acquisition of Hansen, the Group entered into a new line of business, namely the manufacture and sale of gearboxes used in the wind industry and for other industrial uses. For the period from May 2006 to March 2007, Hansen and its subsidiaries (as per Indian GAAP) generated a turnover of Rs. 18,560.74 million and profit before tax of Rs. 1910.02 million before elimination. See "Business - Hansen Transmissions" for a more detailed description of the business of Hansen. For the half-year ended September 2007 Hansen and its subsidiaries generated a turnover of Rs. 9,704.48 million and profit before tax of Rs. 395.06 before elimination.

In May 2007 the Group announced that it had been successful in its bid for REpower. In aggregate, the Group now controls or influences, either directly or through voting pool agreements, approximately 86.5 per cent of the votes in REpower. REpower is currently one of the leading WTG producers in the German wind energy sector. See "Business - REpower Systems AG" for further details on the REpower acquisition and the business of REpower.

The Group develops and manufactures technologically advanced WTGs with an emphasis on high performance and cost-efficiency. The Group's current product range includes 0.35 MW, 0.60 MW, 1.25 MW, 1.50 MW and 2.10 MW WTGs and it is among the first Asia-based companies to manufacture WTGs with MW and multi-MW capabilities. The Group considers itself to be an integrated developer of WTGs, focused on: the design, engineering and development of WTGs and components, the development and in-house manufacture of rotor blades for its MW and multi-MW WTGs, tubular towers, control panels, nacelle covers and generators. The Group also has established supply sources for the components that it does not manufacture in-house for its WTGs, such as rotor blades for its 0.35 MW WTGs, gearboxes, casting parts and a portion of its nacelle cover, tower and generator requirements. Raw materials for WTG rotor blades, such as glass fibre, epoxy resin and foam are also sourced from leading suppliers. The Group is in the process of integrating the operations of Hansen and has recently begun sourcing a limited part of its gearbox requirements from them. The Group is also in the process of setting up facilities to manufacture forging and foundry components that are required for the manufacture of WTGs and their components. These facilities are expected to become operational during the second quarter of fiscal year 2009.

The Group conducts research and development activities primarily through its subsidiaries, SEG, Suzlon Windkraft GmbH and AERT. These subsidiaries focus on designing and developing new WTG models, upgrading the Group's current models and developing efficient and effective rotor blade technology for its WTGs. Further, the Group also conducts R&D in gearboxes through Hansen. The Group usually gets its design, manufacture, operations and maintenance services certified as ISO 9001:2000 by Det Norske Veritas. The Group's WTG models are generally validated with type certification by either Germanischer Lloyd or CWET, an autonomous body attached to the MNRE.

With respect to the Indian market, the Group together with its Associate Companies (excluding Repower) has positioned itself as an integrated solution provider of services related to wind energy. Besides manufacturing WTGs, the Group is involved in wind resource mapping, identification of suitable sites and technical planning of wind power projects. The Group also provides after-sale O&M services through SISL for WTGs it supplies in India. The Group's Associate Companies, including SRL, acquire sites that have been identified by the Group as suitable for wind energy projects, which are then sold or leased to its customers.

With respect to the international markets, the Group operates as a manufacturer and supplier of WTGs and is involved in O&M and wind farm project activities. Through its subsidiary, Hansen, the Group is also involved in the manufacture of WTG gearboxes and industrial gearboxes. It also assists its customers in the supervision of project execution and provides training to the employees of its customers so that they can carry out the O&M of projects developed by them. In select markets and with respect to certain projects, the Group also undertakes infrastructure development, installation and commissioning of WTGs and connection to power grids. In some cases, the Group also provides O&M services to its customers for agreed periods of time.

The Group's consolidated total income was Rs.19,659.20 million, Rs.39,154.94 million and Rs.80,822.30 million for the years ended March 31, 2005, 2006 and 2007 respectively and Rs.56,820.19 million for the half-year ended September 30, 2007 (compared with Rs.31,806.67 million for the half-year ended September 30, 2006). Consolidated profit after tax was Rs.3,651.24 million, Rs.7,605.19 million, Rs.8,648.04 million for the years ended March 31, 2005, 2006 and 2007 and Rs.4,177.97 million for the half-year ended September 30, 2007 (compared with Rs.3,331.00 million for the half-year ended September 30, 2006).

The following table shows the breakdown of the Group's total consolidated income:

	For the year ended March 31,						For the half-year ended September 30,			
	2005	Per cent of Total Income	2006	Per cent of Total Income	2007	Per cent of Total Income	2006	Per cent of Total Income	2007	Per cent of Total Income
	(amounts are in Rs.millions)									
Sales:										
WTG and its Components	19,438.57	98.88	37,917.40	96.84	59,985.62	74.22	23,604.17	74.21	45,713.48	80.45
Gearboxes	-	-	-	-	18,560.74	22.96	7,520.00	23.64	9,704.49	17.08
Others	259.61	1.32	499.27	1.28	1,321.32	1.63	440.60	1.39	688.78	1.21
Intersegment Sales	(273.36)	(1.39)	(6.37)	(0.02)	(10.38)	(0.01)	(5.70)	(0.02)	(247.51)	(0.44)
Total Sales	19,424.82	98.81	38,410.30	98.10	79,857.30	98.81	31,559.07	99.22	55859.24	98.31
Other Income (1)	234.39	1.19	744.64	1.9	965	1.19	247.60	0.78	960.95	1.69
Total Income	**19,659.21**	**100.00**	**39,154.94**	**100.00**	**80,822.30**	**100.00**	**31,806.67**	**100.00**	**56,820.19**	**100.00**

Note: (1) Other income consists primarily of interest received, dividend income and other miscellaneous income

The following table represents the percentage breakdown of the Group's total sales geographically:

	For the year ended March 31,			For the half-year ended September 30,	
	2005	2006	2007	2006	2007
India	99.67	91.91	52.21	49.38	36.82
Europe	-	-	20.49	20.72	17.15
United States	0.33	8.09	20.68	25.72	28.08
China	-	-	3.94	0.26	4.31
Others	-	-	2.68	3.92	13.64
Total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Recent Developments

On October 10, 2007, the Company issued US$200 million (Rs.7,862 million) zero coupon convertible bonds due 2012, convertible into ordinary shares. The initial conversion price of the bonds is Rs.1,859.40 per share, subject to adjustment in certain circumstances.

The Company's Board of Directors, in its meeting held on October 23, 2007, proposed, subject to shareholder approval, to sub-divide the Company's equity shares with a face value of Rs.10 each into equity shares with a face value of Rs.2 each. At the board meeting held on October 23, 2007, the Directors resolved for the Company to undertake fundraising activities up to Rs.50,000 million in one or another manner and in one or more tranches. The shareholders of the Company approved the relevant resolutions at a shareholders' meeting held on December 6, 2007.

Hansen listed its ordinary shares on the London Stock Exchange on December 11, 2007. The aggregate net proceeds from the offer were approximately € 400 million.

Non-Comparability of Financial Statements for Certain Periods

On May 9, 2006, Suzlon Energy Limited, through its subsidiary, AE-Rotor Holding B.V., purchased all of the share capital of Eve Holding N.V. for a consideration of Rs.25,026 million. As a result of this purchase, the Company acquired 100 per cent of Hansen, which designs, develops, manufactures and supplies industrial and wind gear boxes. Hansen is the second largest wind energy gearbox manufacturer in the world. The Group's consolidated financial statements for the six months ended September 30, 2006 and the year ended March 31, 2007 include Hansen's results from May 9, 2006. As a result of the foregoing, the Group's consolidated financial statements for the six months ended September 30, 2007 and the year ended March 31, 2007 are not directly comparable with the corresponding information for the six months ended September 30, 2006 and the year ended March 31, 2006.

On June 6, 2007, Suzlon Energy Limited, through its subsidiaries, purchased a 33.85 per cent interest in REpower for a consideration of approximately € 453 million. It also separately entered into voting pooling agreements and put/call options with Areva and Martifer, which together held approximately 53.25 per cent of REpower at the date the voting pool agreements were entered into. REpower's financial year ends on December 31 of each year and its financial results for the three months ended September 30, 2007 had not yet been adopted by REpower's Board nor made available to REpower's shareholders on the date that the Group's interim financial statements for the six months ended September 30, 2007 were announced. Consequently, the Group's consolidated financial statements for the six months ended September 30, 2007 do not equity account the share in REpower's profit for the three months ended September 30, 2007. However, REpower's results for the period from June 6, 2007 to June 30, 2007 have been included on an equity accounting basis in the Group's consolidated financial statements for the six months ended September 30, 2007.

Due to the dilution of their holdings through REpower's issuance of shares to its employees under a share option plan, the Company, through its subsidiaries, currently holds 33.60 per cent of REpower and Areva and Martifer currently hold 52.90 per cent. Subject to voting pool agreements with and other rights of Areva and Martifer and certain other minority protection rights, the Company now controls or influences 86.50 per cent of the votes in REpower. Notwithstanding the Group currently having voting control or influence over 86.50 per cent of REpower's issued and outstanding equity, due to the nature of the puts and calls pursuant to the REpower Takeover Agreement and the Cooperation Agreement as well as matters of German law, the Company currently equity accounts its 33.6 per cent equity interest in REpower.

As a result of the foregoing, the Group's consolidated financial statements for the six months ended September 30, 2007 are not directly comparable with the corresponding information for the six months ended September 30, 2006. While REpower's financial year end date has been altered to March 31 of each year in order to facilitate comparability between REpower's and the Group's financial statements from March 31, 2008, the Company will continue to equity account REpower's quarterly results with a lag of one quarter after it reports its interim results. This delay is a consequence of REpower's internal financial reporting procedures.

From April 1, 2007, the Company commenced engineering, procurement and construction activities for its WTG business in India and internationally through subsidiary companies. In India, these activities previously had been conducted by Suzlon Infrastructure Limited (formerly known as Aspen Infrastructures Limited), an associate company in which the Group does not hold any equity interest and which is not equity accounted by the Company. The Group's consolidated financial statements for the six months ended September 30, 2007 therefore include the results of WTG engineering, procurement and construction operations for the relevant subsidiaries for the first time.

Changes in Accounting Policies and Estimates

Pursuant to revised Indian accounting standards for employee benefits, in the fiscal year 2007 the Company changed its accounting policy for long-term retention bonuses paid to employees. It now accounts for these amounts as liabilities on the basis of actuarial valuation using the projected unit credit method instead of accounting for these amounts as costs as and when they are incurred. The transitional net liability arising from this change is Rs.29.19 million, net of tax of Rs. 3.10 million which has been charged to general reserves.

In fiscal year 2006, the Company changed the basis of valuation of inventories from a First-in-First-Out to a Weighted Average basis. As a result of this change, the value of inventories rose by Rs.26.7 million in fiscal year 2006, compared to the previous year.

In fiscal year 2005, the Company changed its basis for providing for power generation guarantees from a fixed amount per WTG per year to an amount taking into consideration various technical factors such as wind velocity, grid availability, plant load, load shedding and historical data. Due to this change in the basis of making estimates, power generation guarantee expenses increased by Rs.147.4 million in fiscal year 2005. During the fiscal year, the Company also reassessed the estimated useful lives of certain fixed assets such as moulds and patterns as well as the obsolescence rate of certain fixed assets due to rapid changes in technology. This reassessment was factored into changes in the depreciation rates through a process of re-estimating the economic useful life of these assets. Due to this change, depreciation charges were higher by Rs.114.1 million in fiscal year 2005.

Major Factors Affecting the Company's Results of Operations

Several factors influence the Company's results of operations, financial condition and cash flow significantly, including:

General economic and business conditions in India: India has historically been the Company's principal market and although sales outside India presently contribute an increasing proportion of the Group's revenues, it continues to derive a substantial portion of its revenues from the Indian market. It therefore is affected by general economic conditions in the country, particularly economic conditions affecting the Indian power sector. India's GDP growth, industrial growth and power demand have been and will continue to be important factors in determining the Company's operating results and future growth.

Demand for power, specifically from wind energy sources: Changes in prices of oil, coal, natural gas and other conventional energy sources influence the demand for renewable energy sources such as wind power. The demand for power in general and from wind energy in particular has been and will continue to affect the Company's operating results and future growth.

Government policies including taxes and duties affecting wind energy sector: Historically, the wind energy industry has received fiscal benefits extended for investments in wind energy by state governments in India, the Indian central government and several international governments. The renewable energy sector in general is currently the focus of considerable government attention worldwide. Changes in government policies (such as the US Production Tax Credit, which is scheduled to expire in 2008) have affected and will continue to affect, the Company's growth and the investment plans of its customers. See “Risk Factors - Risks Relating to the wind industry - The decrease in or elimination of government initiatives and incentires relating to renewable energy sources, and in particular wind energy may have a material adverse effect on the demand for wind power.”

Seasonality in the Company's operations: WTG installations in India are affected by seasonal variations. The number of WTG installations is typically higher during the second and fourth quarter of each fiscal year in order for customers to take advantage of relevant tax incentives and high wind seasons. The majority of the Company's sales and direct expenses occur during these two quarters. However, the Company believes that this will lessen as it expands its international operations to regions with different high wind seasons and fiscal incentives.

Price and availability of raw materials and components: Raw materials and components used in manufacturing WTGs are sourced from domestic as well as international suppliers and their prices depend on a variety of factors. Fluctuations in prices of such raw materials and components and their availability (which is driven by several factors including strong demand in the Indian and Chinese markets and by suppliers' manufacturing capacities and capital expenditure plans, as components are primarily customised for the Company's requirements) will affect its operating results. The Company continues to invest in building in-house manufacturing capabilities with a view to reducing its dependency on outside suppliers for key components.

Fluctuations in exchange rates and interest rates: Since the Company's imported purchases and export sales are invoiced in foreign currencies, the rate of exchange between such currencies and the Rupee will affect its operating results to the extent it is not passed on to customers by corresponding escalations in the Company's product prices. Similarly, changes in interest rates, both international and domestic, affect the Company's operating results and the viability of wind power projects in general, as interest rates affect the ability of potential customers to obtain financing for wind power projects.

Ability to source and manage working capital requirements: The Company's business operations are working capital intensive. The element of seasonality results in fluctuations in inventory of WTG components, with inventory levels higher during certain quarters of the fiscal year. Historically, the Company has been able to source the required working capital from banks and internal cash accruals. Its operating results and future growth will depend on its ability to optimise the working capital cycle time and to continue source adequate working capital commensurate with the size of its business.

For more information on these and other factors which have affected or may affect the Company, see "Risk Factors" on page 25 of this Placement Document and "Business" on page 80 of this Placement Document.

Critical Accounting Policies

Critical accounting policies are those that require application of management's most difficult, subjective or complex judgements often as a need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimate may differ significantly from management's current judgments. For details of the Group's accounting policies see note 3 of its financial statements on pages 191, 223, 257 and 291 of this Placement Document.

Described below are the critical accounting policies that the Group's management believes are the most significant judgements and estimates used in the preparation of the Group's financial statements.

Revenue recognition

The Group recognises revenues at the time of transfer of significant risks and rewards of ownership to customers, which is dependent on the terms of the purchase order of the relevant customer. Generally, the transfer of significant risks and rewards of ownership coincides with the delivery of all key components of the WTG. In the case of those sales contracts which satisfy the definition of construction contract as per the relevant Indian accounting standard, sales revenue is recognised in accordance with the percentage of completion method. The milestone to recognise revenue under the percentage of completion method is the ownership of all key WTG components by the Suzlon marketing entity. This is independent of the terms of the marketing entity's contracts with the ultimate customer. The Company's management believes its accounting policies in respect of sale of goods are critical because delay in delivery of any components could result in delayed recognition of revenue, resulting in such WTG components being recognised as inventory.

Fixed assets and intangible assets

Fixed assets are shown in the Company's financial statements at cost, less any accumulated depreciation and impairment losses. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use. The Company's manufactured assets are capitalised inclusive of all direct costs and attributable overheads. Intangible assets are recorded at the consideration paid for their acquisition. Development costs incurred on an individual project are carried forward when their future recoverability can reasonably be regarded as assured. The cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making ready the asset for its intended use.

The excess of the cost to the Company of its investment in subsidiaries over the Company's portion of equity on the acquisition date is recognised in the Company's financial statements as goodwill and is tested for impairment. Following the acquisition of Hansen, the consolidated interim financial statements of the Company as at September 30, 2007 showed goodwill of Rs.17,643.24 million. There was no impairment of goodwill as at September 30, 2007. The Company's management believes its accounting policies with respect to fixed and intangible assets (particularly goodwill) are critical because of the potential impact on its financial condition and results of operations.

Depreciation and amortisation

Depreciation and amortisation is provided for on the basis of management's estimate of useful lives of the fixed assets, or where applicable, at rates specified by statute, whichever is higher. The Company's management believes that the estimates and assumptions made in connection with its accounting policy with respect to depreciation and amortisation are critical because changes in these estimates or assumptions could increase or decrease expenses and therefore have a material impact on the Company's financial condition and results of operations.

Inventories

The Company's inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost. The cost of work-in-progress, semi-finished goods and finished goods includes the cost of material, labour and manufacturing overheads. Determining the cost and realisable value of inventories requires management to make certain estimates, including regarding provisions for slow / non moving / obsolete components, which may not reflect the actual costs and expense or the value that is obtained upon sale, as the case may be. The Company's management believes that these are critical accounting estimates because differences in actual realisation on sales of inventory could have a material impact on the Company's financial condition and results of operations.

Investments

The Company's long-term investments are accounted at cost and any decline in the carrying value, other than temporary in nature is provided for. Its current investments are valued at the lower of cost and fair value, determined on an individual basis. Goodwill attributable to the Company's interest in REpower was Rs.19,574.99 million and there was no impairment of goodwill as at September 30, 2007. See also paragraph 6 of the review report of S.R. Batliboi & Co. and SNK & Co. on page 178 regarding the fact that the balance sheet of REpower as at May 31, 2007 is based on management accounts and has not been reviewed or audited by REpower's auditors. The Company equity accounts for its interest in REpower and also has entered into voting pooling arrangements with REpower's two other largest shareholders, representing the majority of REpower's remaining shares. The Company is of the view that the Company is required to continue to account for REpower as an associate until it enters into agreements that give it the right under German law to direct REpower's financial and operating policies or until it acquires unrestricted voting rights from REpower's two other largest shareholders. The accounting treatment of the Company's interest in REpower will have a material impact on the Company's financial condition and results of operations.

Retirement benefits

The Group has various arrangements for retirement benefits which vary for Group companies depending upon the respective statutes governing those companies. The Company's defined contributions to statutory employee funds are charged to the profit and loss account on an accrual basis. Liabilities with regard to gratuity and long-term compensated absences are, where applicable, determined as per actuarial valuation at the relevant balance sheet date. Contributions to the Group's superannuation fund are charged to the profit and loss account on an accrual basis. The Company's management believes that these are critical accounting policies because changes to assumptions and estimates and differences in actual experience could have a material impact on the Company's results of operations.

Provisions and contingent liabilities

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in an amount in respect of which a reliable estimate can be made and which is reviewed at each balance sheet date. Provision for performance guarantees represents the expected outflow of resources against claims for performance shortfalls expected in the future over the life of the guarantee assured. The period of performance guarantees varies for each customer according to the terms of the contract. Key assumptions in arriving at the performance guarantee provision include wind velocity, wind variation, plant load, grid availability, load shedding and historical data. The provision for operation, maintenance and warranties represents expected liability on account of field failure of WTG parts and expected expenditure on servicing the WTGs over the period of free operation, maintenance and warranty, which varies according to the terms of each purchase order. Provision for liquidated damages represents the expected claims which the Company may need to pay for non fulfilment of certain commitments as per the terms of the purchase order. These are determined on a case by case basis considering the circumstances of each individual purchase order and the factors relevant to that sale. The Company's management believes that changes to assumptions and estimates and differences in actual results from those estimated have a material impact on the Company's financial condition and results of operations.

The payment of premium on redemption on the Company's convertible bond issuance is contingent in nature and no provision has been made by the Company in respect of such premium for the six months to September 30, 2007. The amount has been shown as a contingent liability in the notes to the interim financial statements for the six months ended September 30, 2007 included elsewhere in this Placement Document. Payment of premium on redemption on convertible bonds issued after September 30, 2007 is similarly contingent in nature.

Deferred tax assets and liabilities

Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on tax rates and tax laws enacted or substantially enacted at the relevant balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient taxable income will be available against which deferred tax assets can be realised. Deferred tax assets arising from carry forward unabsorbed depreciation or carry forward losses are recognised only to the extent that there is virtual certainty of realisation against future taxable profits. Determining the probability of realisation of deferred tax assets requires the Company's management to make certain assumptions about its future income, which may be material to the Company's financial condition and results of operations.

Deferred tax resulting from timing differences originating during the tax holiday period that are afterwards reversed is recognised in the year in which the timing differences originate, using tax rates and laws enacted or substantively enacted by the relevant balance sheet date.

Results of Operations

The table below sets forth, for the periods indicated, certain revenue and expense items for the Group's consolidated operations, expressed as a percentage of total income:

	Fiscal Year			**Six Months Ended September 30,**	
	2005	**2006**	**2007**	**2006**	**2007**
	Percentage of total income				
Income					
Sales and service income	98.81	98.57	98.81	99.22	98.31
Other income	1.19	1.43	1.19	0.78	1.69
Total income	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
Expenditure					
Costs of goods sold	(57.87)	(59.26)	(59.53)	(59.69)	(62.84)
Operating and other expenses	(13.93)	(13.14)	(14.89)	(13.16)	(14.08)
Employees' remuneration and benefits	(3.14)	(3.12)	(8.03)	(8.98)	(7.92)
Financial charges	(2.33)	(1.66)	(3.42)	(3.06)	(5.02)
Depreciation	(2.51)	(1.84)	(2.13)	(2.44)	(2.06)
Preliminary expenditure written off	(0.01)	-	(0.02)	(0.04)	-
Total Expenditure	**79.79**	**79.02**	**88.02**	**(87.37)**	**(91.92)**
Profit before Tax and Minority Interest	**20.21**	**20.98**	**11.98**	**12.63**	**8.08**
Tax	(1.64)	(1.46)	(1.28)	(2.16)	(0.73)
Minority Interest and share in associate's profit after tax	0.01	(0.03)	(0.01)	(0.08)	(0.07)
Net Profit	**18.58**	**19.49**	**10.69**	**10.39**	**7.28**

Principal Components of Results of Operations

Sales and Service income

Sales and service income consists primarily sales of WTGs, gear boxes and WTG components including rotor blades, nacelles and towers. The Group also derives income from WTG erection, installation and commissioning activities, sale and lease of land power evacuation and operation and maintenance services. Fees for operation and maintenance services are generally calculated as a fixed sum per WTG sold, according to the terms of the relevant purchase order. Electricity generated by WTGs owned by the Group is sold to state electricity boards in India and private parties.

Other income

Other income consists primarily of interest received from bank deposits, interest received from customers for delayed payments and interest on loans to associate companies as well as infrastructure development income, dividend income, net profit from the sale of investments and miscellaneous income.

Cost of goods sold

Cost of goods sold consist primarily of the consumption of raw materials and components utilised in the manufacture of WTGs and related equipment. Cost is measured using the value of the stock of raw materials and components at the beginning of the accounting period along with raw materials and components purchased during the period reduced by the value of the stock of raw materials and components at the close of the accounting period. Cost of goods sold also includes increases or decreases in inventory, which represents the difference between the value of the stock of semi-finished and finished goods and work-in-progress on the first and last days of the relevant fiscal year. Project execution and costs for heavy equipment hiring costs are included in cost of goods sold. In addition, the Group imports a portion of its raw materials and components requirements and these costs are affected by fluctuations in the value of the Rupee.

Operating and other expenses

Operating and other expenses principally consist of provisions for freight and packaging costs, provisions for performance guarantees and provision for operation, maintenance and warranty costs. Other key operating and other expense items include stores and consumables, travelling and communication expenses, other selling and administrative expenses, consultancy charges, design changes and technological upgrades, operation and maintenance and site restoration charges, quality assurance expenses, product development and research, rent, rates and taxes, advertising and promotional costs, infrastructure development cost and net foreign exchange difference loss.

Employees' remuneration and benefits

Employees' remuneration and benefits consists of salaries, wages, allowances and bonuses, contributions to provident and other funds and staff welfare expenses. The Company operates an ESOP for eligible employees and the ability to exercise options is subject to the employee's continuing employment with the Company. For more details of the Company's ESOP, see "Board of Directors and Senior Management - Employee Stock Option Plan" on page 126 of this Placement Document.

Financial charges

Financial charges consist of interest on fixed loans, including term loans and acquisition financing loans and bank charges. Other interest relates primarily to interest expenses on working capital and other short-term loans. Bank charges represent processing fees for loans and other credit facilities as well as for bank guarantees.

Tax

Taxes comprise both current and deferred taxes and fringe benefit tax. Provision for current and fringe benefit taxes is made after considering available deductions and exemptions under the Indian Income Tax Act, including MAT credit entitlements. Provision also is made for earlier year current tax payments. Deferred taxes are provided for in accordance with applicable prudential norms.

Minority interest and share in associate's profit after tax

The share of profit arising to minority shareholders for their interest is deducted from the Company's results and the share of the Company in its associate's (currently only REpower) profit after tax is added in to the Company's results.

Six Months Ended September 30, 2007 and 2006

Income.

The Group's total income increased by 78.6 per cent to Rs.56,820.19 million for the six months ended September 30, 2007 from Rs.31,806.67 million for the six months ended September 30, 2006.

Sales.

Sales increased by 77.0 per cent to Rs.55,859.24 million for the six months ended September 30, 2007 from Rs.31,559.07 million for the six months ended September 30, 2006. The increase was primarily attributable to an increase in the volume of WTG sales at relatively higher prices during the period, although average selling prices were affected by the appreciation of the Rupee. The contribution of Hansen to the Group's sales was Rs.9,466.99 million for the six months ended September 30, 2007 as compared to Rs.7,520.00 million for the corresponding prior period. Hansen was only consolidated from May 9, 2006, so its results of operations were not consolidated for the full six months ended September 30, 2006.

Other income.

Other income increased by 288.1 per cent to Rs.960.95 million for the six months ended September 30, 2007 from Rs.247.60 million for the six months ended September 30, 2006. This increase was primarily due to increased interest income from banks (including from a fixed deposit securing a guarantee in respect of the REpower transaction) and associate companies, which increased to Rs.861.82 million in the six months ended September 30, 2006-2007 from Rs.177.74 million in the corresponding prior period.

Expenditure.

Expenditure increased by 87.9 per cent to Rs.52,225.54 million for the six months ended September 30, 2007 from Rs.27,789.32 million for the six months ended September 30, 2006. This increase was primarily due to increases in the cost of goods sold, employee remuneration and benefit costs, operating and other expenses and financial charges. Expenditure is a percentage of total income amounted to 91.9 per cent in the six months ended September 30, 2007, compared to 87.4 per cent in the corresponding prior period.

Cost of goods sold.

Cost of goods sold increased 88.1 per cent to Rs.35,707.19 million for the six months ended September 30, 2007 from Rs.18,986.00 million for the six months ended September 30, 2006. This increase was primarily due to the increase in sales volume. However, cost of goods sold also increased at a higher rate than sales due to changes in the composition of the markets in which the Group operates (including diversification into the European and Australian markets in addition to the Group's continuing Indian and other international markets), undertaking of WTG erection and installation and commissioning of project activities and changes in product mix. As a percentage of total income, cost of goods sold amounted to 62.8 per cent for the six months ended September 30, 2007, compared to 59.7 per cent for the corresponding prior period.

Operating and other expenses.

Operating and other expenses increased 91.1 per cent to Rs.7,998.76 million for the six months ended September 30, 2007 from Rs.4,186.49 million for the six months ended September 30, 2006. This increase was primarily due to the substantial increase in sales volume during the period. Freight costs increased significantly because of increased exports. The Group also incurred expenses to restore WTGs damaged by protestors at certain sites in India as well as on technological upgrades necessitated in certain WTG components for overseas markets. As a percentage of total income, operating and other expenses amounted to 14.1 per cent for the six months ended September 30, 2007, compared to 13.2 per cent for the corresponding prior period.

Employee remuneration and benefit cost.

Employee remuneration and benefit cost increased by 57.6 per cent to Rs.4,499.22 million for the six months ended September 30, 2007 from Rs.2,855.03 million for the six months ended September 30, 2006. This increase was primarily due to an increase in salaries, wages, allowances and bonuses by 53.3 per cent to Rs.4,255.15 million for the six months ended September 30, 2007 from Rs.2,775.79 million for the six months ended September 30, 2006, as a result of the increased number of employees in India and Europe (particularly due to Hansen) as well other overseas markets. The Group also incurred employee remuneration costs in respect of the Company's China and US manufacturing facilities, which commenced commercial operations in the second half of the fiscal year 2007. As a percentage of total income, employee remuneration and benefit costs amounted to 7.9 per cent for the six months ended September 30, 2007, compared to 9.0 per cent for the corresponding prior period.

Financial charges.

Financial charges increased by 192.6 per cent to Rs.2,851.95 million for the six months ended September 30, 2007 from Rs.974.67 million for the six months ended September 30, 2006. This increase was primarily due to the recognition of interest expenses on tranches drawn down from the Group's € 1.575 billion syndicated loan towards the acquisition of Hansen and REpower. As a percentage of total income, financial charges amounted to 5.0 per cent for the six months ended September 30, 2007, compared to 3.1 per cent for the corresponding prior period.

Depreciation.

Depreciation costs increased by 50.7 per cent to Rs.1,168.42 million for the six months ended September 30, 2007 from Rs.775.5 million for the six months ended September 30, 2006. This increase was primarily due to capacity expansion at the Company's manufacturing facilities and the commencement of commercial operations by its China and US manufacturing facilities in the second half of the fiscal year 2007. As a percentage of total income, depreciation charges amounted to 2.1 per cent for the six months ended September 30, 2007, compared to 2.4 per cent for the corresponding prior period.

Profit before tax.

As a result of the foregoing factors, profit before tax increased 14.4 per cent to Rs.4,594.65 million for the six months ended September 30, 2007 from Rs.4,017.35 million for the six months ended September 30, 2006. Profit before tax of a percentage of total income amounted to 8.1 per cent for the six months ended September 30, 2007, compared to 12.6 per cent for the corresponding period.

Tax.

Tax expenses decreased by 39.3 per cent to Rs.416.68 million for the six months ended September 30, 2007 from Rs.686.35 million for the six months ended September 30, 2006. This decrease was primarily due to the amount of MAT credit of which the Company was able to avail during the period.

Minority interest and share in associate's profit after tax.

Minority interest increased to Rs.47.47 million for the six months ended September 30, 2007, from Rs.24.61 million the six months ended September 30, 2006. The Company's share of profit in REpower, Rs.5.40 million, for the period June 6, 2007 to June 30, 2007 (see " - Non-comparability of Financial Statements for Certain Periods") has been shown in share of associate's profit after tax. The increase in minority interest is due to higher profits attributable to minority shareholders as a result of increases in sales volumes of Suzlon Structures Pvt. Ltd. which manufactures towers and Suzlon Generators Pvt. Ltd. which manufactures generators, a key component of nacelles.

Net profit.

As a result of the foregoing factors, net profit increased by 25.1 per cent to Rs.4,135.90 million for the six months ended September 30, 2007 from Rs.3,306.39 million for the six months ended September 30, 2006.

Fiscal Years 2007 and 2006

Income.

Total income increased by 106.4 per cent to Rs.80,822.30 million in fiscal year 2007 from Rs.39,154.94 million in fiscal year 2006.

Sales.

Sales increased by 107.9 per cent to Rs.79,857.30 million in fiscal year 2007 from Rs.38,410.30 million in fiscal year 2006. This increase was primarily due to an increase in the volume of WTG sales compared to the previous fiscal year and changes in product mix. The increase in sales was also attributable to the consolidation of Hansen into the Group from May 9, 2006, which increased the Group's sales by Rs.18,560.74 million in fiscal year 2007. The Company's sales increased 51.1 per cent to 1,456.25 MW for fiscal year 2007 from 963.70 MW in fiscal year 2006.

Other income.

Other income increased by 29.6 per cent to Rs.965.00 million in fiscal year 2007 from Rs.744.64 million in fiscal year 2006. This increase was primarily due to interest earned on loans granted to associate companies engaged in land acquisition and WTG erection, installation and commissioning services. The integration of Hansen into the Group also increased other income by Rs.150.14. million in fiscal year 2007.

Expenditure.

Expenditure increased by 129.6 per cent to Rs.71,139.66 million in fiscal year 2007 from Rs.30,981.65 million in fiscal year 2006. This increase was primarily due to an increase in the cost of goods sold, employee remuneration and benefit costs, operating and other expenses and financial charges. Expenditure as a percentage of total income amounted to (88.0) per cent in fiscal year 2007 compared to (79.0) per cent in fiscal year 2006.

Cost of goods sold.

Cost of goods sold increased by 106.7 per cent to Rs.48,113.65 million in fiscal year 2007 from Rs.23,278.90 million in fiscal year 2006. This increase was primarily due to increased sales volume, changes in the composition of markets in which the Group operates as the Group continued to diversify its international operations in the United States and China alongside its domestic operations, changes in product mix and higher costs for towers sold in overseas businesses. The integration of Hansen into the Group also increased the cost of goods sold by Rs.9,356.32 million in fiscal year 2007. As a percentage of total income, cost of goods sold amounted to 59.5 per cent in fiscal year 2007, compared to 59.3 per cent in the corresponding prior period.

Operating and other expenses.

Operating and other expenses increased by 134.9 per cent to Rs.12,031.55 million in fiscal year 2007 from Rs.5,121.39 million in fiscal year 2006. This increase was primarily due to an increase in freight and packaging expenses (which amounted to approximately Rs.2,286 million during the year) as a result of higher export volumes, as well as an increase in stores and consumables and other selling and administrative expenses as a result of increased sales volumes. The Company also made provisions of approximately Rs.1,027 million towards performance guarantees on its WTGs, Rs.859.07 million (Rs.1,520.59 million gross amount as reduced by Rs.661.52 million towards utilisation against opening provision, booked by Suzlon Infrastructure Services Limited under various expenditure items, towards provision for operation, maintenance and warranty costs and Rs.363.10 million towards liquidated damages. The integration of Hansen into the Group increased operating and other expenses by Rs.2,381.66 million in fiscal year 2007. As a percentage of total income, operating and other expenses amounted to 14.9 per cent in fiscal year 2007, compared to 13.1 per cent in fiscal year 2006.

Employee remuneration and benefit cost.

Employee remuneration and benefit cost increased by 434.3 per cent to Rs.6,495.90 million in fiscal year 2007 from Rs.1,215.88 million in fiscal year 2006. The integration of Hansen into the Group substantially increased employee remuneration and benefits by Rs.4,054.85 million in fiscal year 2007. Additional increases were driven by the increase in employee numbers in European and other overseas markets and the need for manpower to staff new domestic and overseas manufacturing facilities. As a percentage of total income, employee remuneration and benefits amounted to 8.0 per cent in fiscal year 2007, compared to 3.1 per cent in fiscal year 2006.

Financial charges.

Financial charges increased by 326.6 per cent to Rs.2,763.44 million in fiscal year 2007 from Rs.647.78 million in fiscal year 2006. This increase was primarily due to incurrence of interest on debt incurred for the Hansen acquisition, which amounted to Rs.1,011.74 million in fiscal year 2007. As a percentage of total income, financial charges amounted to 3.4 per cent in fiscal year 2007, compared to 1.7 per cent in fiscal year 2006.

Depreciation.

Depreciation costs increased by 140.0 per cent to Rs.1,717.98 million in fiscal year 2007 from Rs.715.90 million in fiscal year 2006. This increase was primarily due to the acquisition of Hansen during the year and the establishment of manufacturing facilities in the United States and China. As a percentage of total income, depreciation expenses amounted to 2.1 per cent in fiscal year 2007, compared to 1.8 per cent in fiscal year 2006.

Profit before tax.

As a result of the foregoing factors, profit before tax increased 18.5 per cent to Rs.9,682.64 million in fiscal year 2007 from Rs.8,173.29 million in fiscal year 2006. This increase was primarily due to increased income as a result of higher sales of WTGs and the integration of Hansen into the Group during the fiscal year which offset reduced revenues due to a delay in shipment of towers to certain international markets during the year. Profit before tax of a percentage of total income amounted to 12.0 per cent in fiscal year 2007, compared to 21.0 per cent in fiscal year 2006.

Tax.

Tax expenses increased 82.1 per cent to Rs.1,034.60 million in fiscal year 2007 from Rs.568.10 million in fiscal year 2006. This increase was mainly due to an increase in current tax to Rs.1,747.81 million in fiscal year 2007, which in turn was primarily due to increased profits and higher effective tax rates in respect of Hansen.

Minority interest.

Minority interest decreased to Rs.7.72 million in fiscal year 2007, compared to Rs.10.20 million in fiscal year 2006. This was due to lower profits attributable to minority shareholders as a result of decreased profitability of Suzlon Structures Pvt. Ltd. and Suzlon Generators Pvt. Ltd.

Net profit.

As a result of the foregoing factors, in particular higher sales volume and the integration of Hansen into the Group, net profit increased by 13.8 per cent to Rs.8,640.32 million in fiscal year 2007 from Rs.7,594.99 million in fiscal year 2006.

Fiscal Years 2006 and 2005

Income.

Total income increased by 98.2 per cent to Rs.38,966.78 million in fiscal year 2006 from Rs.19,659.20 million in fiscal year 2005.

Sales.

Sales increased by 97.7 per cent to Rs.38,410.30 million in fiscal year 2006 from Rs.19,424.82 million in fiscal year 2005. This increase was primarily attributable to an increase in the volume of WTG sales, in particular the 1250 KW model, as well as improved sales realisations. The Company's sales increased 90.2 per cent to 963.70 MW for fiscal year 2006 from 506.70 MW in fiscal year 2005.

Other income.

Other income increased by 137.5 per cent to Rs.556.48 million in fiscal year 2006 from Rs.234.38 million in fiscal year 2005. This increase was broadly in line with the increase in sales and was primarily due to an increase in bank interest and miscellaneous income.

Expenditure.

Expenditure increased by 96.3 per cent to Rs.30,793.49 million in fiscal year 2006 from Rs.15,685.65 million in fiscal year 2005. This increase was primarily due to increases in the cost of goods sold, operating and other expenses and employee remuneration and benefits. Expenditure as a percentage of total income amounted to (79.0) per cent in fiscal year 2006 compared to (79.8) per cent in fiscal year 2005.

Cost of goods sold.

Cost of goods sold increased by 103.0 per cent to Rs.23,090.74 million in fiscal year 2006 from Rs.11,376.78 million in fiscal year 2005. This increase was mainly due to increased consumption of raw materials as a result of increased sales volumes, as well as a change in the composition of the markets in which the Group operated. As a percentage of total income, cost of goods sold amounted to 59.3 per cent in fiscal year 2006, compared to 57.9 per cent in fiscal year 2005.

Operating and other expenses.

Operating and other expenses increased by 87.1 per cent to Rs.5,121.39 million in fiscal year 2006 from Rs.2,737.77 million in fiscal year 2005. This increase was primarily due to an increase in the provision for power generation guarantees to Rs.1,065.14 million in fiscal year 2006 from Rs.450.70 million in fiscal year 2005 as a result of increased business volumes, as well as decreases in wind velocity in certain Indian states resulting in potential claims under such guarantees. Provision for operation, maintenance and net warranty increased to Rs.857.70 million arising from increased business volumes and freight and packaging costs also increased to Rs.796.42 million in fiscal year 2006 resulting from increases in exports. As a percentage of total income, operating and other expenses amounted to 13.1 per cent in fiscal year 2007, compared to 13.9 per cent in fiscal year 2005.

Employee remuneration and benefit cost.

Employee remuneration and benefit cost increased by 96.8 per cent to Rs.1,215.88 million in fiscal year 2006 from Rs.617.79 million in fiscal year 2005. This increase was primarily due an increase in salaries, wages, allowances and bonuses to Rs.1,126.03 in the year arising from wage inflation as well as increases in the number of employees to staff operations in the European and US markets. As a percentage of total income, employee remuneration and benefits sold amounted to 3.1 per cent in fiscal year 2006 and fiscal year 2005.

Financial charges.

Financial charges increased by 41.4 per cent to Rs.647.78 million in fiscal year 2006 from Rs.458.25 million in fiscal year 2005. This increase was primarily due to increases in interest on working capital due to increased business activity and bank charges. As a percentage of total income, financial charges amounted to 1.7 per cent in fiscal year 2006, compared to 2.3 per cent in fiscal year 2005 due to the infusion of funds following the Company's initial public offering.

Depreciation.

Depreciation costs increased by 45.12 per cent to Rs.715.90 million in fiscal year 2006 from Rs.493.25 million in fiscal year 2005. This increase was primarily due to addition in fixed assets and intangible assets during the year. As a percentage of total income, depreciation charges amounted to 1.8 per cent in fiscal year 2006, compared to 2.5 per cent in fiscal year 2005.

Profit before tax.

As a result of the foregoing factors, profit before tax increased by 105.70 per cent to Rs.8,173.29 million in fiscal year 2006 from Rs.3,973.55 million in fiscal year 2005. This increase was primarily due to increased income as a result of higher sales of WTGs. Profit before tax of a percentage of total income amounted to 21.0 per cent in the fiscal year 2006, compared to 20.2 per cent in the fiscal year 2005.

Tax.

Tax expenses increased by 76.3 per cent to Rs.568.10 million in fiscal year 2006 from Rs.322.31 million in fiscal year 2005, primarily as a result of an increase in sales.

Minority interest.

Minority interest increased to Rs.10.20 million in fiscal year 2006, compared to Rs.(2.11) million in fiscal year 2005 due to higher profits attributable to minority shareholders as a result of increased sales volumes of the relevant companies.

Net profit.

As a result of the foregoing factors, in particular higher sales volume, net profit increased by 107.89 per cent to Rs.7,594.99 million in fiscal year 2006 from Rs.3,653.35 million in fiscal year 2005.

Liquidity and Capital Resources

Cash Flows

The Group needs cash primarily to fund its domestic and overseas organic and inorganic expansion, including the establishment of new industrial facilities in India and abroad, as well as to fund working capital needs. The Company funds these capital requirements through a variety of sources, including cash from operations, short- and long-term lines of credit and through the issuance of equity securities and convertible bonds. These sources of funding and the Group's ability to fund its capital expenditure needs, could be adversely affected by: (i) the seasonal nature of the Group's business, which can affect the Group's revenues and results, (ii) the continued demand for the Group's products and selling prices it can charge, (iii) delays in shipping and transporting WTGs and WTG components or inability for any other reason to meet contractual milestones, (v) capital expenditure overruns, (vi) higher than expected costs or lower than anticipated benefits of integrating Hansen or other acquisitions into the Group, (vii) the Group's ability to manage and service current levels of indebtedness and changes in interest rates and (viii) the Group's inability to obtain funds from external sources on acceptable terms or in a timely manner.

Hansen listed its equity shares on the London Stock Exchange on December 11, 2007. Aggregate net proceeds of approximately € 400 million were raised by Hansen by the issue of such new shares. Hansen plans to use the net proceeds primarily to fund the expansion of its manufacturing capacity through the construction of integrated manufacturing facilities in India and China. In the short term, the proceeds of the offer may also be held by Hansen in cash or liquid investments but they will not be used by Hansen to repay any outstanding indebtedness. Hansen has also granted to the managers of its offering an over allotment option under which they can require Hansen to issue further shares. There is no assurance that the listing of Hansen will be a success for Hansen or the Group.

Operating Activities

Net cash inflow from operating activities amounted to Rs.897.80 million for the six months ended September 30, 2007 mainly due to increases in sundry debtors, loans and advances and inventories supplemented by increases in current liabilities and operating profit.

Net cash inflow generated by (used in) operating activities amounted to Rs.7,372.34 million in fiscal year 2007, Rs.(3,540.24) million in fiscal year 2006 and Rs.1,181.42 million in fiscal year 2005. Net cash inflow from operating activities increased by Rs.10,912.58 million, or 308.24 per cent in fiscal year 2007 compared to fiscal year 2006 primarily due to higher profits and improved recoveries from debtors. Net cash flow was affected primarily by increases in inventory levels and current liabilities and also by the level of sundry debtors and advances from customers. Net cash inflow from operating activities decreased by Rs.4,721.66 million, or 399.66 per cent in fiscal year 2006 compared to fiscal year 2005 mainly due to an increase in sundry debtors, inventories and loans and advances, supplemented by an increase in current liabilities despite an increase in profits.

Investing Activities

Net cash inflow used in investing activities amounted to Rs.(27,715.07) million for the six months ended September 30, 2007 mainly due to the investment in REpower, purchase of fixed assets repayment of inter-corporate deposits and interest received.

Net cash inflow used in investing activities amounted to Rs.(37,199.06) million in fiscal year 2007, Rs.(3,804.64) million in fiscal year 2006 and Rs.(2,701.78) million in fiscal year 2005. Net cash inflow used in investing activities increased by Rs.(33,394.42) million, or 877.7 per cent in fiscal year 2007 compared to fiscal year 2006, primarily due to the acquisition of Hansen and the establishment of new industrial facilities in India and abroad. Net cash inflow used in investing activities increased by Rs.(1,102.86) million, or 40.8 per cent in fiscal year 2006 compared to fiscal year 2005, primarily due to fixed asset purchases.

Financing Activities

Net cash inflow from financing activities amounted to Rs.49,324.04 million for the six months ended September 30, 2007 mainly due to proceeds from loans from banks for the acquisition of REpower, proceeds from the issuance of zero coupon convertible bonds supplemented by interest payments.

Net cash inflow generated by financing activities amounted to Rs.39,694.85 million in fiscal year 2007, Rs.11,315.06 million in fiscal year 2006 and Rs.2,384.36 million in fiscal year 2005. Net cash inflow from financing activities increased by Rs.28,379.79 million, or 250.8 per cent in fiscal year 2007 compared to fiscal year 2006, primarily due to an increase in proceeds from borrowings for acquisitions. Net cash inflow from financing activities increased by Rs.8,930.70 million, or 374.6 per cent in fiscal year 2006 compared to fiscal year 2005, primarily due to the proceeds of issuing share capital following the Company's initial public offering in India in that year.

Cash, Working Capital and Indebtedness

As of September 30, 2007, March 31, 2007, 2006 and 2005 the Group had cash and cash equivalents of Rs.37,889.72 million, Rs.15,382.95 million, Rs.5,514.82 million and Rs.1,544.64 million, respectively. It recorded cash and cash equivalents of Rs.30,566.15 million in the six months ended September 30, 2007 mainly due to increased inflow from financing activities. It recorded an increase in cash and cash equivalents of Rs.9,868.13 million, or 178.9 per cent in fiscal year 2007 compared to fiscal year 2006 and of Rs.3,970.18 million, or 257.0 per cent in fiscal year 2006 compared to fiscal year 2005, primarily due to increased operations and the integration of Hansen. The Company may raise additional working capital resources in view of its business requirements, which are assessed on a continuous basis.

The Group's total borrowings were Rs.103,529.77, Rs.51,620.28 million Rs.4,507.15 million and Rs.3,958.11 million as of September 30, 2007, March 31, 2007, March 31, 2006 and March 31, 2005 respectively. The Group funds short-term working capital requirements through cash flow from operations, overdraft, cash credit facilities with commercial banks and short- and medium-term borrowings from banks and financial institutions. The maturities of such short- and medium-term borrowings are generally matched to particular cash flow requirements. The Group had short-term borrowings (excluding the current portion of long-term borrowings) of Rs.16,071.74 million as of September 30, 2007 and of Rs.17,768.28 million as of March 31, 2007, compared to Rs.1,668.53 million as of March 31, 2006, including banks' lines of credit for working capital. The Group had short-term borrowings (excluding current portion of long-term borrowings) of Rs.2,213.32 million as of March 31, 2005, including banks' lines of credit for working capital.

Long-term borrowings due more than one year from their respective dates were Rs.87,458.03 million, Rs.33,852.00 million, Rs.2,838.62 million and Rs.1,744.79 million as of September 30, 2007, March 31, 2007, 2006 and 2005, respectively. The Group's ratios of total long-term borrowings (not adjusted for cash) to shareholders' equity were 2.20, 0.96, 0.10 and 0.19 as of September 30, 2007, March 31, 2007, 2006 and 2005, respectively. Part of the proceeds of the Offering are intended to be used to repay long term debt.

As of September 30, 2007 the Group had term loans outstanding of Rs.75,324.03 million, working capital facilities from banks and financial institutions of Rs.11,109.26 million and vehicle loans of Rs.0.45 million, out of Rs.86,433.74 million in total secured debt obligations at that date. As of March 31, 2007, the Group had term loans outstanding of Rs.11,761.65 million, working capital facilities from banks and financial institutions of Rs.8,081.89 million and vehicle loans of Rs.0.71 million, out of Rs.19,844.25 million in total secured debt obligations at that date. As of March 31, 2006, the Group had term loans outstanding of Rs.2,544.09 million, working capital facilities from banks of Rs.1,353.81 million and vehicle loans of Rs.1.15 million, out of Rs 3,899.05 million in total secured debt obligations at that date. Term loans and working capital facilities increased primarily due to the integration of Hansen, as well as continued expansion both in India and abroad in fiscal 2007. As of September 30, 2007, the Group had aggregate outstanding long-term debt of Rs.87,458.03 million mainly under the following borrowings:

- Rs.61,415.71 million under the € 1.575 billion syndicated loan arranged by ABN AMRO Bank N.V. entered into on February 9, 2007; and
- Rs.11,954.25 million under the US$300 million convertible bonds due 2012 issued by the Group on June 11, 2007.

The Group also has Rs.7,862.00 million outstanding under the US$200 million convertible bonds due 2012 issued by the Group on October 10, 2007.

Under the terms of the Group's long-term borrowings, it is required to comply with various financial covenants, including, amongst others, maintaining a specified net worth to debt ratio, interest cover ratio, net borrowing to EBITDA and debt service cover ratio. Some of the Group's short-term loans and long-term borrowings require lender consent for certain matters, including the issuance of new shares, incurring further indebtedness, creating further encumbrances on or disposing of its assets, undertaking guarantee obligations, declaring dividends or incurring capital expenditures beyond certain limits. Documentation for some of these borrowings also contain covenants which limit the Group's ability to make any change or alteration in its capital structure, make investments, effect any scheme of amalgamation or restructuring and enlarge or diversify its scope of business. Debt under these borrowings may be accelerated if the Group or the Company defaults, including defaults triggered by failure to comply with these financial covenants. Payment defaults, as well as defaults under covenants leading to acceleration of debt repayment, in any of these borrowings would trigger a default in the other borrowings and could have a material adverse affect on the Group by:

- requiring the Group to dedicate a substantial portion of its cash flow from operations to repay its debt;
- limiting the Group's ability to fund future working capital, capital expenditures, research and development and other general corporate requirements;
- increasing the Group's vulnerability to general adverse economic and industry conditions;
- limiting the Group's flexibility to react to changes in its business and the industry in which it operates;
- placing the Group at a competitive disadvantage to any of its competitors that have less debt;
- requiring the Group to meet additional financial covenants; and
- limiting, along with other restrictive covenants, among other things, the Group's ability to borrow additional funds.

The Group currently is in compliance with all of these covenants and has obtained the relevant lender consents to undertake the Offering, if any required and to the extent applicable.

The following table sets forth a summary of the maturity profile for the Group's outstanding long-term debt obligations as of March 31, 2007.

Payments Due by Period	(in Rs. million)	(in US$ million)
Repayment within one year	4,592.42	106.56
Repayment after one and up to two years	5,663.92	131.41
Repayment after two and up to five years	20,062.46	465.49
Repayment after five years	3,533.20	81.98
Total	**33,852.00**	**785.44**

The following table sets forth the Group's short-term and long-term debt as of the periods indicated.

	As at March 31,				As at September 30,	
	2005	2006	2007	2007 (in US$ million)	2007 (in Rs. million)	2007 (in US$ million)
	(in Rs. million)					
Short-term debt	2,213.32	1,668.53	17,768.28	412.25	16,071.74	404.32
Long-term debt	1,744.79	2,838.62	33,852.00	785.44	87,458.03	2,200.20
Total Debt	**3,958.11**	**4,507.15**	**51,620.28**	**1197.69**	**103,529.77**	**2,604.52**

Contractual Commitments and Capital Expenditures

In addition to the payment obligations under the borrowings set forth above, the Group also has continuing obligations for which it has contracted but which are not yet reflected on its balance sheet. In the six months ended September 30, 2007 and in the fiscal years 2007, 2006 and 2005, payments under these commitments were Rs.13,585.19 million, Rs.11,930.90 million, Rs.978.57 million and Rs.323.69 million, respectively.

The Group has made and expects to continue to make, substantial capital expenditures in connection with its continued expansion, both domestically and overseas. On October 23, 2007, the Company announced that it had expanded its capital expenditure plans to meets its continued growth into new and existing markets. Plans for its proposed integrated WTG manufacturing facility are being scaled up from 1,500 MW to 3,000 MW, taking the global capacity to 5,700 MW when complete. The Group plans to invest approximately Rs.26,000 million for these capital expenditure plans in India (excluding Hansen's gearbox expansion plans and the testing centre at Vadodara, Gujarat).

In addition, the Group has potential future commitments to purchase REpower shares from Martifer and Areva pursuant to the option arrangements under the REpower Takeover Agreement and the Co-operation Agreement. The following table sets forth the Group's contingent liabilities as at September 30, 2007 and March 31, 2007.

	As at September 30, 2007		As at March 31, 2007	
	(in Rs. million)	(in US$ million)	(in Rs. million)	(in US$ million)
Guarantees given by the Company on behalf of other companies in respect of loans granted to them by banks	-	-	3.60	0.08
Disputed customs liabilities	2.50	0.06	2.50	0.06
Disputed income tax liabilities	38.43	0.97	-	-
Disputed labour cost liabilities	0.17	0.00	3.18	0.07
Disputed service tax liabilities	17.51	0.44	17.51	0.41
Notional interest on Zero Coupon Convertible Bonds	275.58	6.93	-	-
Operation and maintenance charges for transmission lines and feeder bays	11.17	0.28	11.17	0.26
Total	**345.36**	**8.68**	**37.96**	**0.88**

Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss related to adverse changes in market prices, including interest rates and foreign exchange rates of financial instruments. The Group is exposed to various types of market risk, including changes in interest rates and foreign exchange rates, in the ordinary course of business. The Company has entered into forward foreign exchange contracts and cross-currency swaps with banks to hedge against interest rate and foreign exchange rate risks, the application of which is primarily for hedging purposes and not for speculative purposes.

The Company maintains its accounting records and prepares its financial statements in Rupees.

In the fiscal years 2005, 2006 and 2007, imported raw materials and components accounted for approximately 50.2 per cent 54.8 per cent and 58.8 per cent respectively, of the Company's raw material costs. A devaluation or depreciation in the value of the Indian Rupee increases the total costs of such imports and the Group may be unable to recover these costs through cost-saving measures elsewhere or by passing on these increased costs to its customers. Similarly, the Group sources certain inputs from overseas, which it pays for primarily in Euros and US dollars. A depreciation of the Indian Rupee against the Euro or US dollar increases the cost of such equipment in Indian Rupee terms. The Group has not identified the amount of equipment that it will need to import for its future expansion. As the Group's international manufacturing operations expand and its exports and foreign sales increase, the Group will have US dollar and Euro revenues and expenses that will provide it with a natural hedge to a certain extent. In addition, from time to time the Group engages in forward currency hedging in order to decrease its foreign exchange exposure. Nevertheless a weakening of the Indian Rupee against the Euro or US dollar (and other major foreign currencies) or a weakening of the US dollar against the Indian Rupee or other currencies may have an adverse effect on the Group's cost of production and sales realisations, respectively.

Further, the Group exports a significant amount of its products produced in India to overseas customers, generates significant revenues from such customers and receives payment from such customers in foreign currencies including US dollars. Recently the US dollar has depreciated against the Indian Rupee. As such, an appreciation of the Indian Rupee decreases the Indian Rupee value of such revenues and also affects the competitive advantage the Group derives from lower costs in its Indian manufacturing facilities.

A significant portion of the Company's borrowing are also denominated in currencies other than Rupees, primarily in US dollars and Euros. The following table sets forth certain information regarding the Company's non-Rupee debt exposure for the periods indicated:

	As at March 31,			As at September 30, 2007
	2005	2006	2007	
	(in Rs. million, except percentages)			
Total non-Rupee denominated debt	902.06	810.65	5,823.46	20,498.19
Total non-Rupee debt as percentage of total outstanding debt	28.0	24.2	51.2	87.5

Any depreciation of the Indian Rupee against such foreign currencies increases the Indian Rupee value of the Company's total indebtedness and the cost of servicing such debt from its earnings.

Interest Rate Risk

Exposure to market risk for changes in interest rates relates primarily to long-term floating rate debt obligations. As of September 30, 2007, Rs.362 million, equal to 0.35 per cent of the Group's then-outstanding debt, effectively bore interest at fixed rates, including certain floating rate loans over the maturity of such loans. The remaining Rs.91,213.52 million loans other than zero coupon convertible bonds, equal to 88.10 per cent of the Group's then-outstanding loans, bore interest rates determined on tenure and period as negotiated with different lenders.

Exchange Rate Risk

The primary foreign currencies to which the Group is exposed are the Euro and US Dollar. Exposures are monitored from the business plan stage and exposure is crystallised and hedging undertaken at the contractual stage. Because of its Indian and international operations, the Company believes it has a natural hedge advantage to a large extent in both currencies. Overall, the Company follows a discretionary risk management philosophy with a focus on minimum hedge ratio, selective hedging and optimisation of natural hedges. Exposures are hedged after taking into account the prevailing intermediary movements in the market, the amount of open exposures, volatility and the cost of covering the exposures. The Company has a designated treasury staff which monitors foreign exchange markets and operates with an objective of minimising the impact of adverse currency moves and optimising savings.

In case of forward contracts, the difference between the forward rate and the exchange rate (being the premium or discount) at the inception of a forward exchange contract is recognised as income or expense over the life of the contract. Exchange differences on such contracts are recognised in the profit and loss account in the reporting period in which the rates change. Any profit and loss arising on cancellation or renewal of forward exchange contracts is recognised as income or as expense for the period.

Off-Balance Sheet Arrangements

The Group does not maintain any off-balance sheet arrangements.

Taxation

The Group benefits from tax incentives extended by the Government of India for the establishment of manufacturing facilities in under-developed areas. As a result of these incentives, which include a five-year full income tax holiday and five-year partial income tax holiday from Indian corporate income taxes for the operation of most of the Company's Indian facilities, its operations have historically been subject to relatively low tax liabilities. The Group's Indian income tax exemptions in respect of its facilities expire as follows:

Location of Facilities	100 per cent exemption up to financial year	30 per cent exemption up to financial year
Daman WTG	-	2008-09
Daman Rotor Blade Unit	-	2010-2011
Pondicherry	2007-08	2012-2013
Daman WTG Unit	2007-08	2012-2013
Bhuj Rotor Blade Unit	2008-09	-

The Group's effective rate of tax has increased following the acquisition of Hansen and will continue to be affected by inorganic growth in overseas markets. The Pondicherry and Daman facilities will not enjoy full income tax exemption after the end of the current financial year but will be entitled to a partial exemption for five years thereafter. The Company also expects to be eligible for tax holidays available to companies with production facilities in India's Special Economic Zones and currently is in the process of establishing certain such facilities. Deferred tax resulting from timing differences originating during the tax holiday period that are afterwards reversed is recognised in the year in which the timing differences originate, using tax rates and laws enacted or substantively enacted by the relevant balance sheet date.

The Group also is entitled to certain sales tax, excise and customs duty exemptions and concessions for the manufacture and sale of renewable energy products and the export of its products. The Company's subsidiary, Suzlon Energy Tianjin Limited, is also establishing a high - technology park and enjoys certain tax concessions and benefits in China in this respect.

The Group also recognises MAT credit as an asset to the extent there is convincing evidence that it will pay income tax higher than that computed under MAT during the period under which it is permitted to set off MAT under the Indian Income Tax Act.

Related Party Transactions

The Group has engaged in the past and is likely to in the future engage in, transactions with related parties. In the fiscal year 2007, it loaned Rs.3,525.5 million (since repaid) to an associate company, Suzlon Infrastructure Limited (formerly know as Aspen Infrastructures Limited) to finance its WTG erection, installation and commissioning business, which now is being conducted directly through a subsidiary. As at September 30, 2007 loans to this associate company amounted to nil. The Group also sold goods worth Rs.1,080.1 million and purchased goods and services worth Rs.1,879.2 million from Suzlon Infrastructure Limited in the fiscal year 2007. In the fiscal year 2007, the Group loaned Rs.1,295.0 million (since repaid) to an associate company, Sarjan Realities Limited, an associate company engaged in the business of acquiring land for WTG sites. As at September 30, 2007 loans to this associate company amounted to nil.

The Group believes that all transactions with related parties are on terms no less favourable to it than could have been obtained from unaffiliated third parties on an arm's length basis. For details of the Group's related party transactions, see notes 13 to the financial statements for the year ended March 31, 2007 and notes 11 to the interim financial statements for the six months ended September 30, 2007 included elsewhere in this Placement Document.

THE MARKET FOR WIND ENERGY PRODUCTS

Unless otherwise indicated, the information in this section has been derived from various Indian Government publications, as well as private publications and industry reports prepared by BTM[1], GWEC[2] and various trade associations and has not been prepared or independently verified by the Company, or the Lead Manager or any of their respective affiliates or advisers. The information may not be consistent with other information compiled within or outside India. Newly installed capacity refers to the MW capacity installed during a particular year. Unless otherwise specified, accumulated installed capacity refers to the total MW capacity installed taking into account the effect of decommissioning.

Electricity Demand

Global Electricity Demand

The International Energy Agency ("IEA") in its World Energy Outlook 2006, estimates that world electricity demand is projected to double by 2030. Globally, the power sector is required to add an estimated 5,087 GW of capacity to meet the projected increase in electricity demand and to replace ageing infrastructure. The IEA has estimated that this would require cumulative investment of approximately U.S.$20 trillion between 2005 and 2030 and more than half of this energy investment will be required by developing countries alone. The IEA also expects that the predominant use of fossil fuels (such as coal, oil and natural gas), for energy production will continue in the future. Nuclear power's contribution is expected to decline and the use of renewable energy sources, such as hydroelectricity, wind power, biomass and solar, is expected to increase. The IEA also estimates that the wind power share of total electricity generation will grow from 0.5 per cent now to 3.4 per cent in 2030 and will be the second-largest renewable source of electricity after hydroelectricity.

Indian Electricity Demand

Historically, the power industry in India has been characterised by energy shortages. According to the Central Electricity Authority, India, (the "CEA") in the 2007 financial year, demand for electricity exceeded supply by an estimated 9.6 per cent (8.4 per cent in the 2006 financial year) in terms of total requirements and 13.8 per cent (12.3 per cent in the 2006 financial year) in terms of peak demand requirements. Although power generation capacity has increased substantially in recent years, it has not kept pace with the growth in demand or the growth of the economy generally.

According to the Ministry of Power, Government of India, as at March 31, 2007, India's power system had an installed generation capacity of approximately 132,329.21MW. Of the installed capacity, thermal power plants powered by coal, gas, naphtha or oil accounted for approximately 65 per cent of total power capacity. Hydroelectric stations accounted for approximately 26.2 per cent nuclear stations accounted for approximately 3.0 per cent and renewable energy sources accounted for approximately 5.86 per cent The Indian Government in its mission "Power for all by 2012", estimated that Indian installed generation capacity should be 200,000 MW by the end of its "Eleventh Five Year Plan" in 2012 compared to 132,329.21 as at March 31, 2007.

With increasing urbanisation, industrial growth and per capita consumption, the gap between the actual demand and supply is likely to increase. Some latent demand for electricity may also surface in the event of wider distribution and increased reliability in power supply. In this scenario, the Indian Government expects that alternative sources of energy, such as wind energy and biomass are likely to play an increasingly important role in bridging the demand-supply gap.

Wind Energy Demand

Global Wind Energy Demand

According to the GWEC 2006 Report, the total value of new generating equipment installed in the wind energy sector was U.S.$23 billion. Technological advances have resulted in larger and better quality WTGs with higher generation efficiencies. The Group believes that heightened environmental awareness has also resulted in increased demand for

1 BTM describes itself as an independent consulting firm focusing on renewable energy sources and was formed in 1986 with its registered office in Denmark. In 1996, BTM began producing an annual survey of the wind energy market. BTM states that the sources of its market data include relevant professional energy sector journals and estimates by consultants, employees of wind turbine manufacturing companies and governmental institutions. The figures used in this Placement Document are based on a market study published by BTM in March 2007 relating to calendar year 2006 (the “BTM 2007 Report”).

2 GWEC is the Global Wind Energy Council. The figures which are sourced from GWEC in this Placement Document are based on a Global Wind 2006 Report published by GWEC (the “GWEC 2006 Report”).

"green power" in developed countries. In 2006, global wind energy exceeded industry expectations with installations of 15,016 MW. The cumulative installed capacity of wind power has increased to 74,306 MW at the end of 2006 *(Source: BTM 2007 Report).* Offshore installations in 2006 were 198 MW taking the cumulative installed offshore capacity to 877 MW by the end of 2006 *(Source: BTM 2007 Report).*

The following table illustrates the growth in the global wind power industry (including offshore installations):

Calendar Year	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Newly installed capacity (MW)	6,824	7,227	8,344	8,154	11,542	15,016
Accumulated installed capacity by year end (MW)	24,927	32,037	40,301	47,912	59,399	74,306

(Source: BTM 2007 Report)

Geographic demand for Wind Power Globally

The following table illustrates the capacity as at the end of 2006 and forecast capacity for 2007 to 2011 (including offshore installations) by country and region:

(all figures in MW)	**Cumulative Installed Capacity**	**Installed Capacity**	**Forecast 2007-11 (incl. Offshore)**					**Installed capacity between 2007-11**	**Cumulative Installed Capacity**
	2006	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*Sum*	*Accum.*
Total Americas	13,577	3,515	4,850	5,700	6,250	7,750	8,500	33,050	46,627
USA	11,635	2,454	3,400	4,000	4,000	5,000	6,000	22,400	34,035
Canada	1,459	776	1,100	1,200	1,500	1,750	1,500	7,050	8,509
Other Americas	483	285	350	500	750	1,000	1,000	3,600	4,083
Total Europe	48,627	7,682	8,610	9,760	12,030	13,150	15,600	59,150	107,777
Germany	20,652	2,233	1,800	1,600	1,400	1,600	2,000	9,300	29,952
Spain	11,614	1,587	1,600	1,700	2,000	2,000	2,200	9,500	21,114
UK	1,967	631	900	1,500	2,000	2,000	2,500	8,900	10,867
France	1,585	810	1,000	1,200	1,400	1,600	2,000	7,200	8,785
Italy	2,118	417	800	800	1,000	1,000	1,200	4,800	6,918
Other Europe	10,691	2,004	2,510	2,960	4,230	4,950	5,700	19,450	30,141
Total Asia	8,963	3,220	4,340	5,110	5,650	5,800	6,950	27,850	36,813
China	2,588	1,334	2,300	2,500	3,000	3,000	4,000	14,800	17,388
India	6,228	1,840	1,900	2,400	2,400	2,500	2,600	11,800	18,028
Other Asia	147	46	140	210	250	300	350	1,250	1,397
Total OECD - Pacific	2,617	485	725	1,000	1,150	1,250	1,400	5,525	8,142
Australia	796	79	150	250	300	300	300	1,300	2,096
Japan	1,457	298	350	400	500	500	500	2,250	3,707
South Korea	194	106	150	250	250	300	400	1,350	1,544
New Zealand	170	2	75	100	100	150	200	625	795
Total Others	522	114	275	410	650	885	1,050	3,270	3,792
Total	74,306	15,016	18,800	21,980	25,730	28,835	33,500	128,845	203,151

(source: BTM 2007 Report).

According to the BTM 2007 Report, wind power as a percentage of global electricity supply reached 0.82 per cent by the end of 2006. In Denmark, wind power contributed approximately 20 per cent to the country's electricity supply, while Germany and Spain derive approximately 7.0 per cent and 8.0 per cent respectively, of their electricity requirements from wind. The German government has a long-term target of producing 25 per cent of the country's electricity from wind energy by 2025.

As per the BTM 2007 Report, the ten largest markets in global wind power installations accounted for 84.7 per cent of new installations in 2006. The main growth countries in Europe, including Italy, France, Portugal and the United Kingdom and Asian countries, including India and China, all experienced strong growth in annual WTG installations in 2006. Offshore installations have largely been in European countries including Denmark, Netherlands and the United Kingdom. In addition, the number of countries with wind power installations grew to over 70 countries by the end of 2006. Large multinationals such as General Electric and Siemens have entered the wind power market through the acquisition of existing wind turbine manufacturers.

Indian Wind Energy Demand

The annual increase in newly installed MW capacity and the cumulative installed MW capacity in India for the past four years are as follows:

	2003	2004	2005	2006
Newly installed capacity (MW)	423	875	1,388	1.840
Year-on-year growth in new installations (percentage)	92	107	59	33
Cumulative installed capacity by year end (MW)	2,125	3,000	4,388	6,228
Year-on-year growth in cumulative capacity (percentage)	25	41	46	42

(Source: BTM 2007 Report)

Key Growth Drivers for Wind Power

The Company believes that the market for wind power has become significant due to the following factors:

Increasing Electricity Demand: In World Energy Outlook 2006, the IEA estimates global electricity consumption to double between 2004 and 2030, with demand for electricity likely to increase at a much faster pace in developing countries such as India and China. The IEA also estimates the share of wind power in total electricity generation will grow from 0.5 per cent currently to 3.4 per cent in 2030 and that it will be the second-largest renewable source of electricity after hydroelectricity.

Increasing cost competitiveness: The continuous focus on improving the cost efficiency of WTGs has resulted in wind power becoming increasingly cost competitive compared to traditional sources of energy. The American Wind Energy Association ("AWEA"), in its report dated 22 December 2000 estimated that the cost per kWh of wind generated electricity has fallen from U.S.$0.38 in the early 1980s to between U.S.$0.03 to U.S.$0.06 at some wind sites. Some of the factors that have contributed and are expected to continue to contribute to reduced costs are increasing focus on larger projects, technological advancements resulting in WTGs with higher capacity, economies of scale resulting from increase in the size of WTG manufacturers and the ability to obtain financing for wind power projects.

Environmental awareness and government initiatives: Generating electricity from fossil fuel energy sources releases carbon dioxide which contributes to global warming. As such, many countries, including India, the United Kingdom, the United States and Germany, have provided fiscal incentives and schemes to encourage the growth of renewables. These incentives and schemes range from preferential tariffs or tax credits for renewable energy projects to taxing those who contribute to emission of carbon dioxide.

Approximately 141 countries have adopted the Kyoto Protocol, which became effective in February 2005 and have agreed to a long-term reduction of their carbon-dioxide emissions by an average of 5.2 per cent per annum compared to the level of emissions for 1990 by 2012. The greenhouse gas reduction targets have cascaded down to a regional and national level. These in turn have been translated into targets for increasing the proportion of renewable energy. Countries such as Australia, certain states in India and several states in the United States, have introduced the "Renewable Portfolio Standard" which mandates that renewable energy sources contribute a specified minimum percentage of total electricity supply. In Australia, the existing "Mandatory Renewable Target" requires that renewable energy make up a further 2 per cent of total power generated by 2010. China has also introduced its "Renewable Energy Law" with effect from January 2006. Further, carbon trading has also been initiated in countries in the European Union and countries such as Japan. Carbon trading refers to a system wherein emitters of carbon dioxide and other harmful gases purchase green certificates from clean energy producers, including renewable energy producers. Trading in green certificates may also provide an additional stream of revenue for wind power projects.

Repowering: Repowering involves the replacement of old WTGs with new and more cost efficient WTGs. It is expected to become one of the growth drivers in relation to the future market for wind power, particularly for countries in Europe that have a large number of ageing WTG installations with relatively low capacity and outmoded technology.

Offshore Market: The offshore WTG market presents a new opportunity for wind power, especially in Europe. The cumulative offshore installed capacity stood at 877 MW at the end of 2006. With the introduction of larger WTGs targeted at the offshore market, significant developments are expected in the offshore market in the future. New offshore installations are expected to increase significantly over the coming years with cumulative installed offshore capacity expected to reach 7,607 MW by 2011.

Market Potential

Global Wind Energy Market Potential

Wind power installations are heavily concentrated in Europe, the United States, India and China, which accounted for about 93 per cent of cumulative installed capacity as of 2006 and Europe alone accounted for over 65 per cent of the cumulative installed capacity in 2006. As per the BTM 2007 Report, the cumulative installed capacity for wind power is expected to grow from 74,306 MW in 2006 to 203,151 MW by 2011, representing an average growth rate for cumulative installation up to 2011 of 22.3 per cent per annum and to 455,852 MW by 2016. . It expects cumulative offshore installations to grow to 7,607 MW by the end of 2011. The BTM 2007 Report estimates that the penetration of wind power in worldwide generation of electricity will increase from 0.82 per cent in 2006 to 4.04 per cent in 2016.

The BTM 2007 Report estimates that Europe's share in cumulative installations will decline to 53 per cent by 2011 from 65 per cent in 2006, with the share of the Americas (including the United States) expected to increase from 18 per cent in 2006 to 23 per cent in 2011. Europe's share in offshore installations is expected to be even higher, with cumulative installations in Europe reaching 6,827 MW. Countries such as Australia, New Zealand Japan and South Korea are estimated to increase their share of the cumulative installed capacity from 3.5 per cent in 2006 to 4.0 per cent in 2011. South Asia and East Asia are expected to have significant growth rates in the next five years, particularly due to countries such as India and China. The region's share of the cumulative installations is expected to increase from 12 per cent in 2006 to 18 per cent in 2011.

The following table sets forth the forecast for wind power development (including offshore installations) from 2007 to 2011 for certain key markets:

Markets	Cumulative installed capacity as of end 2006 (MW)	Forecasted installed capacity in 2007 (MW)	Forecasted installed capacity in 2008 (MW)	Forecasted installed capacity in 2009 (MW)	Forecasted installed capacity in 2010 (MW)	Forecasted installed capacity in 2011 (MW)	Cumulative installed capacity by end of 2011 (MW)
Germany	20,652	1,800	1,600	1,400	2,000	2,500	29,952
Spain	11,614	1,600	1,700	2,000	2,000	2,200	21,114
United States	11,635	3,400	4,000	4,000	5,000	6,000	34,035
India	6,228	1,900	2,400	2,400	2,500	2,600	18,028
China	2,588	2,300	2,500	3,000	3,000	4,000	17,388
UK	1,967	900	1,500	2,000	2,000	2,500	10,867
France	1,585	1,000	1,200	1,400	1,600	2,000	8,785
Canada	1,459	1,100	1,200	1,500	1,750	1,500	8,509
Italy	2,118	800	800	1,000	1,000	1,200	6,918
Portugal	1,716	700	700	800	800	800	5,516

(Source: BTM 2007 Report).

Indian Wind Energy Market

The wind energy market in India has been growing steadily over the last 3-4 years. According to the BTM 2007 Report, in 2006 India was the third largest country in the world in terms of annual installations of 1,840 MW. The BTM 2007 Report estimates that cumulative installed MW capacity for wind power in India will grow from 6,228 MW in 2006 to 18,028 MW in 2011, representing a CAGR of 24 per cent The Indian Government continues to encourage state governments to implement national policy guidelines set for wind power projects and is taking several new initiatives to reassess India's gross wind power potential.

The Gear Box Industry

A gearbox adapts the driving power of a highly standardised electric motor to various types of driven machines or transmits power from mechanical applications to an electric generator. In WTG applications, gearboxes are used to convert the very high torque produced by the spinning blades of a wind turbine to a speed sufficient to drive an electric generator. In most industrial applications, gearboxes are used to convert unsuitably high speeds, such as those produced by an electrical motor, to a slower output at higher torque.

The market for gearboxes can be broadly separated into two segments: (i) enclosed gears; and (ii) open gears. Hansen operates within the enclosed gear segment and focuses in particular on the specialised subgrouping that comprises the supply of gearboxes for use in WTGs. Hansen also develops and supplies large enclosed standardised gearboxes for other industries.

The Market for WTG Gearboxes

BTM 2007 Report estimates that approximately 85 per cent of installed wind turbines used gearboxes in 2006. The production of these gearboxes for WTGs is largely concentrated in Europe and the market is composed of a relatively small number of manufacturers. BTM estimates that the top six suppliers of WTG gearboxes accounted for 92 per cent of worldwide wind power capacity (by MW supplied) in 2005, with the top two manufacturers, Siemens (Winergy) and Hansen, accounting for 60 per cent collectively of the total MW wind power capacity supplied *(Source: International Wind Energy Development, Supply Chain Assessment 2006-2010, BTM Consult Aps - December 2006)*. This is illustrated in the following table, which contains BTM's estimate of market shares for WTG gearboxes by major supplier in 2005:

Company	***Market Share 2005 (by MW supplied)***
Siemens(Winergy)	35%
Hansen	25%
Bosch Rexroth	13%
Moventas	10%
Echesa	5%
Eickhoff	4%
Others	8%

(Source: International Wind Energy Development, Supply Chain Assessment 2006-2010, BTM Consult Aps - December 2006).

The Market for Industrial Gearboxes

The industrial gearbox market is fragmented with a large number of suppliers, both larger multinationals with broader product lines as well as small to medium sized companies with narrower product lines who focus on more selective applications or have a distinct regional focus. For industrial gearboxes, Hansen focuses on stationary enclosed gearboxes, where it supplies standardised gearboxes for selected industries that require relatively high technical and performance requirements, such as the chemicals, energy, material handling, environmental, extraction, pulp and paper, steel and metal, food and beverages and construction industries.

Renewable Energy Policies

Based on the various stages of their development, different regions and countries have used different policy instruments to promote renewables in general and wind energy in particular. Specific emphasis has been placed on:

- Feed-in tariffs or fixed tariff regimes;
- Renewable Portfolio Standards (RPS)/Renewable Energy Credits (RECs);
- Tendering schemes; and
- Other incentive mechanisms, including production and investment tax credits, rebates, low interest loans and loan guarantees and production payments.

The policy instruments adopted by identified countries are briefly summarised in the table below:

	Feed-in tariffs	RPS and RECs	Green Certificates	Production/ Investment Tax Credits	Subsidies/ rebates	Fiscal Measures
Germany & Spain	✓	–	–	–	✓	✓
United Kingdom	–	✓	✓	–	–	✓
United States & Canada	–	✓	✓	✓	–	✓
China	–	–	–	–	✓	✓
Australia & Japan	–	✓	✓	–	–	–

A. Feed-in Tariffs/Fixed Tariffs

Feed-in tariffs or fixed tariff policies provide a minimum guaranteed price per unit of electricity produced as approved by the regulator, to be paid to the producer or as a premium in addition to market electricity prices. Regulatory measures are usually applied to impose an obligation on electricity utilities to pay the renewable energy power producer a price as specified by the government. The level of the tariff is commonly set for a number of years to give investors security on income for a substantial part of the project lifetime. Many different adaptations of the instrument are applied. The level of the tariff need not have any direct relation with either cost or price, but can be set at a level to encourage investments in green power production. Major countries following tariff regimes include Germany and Spain.

B. Quotas / Renewable Portfolio Standards (RPS) / Renewable Energy Credits (REC)

While pricing laws establish the price and let the market determine capacity and generation, quotas (or mandated targets) work in reverse; the government sets a target and lets the market determine the price. However, in practice RPS/REC regimes can be present in combination with fixed tariff regimes. Typically governments and regulators mandate a minimum share of capacity or generation of electricity, or a share of fuel, to come from renewable sources. The share required often increases gradually over time, with a specific final target and end-date. The mandate can be placed on producers or distributors. Over 30 countries have mandated certain percentages, including countries in the European Union, China and Australia. More than 11 states in India have also enacted RPS regulations.

C. Tendering Schemes

Under tendering systems, regulators specify an amount of capacity or share of total electricity to be achieved and the maximum price per kWh. Project developers then submit price bids for contracts. Major countries following tendering schemes include Ireland, France and China.

D. Other Incentive Instruments

Other complementary government initiatives to support development of renewable energy technologies include fiscal measures such as investment tax credit, production tax credit and low interest loans, loan guarantees and investment subsidies. Major countries following production tax credit and investment tax credits schemes include the United States and Canada (production tax credit schemes) and India (investment tax credit schemes).

Policy and Regulatory Environment in India

Research, development, commercialisation and deployment of renewable energy systems/devices for various applications in rural, urban, industrial and commercial sector in India is administered by the Ministry of New and Renewable Energy ("MNRE") of the Government of India. The MNRE has also established the Indian Renewable Energy Development Agency Limited ("IREDA"), a financial institution to complement the role of MNRE and to make available finance to renewable energy projects. In addition, the MNRE has also established the Centre of Wind Energy Technology (C-WET) at Chennai, a specialised technical institution looking into technology development, testing and certification related to wind energy sector. In addition, it has also been participating in the wind resource assessment programme of the country.

Manufacture of wind turbine generators and setting up of windfarms

Renewable energy generated product manufacturers are required to be registered with MNRE.

The Guidelines for wind power projects ("MNRE Guidelines") set out the conditions that are required to be met for establishing windfarms and manufacturing and supplying equipment for wind power projects. These conditions include submission of detailed project reports, approval of sites for wind power installations and type certification by certification agencies (i.e., C-WET).

For testing and certification, C-WET has evolved a Type Approval Provisional Scheme 2000 (TAPS - 2000) for India, which is in line with International Certification Schemes for wind turbines. The TAPS 2000 undertakes the issuance of certificates for new WTGs as well as the approval of certificates for WTGs already possessing type certificates/ approvals. The TAPS Scheme for provisional certification and testing is available to WTG manufacturers until the issue of final Type Approval Scheme (TAS) and formal accreditation.

Wind power generation

Persons engaged in the generation of electricity from wind power are required to register the project being undertaken with the relevant state nodal agency and obtain permission for inter-grid connectivity from the utility.

The electricity generated from the wind power project can be used for captive consumption, sale to utilities or for transaction under open access as per prevailing state policy and regulatory orders, if any. Various Indian state commissions have mandated a certain percentage of energy procurement from renewable energy sources and have also set tariffs for such procurement by various distribution companies as follows:

Wind tariffs* in windy states of India

State	RPS specified (per cent)	Tariff fixed by commissions in INR per kWh	Period of PPA (years)	Charges for captive users (per cent)	Cross subsidy surcharge for third party sales
Tamil Nadu	10	2.90 (fixed)	20	10 (includes 5 for banking if applicable)	Applicable
Maharashtra	3-6	3.50 + escalation of 0.15 on an annual basis	13	20-30	Not applicable
Karnataka	Under review (currently 5-10)	3.40 (fixed)	10	9.5	Applicable
Andhra Pradesh	5	3.37 (fixed)	5	Under review	Applicable
Gujarat	2	3.37 (fixed)	20	4	Applicable
Rajasthan	7.5	3.59 + escalation of 0.02 for the first 12 years + escalation of 0.01 for the remaining 8 years	20	10	Not applicable
Madhya Pradesh (under review)	10	3.97 reducing at 0.17 per year till the fourth year; subsequently fixed at 3.30 till the 20th year	20	2	Not specified
Kerala	3	3.14 (fixed)	20	5	Applicable
West Bengal	3.8	4.00 (fixed, to be used as a cap)	Flexible	2	Applicable
Haryana	3-10	4.08 (with 1.5% escalation per year)	Flexible	2	Applicable

The parameters shown in the table above are based on relevant tariff orders/regulations passed by different regulatory commissions for specific states. Charges for captive users and sales to third party consumers, along with cross subsidy surcharge are at times independent of the tariff orders/regulations passed by the commission for specific technology. In this regard, the rates for captive/third party sales may change from year to year or may be fixed (if specified in the purchase contract for the wind energy generator).

* Tariffs and regulations are fixed by electricity regulatory commissions and are subjected to review based on the situation and changes in respective states.

BUSINESS

Overview

The Group is Asia's leading manufacturer of WTGs and was ranked fifth in the world in terms of annual installations with market share of 7.7 per cent for the year ended December 31, 2006 *(Source: BTM 2007 Report)*. The Group is the leading provider of integrated WTG solutions in India and has expanded its operations in the international markets with a presence in the United States, Europe, China, Australia, Brazil, South Africa and South Korea. The Group's accumulated WTG sales from the Company's inception were 2,091 MW, 3,547 MW and 4,547.60 MW as at March 31, 2006, March 31, 2007 and the half-year ended September 30, 2007, respectively. India, with 954.60 MW and the international markets, with 501.65 MW, accounted for 65.55 per cent and 34.45 per cent of the Group's WTG sales (by volume) in the year ended March 31, 2007. India, with 364.10 MW and the international markets, with 636.50 MW, accounted for 36.39 per cent and 63.61 per cent of the Group's WTG sales (by volume) for the half-year ended September 30, 2007.

In May 2006, the Group acquired Hansen, the second largest gearbox and drive train manufacturer for WTGs worldwide. Through the acquisition of Hansen, the Group entered into a new line of business, namely the manufacture and sale of gearboxes used in the wind industry and for other industrial uses. For the period from May 2006 to March 2007, Hansen and its subsidiaries (as per Indian GAAP) generated a turnover of Rs.18,560.74 million and profit before tax of Rs.1,910.92 million before elimination.. See "- Hansen Transmissions" for a more detailed description of the business of Hansen. For the half-year ended September 2007, Hansen and its subsidiaries generated a turnover of Rs.9,704.48 million and profit before tax of Rs.395.06 million before elimination.

In May 2007 the Group announced that it had been successful in its bid for REpower. In aggregate, the Group now controls or influences, either directly or through voting pool agreements, approximately 86.5 per cent of the votes in REpower. REpower is currently one of the leading WTG producers in the German wind energy sector. See "-REpower Systems AG" for further details on the REpower acquisition and the business of REpower.

The Group develops and manufactures technologically advanced WTGs with an emphasis on high performance and cost-efficiency. The Group's current product range includes 0.35 MW, 0.60 MW, 1.25 MW, 1.50 MW and 2.10 MW WTGs and it is among the first Asia-based companies to manufacture WTGs with MW and multi-MW capabilities. The Group considers itself to be an integrated developer of WTGs, focused on: the design, engineering and development of WTGs and components, the development and in-house manufacture of rotor blades for its MW and multi-MW WTGs, tubular towers, control panels, nacelle covers and generators. The Group also has established supply sources for the components that it does not manufacture in-house for its WTGs, such as rotor blades for its 0.35 MW WTGs, gearboxes, casting parts and a portion of its nacelle cover, tower and generator requirements. Raw materials for WTG rotor blades, such as glass fibre, epoxy resin and foam are also sourced from leading suppliers. The Group is in the process of integrating the operations of Hansen and has recently begun sourcing a limited part of its gearbox requirements from them. The Group is also in the process of setting up facilities to manufacture forging and foundry components that are required for the manufacture of WTGs and their components. These facilities are expected to become operational during the second quarter of fiscal year 2009.

The Group conducts research and development activities primarily through its subsidiaries, SEG, Suzlon Windkraft GmbH and AERT. These subsidiaries focus on designing and developing new WTG models, upgrading the Group's current models and developing efficient and effective rotor blade technology for its WTGs. Further, the Group also conducts R&D in gearboxes through Hansen. The Group usually gets its design, manufacture, operations and maintenance services certified as ISO 9001:2000 by Det Norske Veritas. The Group's WTG models are generally validated with type certification by either Germanischer Lloyd or CWET, an autonomous body attached to the MNRE.

With respect to the Indian market, the Group together with its Associate Companies (excluding REpower) has positioned itself as an integrated solution provider of services related to wind energy. Besides manufacturing WTGs, the Group is involved in wind resource mapping, identification of suitable sites and technical planning of wind power projects. The Group also provides after-sale O&M services through SISL for WTGs it supplies in India. The Group's Associate Companies, including SRL, acquire sites that have been identified by the Group as suitable for wind energy projects, which are then sold or leased to its customers.

With respect to the international markets, the Group operates as a manufacturer and supplier of WTGs and is involved in O&M and wind farm project activities. Through its subsidiary, Hansen, the Group is also involved in the manufacture of WTG gearboxes and industrial gearboxes. It also assists its customers in the supervision of project execution and provides training to the employees of its customers so that they can carry out the O&M of projects developed by them.

In select markets and with respect to certain projects, the Group also undertakes infrastructure development, installation and commissioning of WTGs and connection to power grids. In some cases, the Group also provides O&M services to its customers for agreed periods of time.

The Group's consolidated total income was Rs.19,659.20 million, Rs.39,154.94 million and Rs.80,822.30 million for the years ended March 31, 2005, 2006 and 2007 respectively and Rs.56,820.19 million for the half-year ended September 30, 2007 (compared with Rs.31,806.67 million for the half-year ended September 30, 2006). Consolidated profit after tax was Rs.3,651.24 million, Rs.7,605.19 million, Rs.8,648.04 million for the years ended March 31, 2005, 2006 and 2007 and Rs.4,177.97 million for the half-year ended September 30, 2007 (compared with Rs.3,331.00 million for the half-year ended September 30, 2006).

The following table shows the breakdown of the Group's total consolidated income:

	For the year ended March 31,						For the half-year ended September 30,			
	2005	Per cent of Total Income	2006	Per cent of Total Income	2007	Per cent of Total Income	2006	Per cent of Total Income	2007	Per cent of Total Income
	(amounts are in Rs.millions)									
Sales:										
WTG and its Components	19,438.57	98.88	37,917.40	96.84	59,985.62	74.22	23,604.17	74.21	45,713.48	80.45
Gearboxes	-	-	-	-	18,560.74	22.96	7,520.00	23.64	9,704.49	17.08
Others	259.61	1.32	499.27	1.28	1,321.32	1.63	440.60	1.39	688.78	1.21
Intersegment Sales	(273.36)	(1.39)	(6.37)	(0.02)	(10.38)	(0.01)	(5.70)	(0.02)	(247.51)	(0.44)
Total Sales	19,424.82	98.81	38,410.30	98.10	79,857.30	98.81	31,559.07	99.22	55859.24	98.31
Other Income (1)	234.39	1.19	744.64	1.9	965	1.19	247.60	0.78	960.95	1.69
Total Income	**19,659.21**	**100.00**	**39,154.94**	**100.00**	**80,822.30**	**100.00**	**31,806.67**	**100.00**	**56,820.19**	**100.00**

Note:

(1) Other income consists primarily of interest received, dividend income and other miscellaneous income.

The following table represents the percentage breakdown of the Group's total sales geographically:

	For the year ended March 31,			For the half-year ended September 30,	
	2005	2006	2007	2006	2007
India	99.67	91.91	52.21	49.38	36.82
Europe	-	-	20.49	20.72	17.15
United States	0.33	8.09	20.68	25.72	28.08
China	-	-	3.94	0.26	4.31
Others	-	-	2.68	3.92	13.64
Total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Competitive Strengths

The Group believes that the following are its principal competitive strengths:

- *Focus on providing "integrated solutions" wind energy packages to customers in India.* The Group's business model for the Indian market involves, providing "integrated solutions" packages for wind energy projects. The Group's key activities include: (a) designing, developing and manufacturing WTGs; (b) wind resource mapping; (c) identifying suitable sites for wind farms; (d) coordinating, together with its Associate Companies, the acquisition of sites, (e) developing of these sites and installing WTGs and connecting them to the power grid; and (f) providing after-sales O&M services. This business model allows the Group's Indian customers to benefit from the cost-efficiencies and the economies of scale that wind farms can offer. At the same time, the Group's customers can avoid the need to undertake the cumbersome processes associated with developing wind farms, which requires expertise in various areas such as wind study, land acquisition and project execution/management skills.

- *Track record of executing large-scale wind power projects.* The Group along with its Associate Companies (excluding REpower) has a track record of executing a number of large-scale wind power projects in different regions in India. These complex projects have allowed the Group to develop the capabilities and expertise needed for wind farm projects and the Group's customers benefit from the experience the Group has gained through operating its WTGs in different operating environments and its industry knowledge. The Group believes that the successful development of these wind farm projects has enhanced its recognition in the wind power marketplace.

- *In-house technology and design capabilities.* Through its subsidiaries' design capabilities, the Group has been able to develop its MW and multi-MW WTG models, as well as the rotor blades for these WTGs. The acquisition of REpower also gives the Group the potential to manufacture 5MW offshore WTGs. The Group has also been able to develop many of the processes and technologies that enable it to manufacture certain key components, such as nacelle covers, nose cones control panels, the construction of tooling and moulds used in the manufacture of rotor blades, generators and gearboxes. These capabilities were achieved as a result of the Group's recognition that various countries in Europe have developed strengths in different facets of WTG design, which led to its establishment of research and development subsidiaries in Europe. This has enabled the Group to access the personnel with the requisite technical background and expertise to assist it in designing, developing and upgrading WTGs and their key components.

- *Cost-efficient manufacturing and supply-chain.* The Group's manufacturing facilities located in India and China give it a cost advantage in terms of capital, manufacturing and labour costs over some of the Group's larger competitors whose manufacturing facilities are in higher cost regions, such as Western Europe. Further, the Group is able to source efficiently many key components, such as castings, generators and towers, from lower-cost suppliers based in India and China.

- *Global production platform and access to an integrated manufacturing base.* With production facilities in India, China, Belgium (Hansen) and the United States, the Group has created a global production platform for supplying to key growth markets. Also, the Group has an integrated manufacturing base with most of the key components such as rotor blades, generators, gearboxes, control panel and towers manufactured in-house. The Group also manufactures other components such as nose cones and nacelle covers and is establishing facilities to manufacture forging and foundry components used in WTGs and their components.

- *Market leader in India and presence in several other high growth markets.* For the last nine fiscal years, the Group has been the leading WTG manufacturer in India with a market share of 52.3 per cent of the total capacity installed in India during the year ended December 31, 2006, with India being the third largest wind power market in terms of annual installed capacity during the same period *(Source: BTM 2007 Report)*. The Group has established a market presence in seven states, among which are the states that have the highest installed capacity of wind energy, including Tamil Nadu, Karnataka, Maharashtra, Rajasthan and Gujarat. The Group's leading market share makes it well-positioned to leverage its reputational and existing customer relationships to take advantage of anticipated future growth in demand for renewable energy sources.

  The Group has over the last four years established a significant presence in some of the key wind markets such as the United States, Europe, China and Australia. It has successfully implemented projects in the United States and is currently implementing projects in Australia and China. The Group undertakes marketing activities in several parts of Europe and has received orders for WTGs from several European countries including Italy and Portugal. As at January 1, 2007, REpower was the third largest supplier of WTGs in Germany by market share.

- *Operations and maintenance expertise.* The Group believes that its ability to provide WTG O&M services to its customers has helped it in assessing and enhancing the performance of WTGs under operational conditions. The Group's introduction of the CMS concept as part of its O&M services provides its personnel and customers with real-time data relating to the WTGs. This allows the Group's technical personnel to control and monitor WTG performance on-line, even from remote locations and during adverse weather conditions. The Group believes this helps in reducing WTG downtime and maintenance costs. Further, the Group's research and development teams are able to use the operational data gathered by its operations and maintenance teams in order to upgrade its current WTG models and to design, develop and roll-out newer and more cost-efficient WTG models.

- *Strong management team.* The Group's senior management brings with them extensive experience in the design, engineering, manufacture, marketing and maintenance of WTGs. The Group's senior management team, located primarily in India and Europe, oversees research and development, manufacturing, finance, sales, business development and strategic planning and have extensive experience in the wind energy industry.

Business Strategy

The Group seeks to expand its global presence by penetrating the key growth markets and to enhance further its position in India as a provider of integrated wind energy solutions. The Group intends to accomplish this through:

- *Expanding its presence in international growth markets.* In order to increase its share of the world market for wind energy, the Group plans to continue to grow its overseas operations. The Group considers its key international markets to be: North America, in particular the United States, which has many sites that offer wind conditions that are optimal for WTGs and also currently offer tax incentives for power generated by WTGs; China, where the level of demand for energy is high and where the government is encouraging the development of renewable energy sources; Australia, which also has sites with optimal wind conditions and where the government has declared that it intends to encourage a sustainable and internationally competitive renewable energy industry; key growth markets in Europe, including Germany, France, Portugal, Italy, Spain and the United Kingdom, which have the potential for further development and investment in renewable energy and wind power in particular; and Brazil, where WTG orders have recently been received. Further, the Group is also seeking to increase its presence in markets in Europe through its recent acquisition of REpower and the location of its global senior management team in Europe. Through the acquisition of REpower, the Group also has the potential to expand its offshore WTG capabilities.

- *Maintaining its strategic focus on the Indian market.* The Group believes that India is and will continue to be an important growth market for wind power. The Group intends to continue to focus on growing its India business by leveraging its status as the leading "integrated solution provider in wind" by continuing to develop large-scale wind farm projects. The Group will also continue to utilise the experience and expertise gained through its Indian operations to seek to win and execute orders from international customers.

- *Expanding manufacturing capacity in domestic and key international markets.* The Group and REpower are in the process of designing and/or constructing additional manufacturing facilities in India and Europe for WTGs and key components and it expects these facilities to be located close to markets with growing demand for power generated by wind energy. Some of these facilities may be located in geographical locations that are eligible for fiscal incentives. In furtherance of the Group's goal of expanding its international presence, the Group has established an integrated WTG manufacturing facility in Tianjin, China. The Group has also established a rotor blade unit in the United States, in order to meet increasing demand for wind energy projects in certain regions of North America. The Group's strategy is to expand its WTG and/or component manufacturing footprint in markets which have a the potential for growth and where the Group believes it will be able to develop a strong marketing foothold.

  The Group also intends to expand its manufacturing capacity for gearboxes in Belgium and set up new manufacturing capacities in India and China in order to cater to new customers, increasing demand from existing customers and some of the in-house requirements of the Group.

- *Expanding its WTG product line and improving existing models.* The Group intends to leverage the WTG design and development capabilities that it has developed through its R&D subsidiaries to enhance its existing WTG models and develop new models, particularly in the MW and multi-MW class. The Group plans to strengthen its research and development capabilities further by setting up an "innovation centre" in Europe. The Group is also planning to establish a joint research centre in Germany in cooperation with REpower. Further, the Group aims to take advantage of its vertically integrated structure to combine WTG research with its R&D platform at the component level in order to design and develop more advanced and cost efficient WTGs.

- *Integrated manufacturing.* The Group has developed and continues to implement a backward integration strategy. Since November 2001, it has manufactured rotor blades in-house. In March 2005, the Group began in-house manufacture of a portion of its tubular towers requirements through its 75 per cent-owned subsidiary, Suzlon Structures. The Group has established an in-house manufacturing facility for a portion of its generator requirements through its 75 per cent-owned subsidiary, Suzlon Generators. In May 2006, the Group also completed the acquisition of Hansen, which is the second largest gearbox and drive train manufacturer for WTGs worldwide. The Group is in the process of expanding production capacity in Hansen to meet part of the Group's and REpower's in-house gearbox requirements. The Group manufactures certain other components in-house, which include nose cones, control panels and nacelle covers. The Group is also establishing forging and foundry capacity in India. The Group believes that increasing its component manufacturing capabilities will allow it to lower WTG manufacturing costs, give it greater control over the supply chain for key WTG components and enable quicker and more efficient assembly and delivery of WTG components to its customers.

- *Growing its business through strategic acquisitions and alliances.* The Group will evaluate on a case-by-case basis potential acquisition targets and alliance partners that offer an opportunity to grow its business and/or expand its capabilities or geographical reach. The Group intends only to pursue those transactions that complement its key strengths, are synergistic and in its assessment, have manageable integration risks. In line with this strategy, the Group acquired REpower in May 2007. See "- REpower Systems AG".

History of the Group

The Company was incorporated in 1995 by Mr. Tulsi Tanti. Mr. Tulsi Tanti was primarily in the textile business and was introduced to wind energy through a wind power project that he had commissioned for his textile factory.

The Company entered into a technical collaboration agreement in 1995 with a German company, Sudwind GmbH Windkrafttanlagen to source technology for the production of WTGs in India. Sudwind GmbH Windkrafttanlagen was subsequently taken over by Sudwind Energiesysteme GmbH ("Sudwind"). The parties entered into a new agreement dated September 30, 1996, under which Sudwind proposed to share technical knowhow relating to 0.27 MW, 0.30 MW, 0.35 MW, 0.60 MW and 0.75 MW WTGs in consideration for royalties to be paid on the basis of each WTG sold over the course of five years from the date of this agreement.

The Group initially manufactured and supplied WTGs for a 3.34 MW windfarm project in Gujarat using 0.27 MW and 0.35 MW WTGs. By 1998, it had integrated the technology for 0.35 MW WTG in accordance with its technical collaboration agreement with Sudwind Energiesysteme GmbH. The Group was also granted the right to manufacture and sell the 0.35 MW models in Asia under the terms of this technical collaboration agreement. The Group has also independently designed, developed and launched the MW and multi-MW series of WTGs, becoming one of the first Asian companies to manufacture MW and multi-MW WTGs.

As part of its international growth strategy the Group formed its international marketing headquarters in Denmark in 2004. It has also established a rotor blade facility in the United States and an integrated WTG and WTG component manufacturing facility in Tianjin, China in fiscal year 2007.

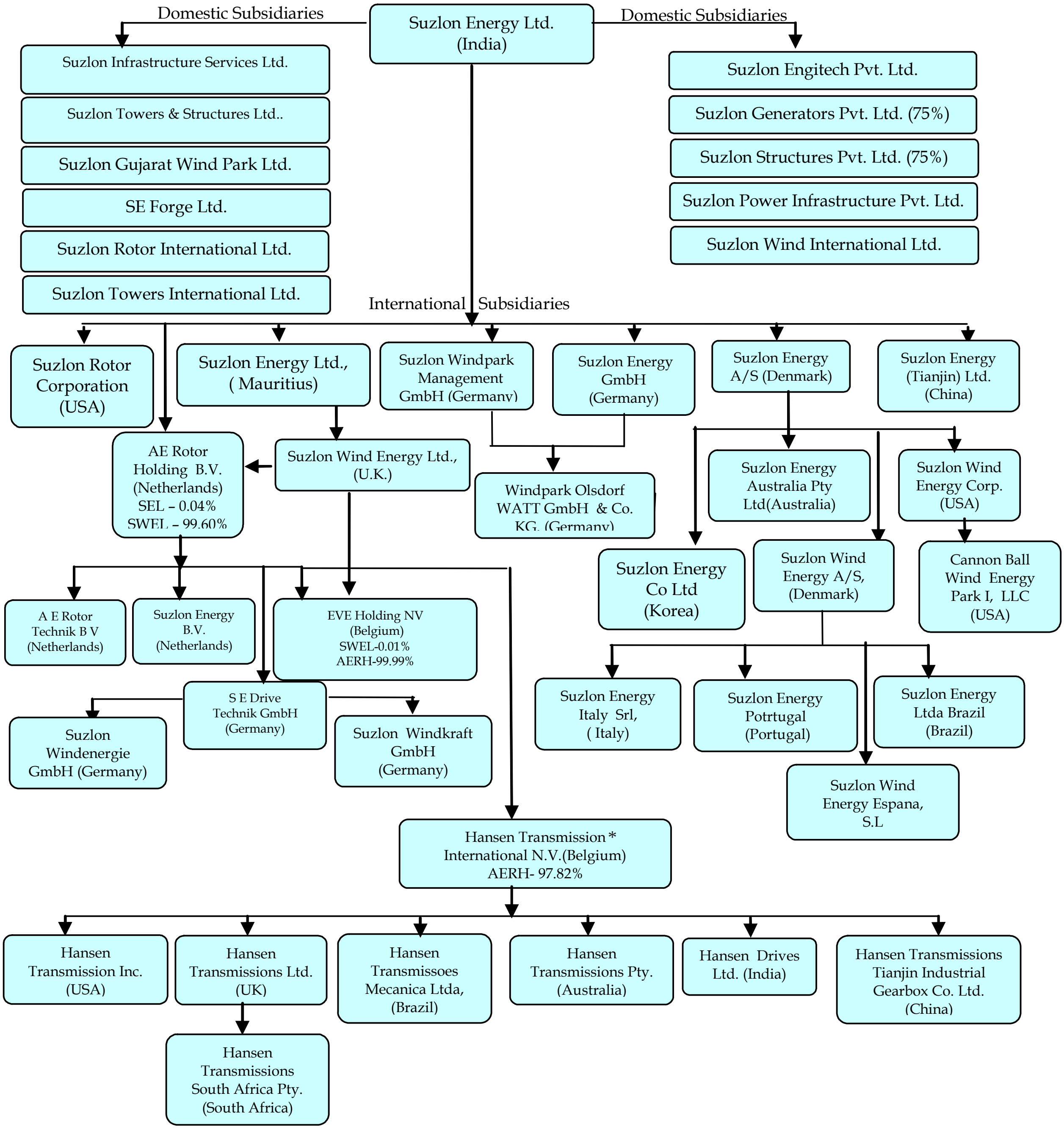
In October 2005, the shares of the Company were publicly listed on the NSE and the BSE. As at November 30, 2007, the Company has an issued share capital of Rs.2,880.00 million and an authorised share capital of Rs.4,450.00 million and a market capitalisation of Rs.546,033.60 million (based on the BSE closing price on November 30, 2007).

In May 2006, the Company completed the acquisition of Hansen, the world's second largest gearbox and drive train manufacturer for WTGs. Also, the Group announced that it was successful in its bid for REpower on May 25, 2007. See " - REpower Systems AG".

Structure of the Group

The Group is comprised of Suzlon Energy Limited, its domestic and international subsidiaries and its joint ventures. Although the Group works closely with its Associate Companies excluding REpower, the Group does not own any equity interest in them (except for REpower) and does not control them.

The following chart sets out the principal legal entities within the Group. Entities are 100 per cent. owned unless otherwise indicated.

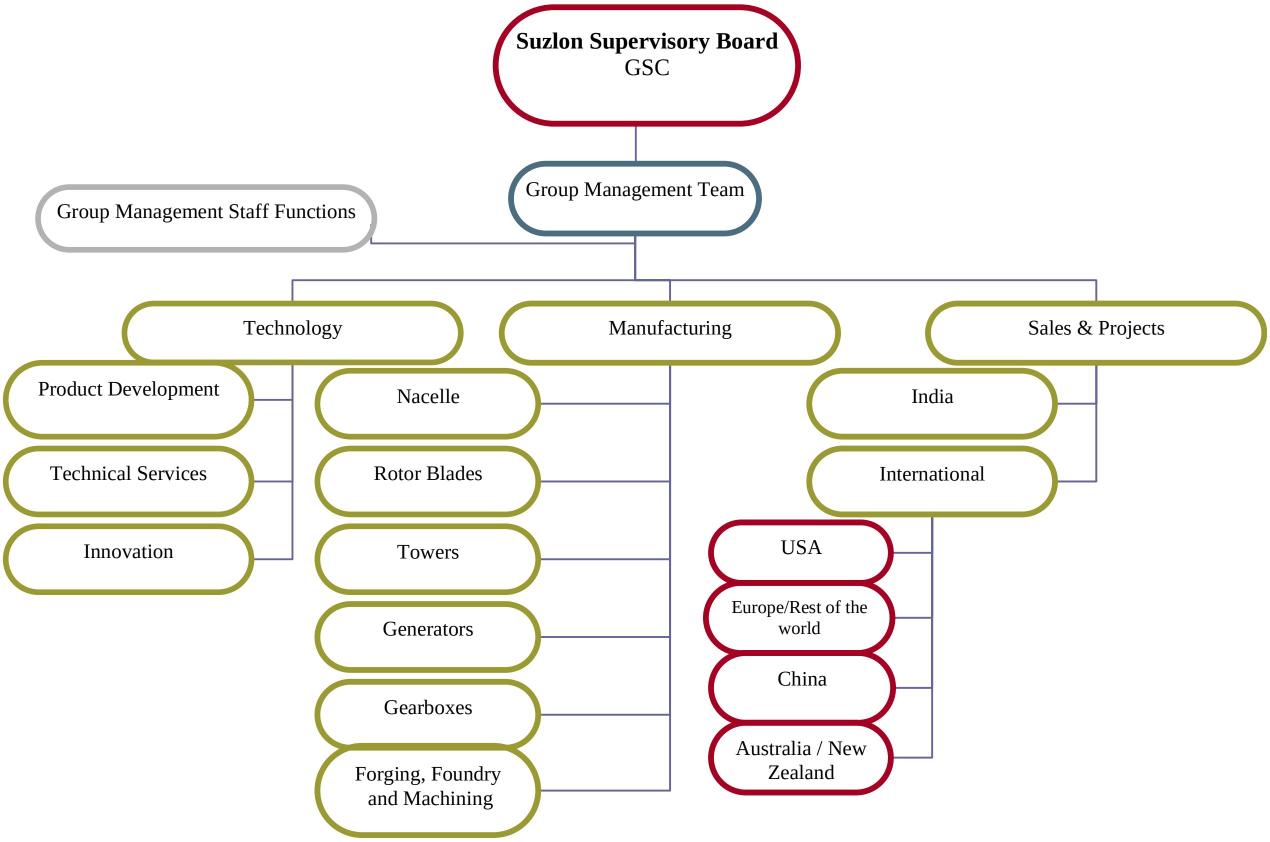


* This chart sets out the position prior to the Hansen listing of its equity shares on the London Stock Exchange on December 11, 2007.

The Company (through its subsidiaries SWG and SE Drive Technik GmbH) currently holds 33.6 per cent. of REpower's capital. The Company also controls, through voting pool arrangements with Martifer and Areva, a further 52.9 per cent. of the votes in REpower. Therefore, in aggregate the Group now controls or influences, either directly or through voting pool agreements, approximately 86.5 per cent. of the votes in REpower. See "— REpower Systems AG" for further details.

Establishment of Global Headquarters

With effect from April 1, 2007, the management functions for the Group have been restructured. Suzlon Energy B.V., a subsidiary of AERH based in Amsterdam, provides supervision and management for the Group. Group managers now report to Suzlon Energy B.V. which reports to the Suzlon supervisory board. The diagram below sets out the management structure of the Group:



Appointments for key positions within Suzlon Energy B.V. have been sought externally and filled. Mr. Andre Horbach has been appointed chief executive officer of Suzlon Energy B.V. The Company expects that the new management structure will assist the Group's international expansion.

Products

The Group's core competencies are designing, developing and manufacturing cost-efficient WTGs, including developing and manufacturing some of the key WTG components such as rotor blades for its MW and Multi-MW class of WTGs, control panels, nacelle cover, tubular towers, generators and gearboxes. The Group also manufactures gearboxes for third party WTG manufacturers and other industrial applications.

Wind Turbine Generators

A WTG comprises a tower (or mast), a nacelle, which contains the essential mechanical and electrical parts and a rotor blade. However, the generation of electricity by WTG is a result of the specific interplay of various highly developed and synchronised components:

- *The rotor blades.* The rotor blades form the motor of the WTG, which uses the rotor blades to collect kinetic energy from the wind and to convert this energy into a rotation of the rotor. The area swept by the rotor blades, the aerodynamic profile of the rotor blades and the rotational speed of the rotor are the key factors determining the capacity of the WTG.
- *Energy conversion via the drive train and generator.* The unit comprising the rotor shaft, gear and generator is called the "drive train" of the WTG. The generator at the end of the drive train converts the revolutions of the rotor blades into electrical power. The WTG's gear serves to increase the rotational speed of the rotor to match the speed of the generator.
- *Power regulation and limitation (stall and pitch regulation).* Depending on the technique employed to regulate and limit their capacity, WTGs are generally classified as stall-regulated or pitch-regulated.
- *Stall regulation.* In a WTG with stall regulation, power regulation is achieved by causing the air flow to stall by means of the aerodynamic profile of the blade when a certain wind speed is exceeded, preventing the WTG from capturing an increasing amount of energy.
- *Pitch regulation.* In a WTG with pitch regulation, power regulation is achieved by mounting the rotor blades on the hub so that they can be rotated around their longitudinal axis, in order to control their aerodynamic properties and thus their capacity to capture energy according to the wind conditions.
- *The electronic controls in variable-speed wind turbines.* In variable-speed WTGs with pitch regulation, the electronic controls are the "brain" of the WTG and adjust the angle of incidence of the rotor blades with the generator to keep them working smoothly together. The electronic controls measure the generator's power output and through the pitch regulation, adjust the angle of incidence of the rotor blades accordingly, ensuring that the WTG manufactures the maximum possible energy output from the wind in all wind conditions.
- *WTG towers.* Another component, the manufacture of which the Group is now developing expertise in through its 75 per cent-owned subsidiary Suzlon Structures, is the tower of the WTG. Strong forces act on the mast over the entire life of the WTG. The tower has to be built to withstand these forces and to provide a secure foundation to the nacelle and the rotor.

Product Range

The Group's product range covers a wide range of models, from 0.35 MW nominal output to 2.10 MW nominal output. The Group believes its range of WTG models allows it to supply different types of WTGs that can suit the varying needs of its customers, in terms of both cost and wind conditions at a proposed WTG site.

Apart from their nominal output and size, the various WTGs in the Group's product range vary primarily in the technology used for output regulation. The 0.35 MW turbine uses the less complex stall regulation technology and all other turbines are typically equipped with pitch regulation. The Group believes that the advantages offered by the higher energy yield of these pitch-regulated models will in certain circumstances compensate for the higher costs associated with pitch regulation. Almost all of the Group's WTGs feature an advanced control system that includes precisely calibrated sensors that monitor factors such as temperature, wind speeds and vibrations. The Group's rotor blades are manufactured using the advanced vacuum-assisted resin infusion moulding. The Group believes that this results in each rotor blade having a lower weight-to-swept area ratio that assists in reducing the cost per kWh of energy produced by WTGs manufactured.

Particularly notable in its product range are the 2.10 MW and the smaller 1.25 MW models. The Group introduced a 0.60 MW in 2005 and a 1.50 MW model in 2006. These new models are primarily intended to replace the 0.35 MW and 1.25 MW models, respectively. The 2.10 MW series WTG is the largest capacity WTG model that the Group manufactures. This model has a rotor diameter of approximately 88 metres, resulting into a swept area of approximately 6,080 square metres. It has a three-bladed rotor, each blade of approximately 43 metres in length. The 2.10 MW model has a cut-in wind speed of approximately 4 m/s and can stay in operation up to a cut-out wind speed of approximately 25 m/s, while reaching its rated output at approximately 14 m/s.

The following table breaks down the Group's WTG sales for the periods indicated per WTG model:

Model	For the year ended March 31,						For the half-year ended September 30,			
	2005		2006		2007		2006		2007	
	No. of WTGs	MW	No. of WTGs	MW	No. of WTGs	MW	No. of WTGs	MW	No. of WTGs	MW
0.35 MW	62	21.7	55	19.25	81	28.35	35	12.25	13	4.55
0.60 MW	Nil	Nil	28	16.8	190	114	74	44.40	82	49.20
1.00 MW	1	1	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
1.25 MW	388	485	735	918.75	556	695	282	352.50	151	188.75
1.50 MW	Nil	Nil	1	1.5	169	253.5	3	4.50	168	252
1.80 MW	Nil	Nil	3	5.4	Nil	Nil	Nil	Nil	Nil	Nil
2.00 MW	Nil	Nil	1	2	Nil	Nil	Nil	Nil	Nil	Nil
2.10 MW	Nil	Nil	Nil	Nil	174	365.4	81	170.10	241	506.10
Total	**451**	**507.7**	**823**	**963.7**	**1,170**	**1,456.25**	**475**	**583.75**	**655**	**1,000.60**

All the terms of WTG orders, including the technical specifications of the WTG or WTG components to be supplied, payment terms and delivery schedules, are set forth in the purchase order issued by the customer and accepted by the Group. Income from WTG sales is recognised at the time of transfer of significant risks and rewards to the respective customer which is dependent on the terms of the purchase order issued by the customers.

In case of those sales contracts which satisfy the definition of construction contract as per Accounting Standard-7 ('AS 7'), Construction Contracts, sales revenue is recognised in accordance with the percentage of completion method.

As at October 22, 2007, the Group had entered into agreements to supply 1,696 WTGs with 3250.55 MW of capacity for wind power projects. The Group's order book comprises indicative orders it has received from customers but are pending execution. As such, there can be no assurance that the orders will not be cancelled or reduced.

Services - India

In India, the Group along with its Associate Companies (excluding REpower), sells integrated wind energy solutions to its customers. In addition to the Group's manufacture of WTGs, these solutions cover the entire technical value chain, from the identification of suitable sites and the planning of wind farms to their technical implementation.

In implementing the "integrated solutions" approach for its customers, the Group and its Associate Companies (excluding REpower) have developed and implemented several large-scale wind farms located throughout India. The advantage of wind farms is primarily related to expected economies of scale. The larger the wind farm, the greater the number of WTGs that can be installed, leading to project costs being lower on a per WTG basis. Similarly, larger projects have lower operations and maintenance costs per kilowatt-hour due to efficiencies obtained in managing a larger wind farm.

Detailed study on wind energy resources in India for the installation of wind power projects began in 1986 by the MNRE and is currently conducted by CWET. The programme involves the identification of locations with strong winds that are close to electricity grids and have adequate land available nearby for prospective wind power projects. Once these have been identified, wind monitoring stations are established and data on wind speed and direction is collected and processed over time at various heights in a particular location. The Group uses the data collected by CWET to conduct its own wind resource mapping activities in areas, which it believes may be suitable for wind farms. Once the Group is satisfied with the suitability of an area, its Associate Companies, SRL, Shubh Realty (South) Private Limited and Shubh Realty (Gujarat) Private Limited, undertake land acquisition activities. The Group supplies customers with WTGs, including rotor blades and towers, which are installed and commissioned by SISL, a subsidiary of the Company. This activity was being carried out by an Associate Company, SIL, up to March 31, 2007. Operations and maintenance services for wind farms developed by the Group and its Associate Companies (excluding REpower) are provided by SISL.

The current major wind farm projects the Group and its Associate Companies (excluding REpower) are developing and/or operating include:

Name of the site	**MW as of September 30, 2007**
Vankusawade, Maharashtra	205.35MW
Brahmanwel,Dhule, Maharashtra	656.85MW
Dhalgaon, Sangli, Maharashtra	248.10MW
Kutch, Gujarat	253.75MW
Soda Mada, Rajasthan	127.50MW
Sankeneri, Tamil Nadu	497.25MW
Devarkulam , Tamil Nadu	196.25MW
Palladam, Tamil Nadu	219.50MW
Kapthgudda, Karnataka	143.25MW
Sogi / Jajikalgudda, Karnataka	95.00MW

The Group has, over the years, built up extensive local expertise in wind resource mapping throughout India and in identifying suitable sites for wind farms. The services the Group provides include:

- *Planning of wind farms.* Planning wind farms includes identifying suitable sites based on wind resource data collected by the Group from both government sources and from its own independent studies, inspecting the sites, calculating capacity levels, analysing project feasibility and the availability of power transmission facilities.

- *Land acquisition.* The land used for setting up wind power projects may be private land revenue land (Indian Government owned) or forest land. Private lands are purchased directly from the owners and in the event such land is agricultural land such land is converted into non-agricultural land if so required by the Indian Government. In case of land owned by the Indian Government, it is made available by the respective state governments on long-term lease or out right sale basis as per the prevailing policies of the relevant State Government. Certain State Governments like Gujarat and Rajasthan, have special policies for allotment of revenue lands for wind power projects. The land so allotted can also be transferred to third parties, such as the Group's customers, through either a lease or a sub-lease.

  Certain Associate Companies acquire suitable sites from private owners that the Group has identified and undertake to provide such sites exclusively to its customers. This involves extensive negotiations with the landowners, particularly in the case of privately-owned land and can involve litigation between the Associate Company and private landowners in which the Group may be named as parties.

  The Company entered into an agreement dated June 11, 2005 for services with SRL, whereby SRL has agreed to acquire or lease such land suitable for setting up windfarm projects as identified by the Company and exclusively offer such land to be transferred/leased to the Company or its customers as per the directions of the Company. Under the agreement, in consideration for SRL acquiring windfarm land and exclusively offering such land for transfer at the option of the Company, SRL is entitled to receive sales consideration which is the aggregate of all costs incurred by SRL for the acquisition of such windfarm land in a year and a commission amounting to 11.0 per cent of such costs incurred by SRL.

- *Development and technical design of wind farms.* The Group's services include micrositing, which involves the identification (through the use of sophisticated computer models) of the exact locations where a WTG will be installed taking into consideration the requirements of distance between two WTGs. Micrositing helps maximise land utilsation at each suitable site and assists in optimising power generation at each site.

- *Infrastructure development and installation of WTGs.* The construction and development of infrastructure for entire wind farms is undertaken by the Group. These activities include building of approach roads, evacuation facilities such as transmission lines to the nearest sub-stations (in some cases sub-stations as well) and levelling of land for WTG tower foundations as well as installation and commissioning of the WTGs. The Group also undertakes power evacuation activity. Some of these activities related to wind farm site development and installation and commissioning of WTGs was earlier being carried out by an Associate Company, SIL, up to March 31, 2007. However, with effect from April 1, 2007, these activities are being undertaken by SISL.

- *Operation and maintenance services.* The Group offers O&M services for its WTGs, which include round-the-clock remote and on-site monitoring, maintenance and repair of the WTGs. The Group's service package includes preventive and planned maintenance of WTGs, transformers and related structures. The Group also provides free repair and maintenance services for periods generally ranging from one to three years after WTG commissioning.

Through SISL, the Group also provides O&M services to WTG customers in India, pursuant to agreements with terms ranging from as short as one year to as long as 17 years, with the typical term being from three to five years. These agreements are usually entered into once the free repair and maintenance period the Group offers has expired. As part of its O&M services, the Group provides a warranty on machine availability, which ranges from 95 to 97 per cent depending on the agreement reached with the customer, as well as warranties relating to the maximum allowable percentages of reactive power and transmission losses. After the initial operations and maintenance agreement period expires, the Group encourages customers to renew their service agreements with it, with a view to servicing the WTGs throughout their entire 20-year life cycle. Customers are charged an annual maintenance fee per WTG that includes preventive maintenance and repair services, as well as the cost of spare parts up to a certain amount.

Prior to fiscal year 2005, SISL was wholly-owned by members of the Promoter Group and operations and maintenance services for the Group's WTGs were subcontracted by the Group to SISL. In April 2004, the Company acquired a 100 per cent ownership interest in SISL from members of the Promoter Group for which the Company paid a total consideration of Rs.72.4 million. As such, beginning in April 2005, the Group's income from sales also includes fees for operation and maintenance services provided to its customers, which are provided after the expiration of the free operation and maintenance period which the Group provides to purchasers. Fees for operations and maintenance services are generally calculated as a fixed sum per WTG purchased by the customer and payable either on a monthly, quarterly, semi-annual or annual basis, depending on the terms of the operation and maintenance agreement separately entered into with the customer.

For the fiscal years ended March 31, 2005, 2006 and 2007, revenues from O&M services contributed 1.10 per cent 0.65 per cent and 0.62 per cent respectively, to the Group's total revenues, or Rs.213.79 million, Rs.251.55 million and Rs.494.81 million. For the half-years ended September 30, 2006 and 2007 revenues from O&M services contributed 0.59 per cent and 1.31 per cent respectively, to the Group's total revenues of Rs.186.85 million and Rs.731.76 million.

Services - International

Internationally, the Group sells its products along with O&M training and project execution supervision. In addition, it has started to provide integrated services in certain international markets depending on prevailing market conditions. It also provides O&M services on a project-specific basis in certain international markets.

Manufacturing Facilities

The following tables set forth information regarding the Group's existing and proposed manufacturing facilities and the installed capacity of each of these facilities.

Indian Manufacturing Locations:

Location	Product	Installed Capacity[1]	Commencement of operations (fiscal year)
India:			
Diu	WTGs	100[(2)]	1996-97
Daman	WTGs	300[(2)]	1999-00
Daman	Rotor blades for WTGs	420[(3)]	2001-02
Pondicherry	WTGs	720[(2)]	2003-04
	Rotor blades for WTGs	790[(3)]	2003-04
Daman	WTGs	120[(2)]	2003-04
Maharashtra	Rotor blades for WTGs	300[(3)]	2005-06
	Generators	1,000[(4)]	2005-06
	Tubular towers	40,000[(5)]	2006-07

Location	Product	Installed Capacity1	Commencement of operations (fiscal year)
Gujarat	Rotor blades for WTGs	200(3)	2006-07
	Tubular towers	42,000(5)	2004-05
Overseas Manufacturing Locations:			
United States	Rotor blades for WTGs	288(3)	2006-07
Tianjin, China	WTGs	480(2)	2006-07
	Rotor blades for WTGs	480(3)	2006-07
Belgium	Gearboxes	1,800(6)	1939(7)

Notes:

(1) The installed capacities disclosed in the above table are variable and subject to changes in product mix and utilisation of manufacturing facilities, given the nature of the group's operations.

(2) Number of WTGs.

(3) Number of sets of rotor blades.

(4) Mega-watt capacity.

(5) Metric tonnes.

(6) Number of gearboxes.

(7) The Group acquired the facility in May 2006.

The Group also plans to establish/expand a number of facilities over the next few years, as set out in the table below:

Location	Product manufactured/activity	Commencement/ expected commencement of operations
India:		
Karnataka	WTG and Rotor Blades Unit	First quarter of fiscal year 2009
Kutch, Gujarat	Tower Unit	Second quarter of fiscal year 2009
Vadodara, Gujarat	Forging and machining	Second quarter of fiscal year 2009
Coimbatore	Foundry and machining	First quarter of fiscal year 2009
Coimbatore	Generators	Second quarter of fiscal year 2009
Coimbatore	Panel	First quarter of fiscal year 2009
Coimbatore	Gearboxes	Second quarter of fiscal year 2009
Vadodara, Gujarat	Testing centre for composites	Fourth quarter of fiscal year 2008
International:		
Belgium	Expansion of existing gearbox facility	First quarter of fiscal year 2009
China	Gearboxes	Second quarter of fiscal year 2009

On October 23, 2007, the Company announced that it had expanded its capital expenditure plans to meets its continued growth into new and existing markets. Plans for the proposed integrated WTG manufacturing facility are being scaled up from 1,500 MW to 3,000 MW, taking the global capacity to 5,700 MW when complete.

The Group plans to invest approximately Rs.26,000 million for these capital expenditure plans in India (excluding Hansen's gearbox expansion plans and the testing centre at Vadodara, Gujarat).

The Group has commenced construction of a rotor blade testing facility in Vadodara, which will be the first of its kind in Asia. At present, only a small number of such facilities exist in Europe and the United States. The Group plans to enter into a technical collaboration with Knowledge Center WMC. The facility will be capable of conducting complete life cycle tests on rotor blades, static tests and is expected to develop advanced types of non-destructive testing methods. The capital expenditure in establishing this facility is expected to be approximately Rs.300 million.

Manufacturing units in Daman and Pondicherry are currently eligible for various fiscal incentives.

Given the (a) size of the potential market for WTGs in China, (b) requirements that a certain percentage of a Chinese WTG project's components be sourced from Chinese-based manufacturers and (c) the cost of shipping WTG components from India, the Group has also constructed an integrated WTG manufacturing facility in Tianjin, China that manufactures WTGs and key components such as rotor blades, nacelle covers and control panels. In Minnesota, United States, the Group has constructed a rotor blade manufacturing facility so as to reduce the costs associated with the outsourcing and/or shipping of this key WTG component and to ensure timely supply of WTGs to customers. The Group also has manufacturing facilities for gearboxes in Belgium, through its recently acquired subsidiary, Hansen.

The Group's strategy is to backward integrate production for all of the key components of WTGs. Currently, the Group has the capacity to manufacture rotor blades, control panels, nacelle covers, tubular towers, generators and gearboxes. In March 2005, the Group began manufacturing a portion of its tubular tower requirements through its 75 per cent-owned subsidiary, Suzlon Structures. The Group also manufactures a significant portion of its generator requirements through its 75 per cent-owned subsidiary, Suzlon Generators. In May 2006, the Group completed the acquisition of Hansen and has recently begun sourcing a limited part of its gearbox requirements from it. The remaining components and various small parts are sourced from outside manufacturers either on a purchase order basis or pursuant to negotiated supply agreements. The Group also sources raw materials for rotor blade manufacturing, such as glass fibres, foam and epoxy resin, from outside suppliers. The Group expects to continue to source a portion of its tubular tower, generator and gearboxes requirements from outside suppliers.

Sales and Marketing

In India, the Group has an extensive sales and marketing division that reports to the Group's head office in Pune. Internationally the Group's WTGs are sold primarily through its international sales and marketing team based in Denmark, Suzlon Energy A/S. The WTGs are supplied by SEL to respective subsidiaries in various countries (excluding India and China which manufactures its own WTGs) and they are further sold to the ultimate customers by those subsidiaries. Suzlon Energy A/S is the international marketing headquarters of the Group.

India

The Group has divided the Indian market according to the states where it has identified suitable sites for wind energy projects, specifically Maharashtra, Gujarat, Rajasthan, Tamil Nadu, Karnataka, Madhya Pradesh, Andhra Pradesh and Kerala. Marketing for each state is under the supervision of a senior management executive. The Group also has sales offices in key cities such as Pune, Bangalore, Chennai, Coimbatore, Hyderabad, Ahmedabad, Rajkot, Surat, Jaipur, Calcutta, Mumbai, Indore and New Delhi.

The marketing team focuses on four types of customers: (a) companies that have manufacturing units with high power consumption; (b) companies with high profitability and/or surplus liquidity that seek investment opportunities with stable returns and that offer tax benefits; (c) power utilities and state nodal agencies; and (d) foreign companies selling "Carbon Emission Receipts". These potential customers are contacted by the Group's marketing team, introducing them to the Group and the potential benefits of wind power. The Group's team conducts regular follow-up calls and visits and provide potential customers with detailed working and feasibility studies regarding wind power projects. From time to time, the Group also obtains customers through participation in tenders by utilities, state nodal agencies and public-sector entities. As part of its standard practices, the Group also conducts credit checks and reviews the balance sheet of each potential customer in order to ensure that it has the financial capacity to acquire and operate WTGs.

As at October 22, 2007 the Group has agreements to supply 285 WTGs with 368.50 MW capacity to various customers in India. The Group's order book comprises indicative orders it has received from customers but are pending execution. However, there can be no assurance that the orders will not be cancelled or reduced.

International Markets

The Group is currently expanding its presence internationally, with an emphasis on the United States, Europe, China, South America and Australia/New Zealand. The Group's target customers include: (a) companies interested in investing in renewable energy sources; (b) utilities; (c) wind energy project developers; and (d) in the United States, municipalities, schools and cooperatives interested in establishing captive power facilities. As at October 22, 2007 the Group has agreements to supply 2,882 MW capacity to international customers.

The international markets are managed, supported and controlled by the international Marketing & Sales headquarters, Suzlon Energy A/S ("SEAS"), in Denmark. As at March 31, 2007 SEAS employed 46 people in management, finance, technical support, procurement and project management.

United States

In 2001, the Group incorporated Suzlon Wind Energy Corp. ("SWECO"), subsidiary of SEAS, in order to establish a presence in the United States, which is among the top three wind energy markets in the world in terms of cumulative installations. As at March 31, 2007, the Group employed 143 people in marketing, sales, projects and services for the United States.

The Group intends to focus on establishing ongoing business relationships with a core group of key customers, strategic investors and financial investors, with a view to gaining access to wind power projects that these entities propose to undertake, as well as securing exclusive WTG supply agreements with these entities. The Group focuses its direct sales efforts in three main geographic areas: the Midwest, the South (Texas and Oklahoma,) and the West (California), which will allow it to concentrate on utilities and independent service operators in areas that it believes have growth potential. The Group may also offer customers assistance in obtaining project finance and also provide technical services relating to the installation, O&M of WTGs.

As at October 22, 2007 the Group has agreements to supply 919 WTGs with 1920.55 MW capacity for wind power projects to be located in the states of Texas, Missouri, Illinois, Iowa and Minnesota in the United States. The Group's order book is comprised of orders it has received from customers but are pending execution. As such, there can be no assurance that the orders will not be cancelled or reduced or result in revenues or that the Group will receive payment as per the term agreed for any such orders.

Europe and South America

The European and South American markets are managed by Suzlon Wind Energy A/S ("SWEAS"), a subsidiary of SEAS. The following markets are of particular strategic focus: Portugal, Spain, Italy, Greece and Brazil as they constitute growth markets within the world's largest market for wind power. The Group has established marketing and project offices as subsidiaries of SWEAS in the above-mentioned countries. The Group may also offer customers assistance in obtaining project finance and also provide technical services relating to the installation, EPC and O&M of WTGs. As at October 22, 2007, the Group has agreements to supply 278 WTGs with 583.80 MW capacity for wind power projects in Europe and Brazil. The Group's order book is comprised of orders it has received from customers but are pending execution. As such, there can be no assurance that the orders will not be cancelled or reduced or result in revenues or that the Group will receive payment as per the term agreed for any such orders.

China

The Group has opened a representative office in Beijing, which employed 41 people in sales, marketing and project management as of March 31, 2007. As of December 31, 2006, China was among the top ten nations in terms of installed wind power capacity according to the BTM 2007 Report. The Chinese government is encouraging development of renewable energy sources and has declared its intention to generate 10 per cent of its electricity from renewable energy sources by 2020. The Group has also incorporated a local subsidiary, Suzlon Energy (Tianjin) Limited and constructed a fully-integrated WTG manufacturing facility in China with an annual capacity of 600 MW which commenced operating in July 2006. As the energy market in China is currently dominated by state-owned utilities, the Group expects that these state-owned utilities and their subsidiaries will be its primary customers. As at October 22, 2007 the Group has agreements to supply 102 WTGs with 142.50 MW capacity for wind power projects in China. The Group's order book is comprised of orders it has received from customers but are pending execution. As such, there can be no assurance that the orders will not be cancelled or reduced or result in revenues or that the Group will receive payment as per the term agreed for any such orders.

Australia and New Zealand

Marketing activities in Australia and New Zealand are conducted by Suzlon Energy Australia Pty. Ltd., a subsidiary of SEAS, which employed 21 people in marketing, sales, projects and services as of March 31, 2007. The Group believes that both Australia and New Zealand have substantial renewable energy resources, including wind. The Group may also offer customers assistance in obtaining project finance and provide technical services relating to the installation, EPC and O&M of WTGs. As at October 22, 2007 the Group has agreements to supply 112 WTGs with 235.20 MW capacity for wind power projects in Australia. The Group's order book is comprised of orders it has received from customers but are pending execution. As such, there can be no assurance that the orders will not be cancelled or reduced or result in revenues or that the Group will receive payment as per the term agreed for any such orders.

Customers

The following overview illustrates the Group's WTG and gearbox sales (by MW and value) in its most important sales markets for the periods indicated:

	For the year ended March 31,						For the half-year ended September 30,			
	2005		2006		2007		2006		2007	
	Million (Rs)	MW	Million (Rs)	MW	Million (Rs)	MW	Million (Rs)	MW	Million (Rs)	MW
India	19,361.38	507.7	35,304.68	882.55	41,693.25	954.6	15,583.10	386.15	20,570.24	364.10
Europe	-	-	-	-	16,363.46	10.5	6,540.07	-	9,578.85	54.60
United States	63.44	-	3,105.62	81.15	16,517.48	374.35	8117.13	180.40	15,683.51	383.05
China	-	-	-	-	3,142.93	100	83.00	2.50	2,405.97	81.25
Others	-	-	-	-	2,140.18	16.8	1,235.77	14.70	7,620.67	117.60
Total	**19,424.82**	**507.7**	**38,410.30**	**963.7**	**79,857.30**	**1,456.25**	**31,559.07**	**583.75**	**55,859.24**	**1,000.60**

The Group's customers in India are primarily: (a) companies that have manufacturing units with high power consumption; (b) companies with high profitability that seek investment opportunities with stable returns; (c) power utilities and state nodal agencies; and (d) foreign companies selling "Carbon Emission Receipts". Customers of the Group in India include Bajaj Auto, Reliance Energy, DLF, Tata Power and British Petroleum.

In the international markets, the Group's first international order was to supply 24 WTGs with 22.80 MW of total installed capacity for DanMar and Associates Inc., which developed a wind farm project in the state of Minnesota in the United States. International customers of the Group include NeoAnemos srl (Italy), Techneira S.A (Portugal), Unison (South Korea), John Deere Credit (United States), Edison Mission Group (USA), SIIF Energies do Brasil Ltda (Brazil) and Australia Gas & Light (Australia).

Recent significant sales orders for the Group include:

- A contract with Horizon Wind (Houston, Texas) for a total of 400 MW of wind turbine capacity. The contract includes the supply of 95 units of the S88-2.1 MW in 2008 and 95 units in 2009. Suzlon is also contracted for operations, maintenance and service of the WTGs for two years with an option for an additional five;
- A contract with PPM Energy (Portland Oregon) for a total of 700MW of wind turbine capacity. The contract calls for delivery of 300 MW capacity in 2008 and 400 MW capacity in 2009. Suzlon is also contracted for operations, maintenance and service of the WTGs for two years with an option for an additional five;
- A contract with Tierra Energy (Austin, Texas) to provide 42 units of the S88 2.1 MW wind turbine for projects in Wyoming and Texas;
- A contract with the Turkish company, Ayen Enerji Co. Inc, for an order for 15 units of Suzlon´s S88 - 2.1 MW turbines to supply 31.5 MW of wind turbine capacity;
- A contract with DLF Limited, one of India's leading infrastructure development companies, for an order of 100 units of the S82 - 1.5 MW WTGs to supply 150 MW of wind turbine capacity;
- A contract with Renewable Power Ventures Pty Ltd. (Australia) for an order of 63 units of Suzlon's S88 V3-2.1 to supply 132.30 MW of wind turbine capacity; and
- A contract with Bons Ventos Geradora de Energia S.A. (Brazil) for an order of 75 units of Suzlon's S88 2.1 to supply 157.50 MW of wind turbine capacity.

As at October 22, 2007, the Group had international orders with customers in United States, China, Australia, Portugal, Italy and Brazil, Spain and Turkey to supply 1,411 WTGs amounting to 2,882.05 MW to be supplied in fiscal years 2008, 2009 and 2010.

For the fiscal years ended March 31, 2005, 2006, 2007 and the half-year ended September 30, 2007, the Group's single largest customer contributed 10.10 per cent 6.13 per cent 13.00 per cent and 15.56 per cent, respectively, to the

Group's revenues, or Rs.1,962.4 million, Rs.2,353.20 million, Rs.10,383.10 million and 8,692.78 million. During each of the fiscal years ended March 31, 2005, 2006, 2007 and half-year ended September 30, 2007, the Group generated 25.93 per cent 21.11 per cent 35.83 per cent and 51.70 per cent, respectively, of the Group's revenues, or Rs.5,037.41 million, Rs.8,109.39 million Rs.28,615.24 million and Rs.28,880.60 million, from its ten largest customers (excluding its top customer).

Quality Control and Product Certification

The Group's policy is that all design and manufacturing facilities and operations and maintenance services should be certified as ISO 9001:2000 by Det Norske Veritas. Therefore, all of the Group's operations are certified or in the process of obtaining such certification. The Group's WTG models are generally designed for a 20-year life cycle.

The Group's WTGs are also designed to meet the standards set by independent international agencies such as Germanischer Lloyd ("GL") or the International Electrotechnical Commission. Once the Group has completed a WTG design, the design is usually presented for type approval and certification in accordance with the Certification of Wind Energy Conversion Systems laid down by GL. The Group also endeavours to obtain WTG certification from CWET - an autonomous body attached to the Indian Ministry of New and Renewable Energy Sources - which was associated with the Risø National Laboratory, another internationally-recognised WTG certification agency. Type tests are conducted on the Group's WTGs by internationally accredited, independent agencies such as Deutsches Wind Energie-Institut ("DWEI") GmbH, Germany Windtest, Germany or the Centre for Wind Energy Technology, India. The rotor blades also undergo extensive static and fatigue tests conducted by blade testing centers such as the Technical University of Delft. Typically, the type approval and certification process would take anywhere between nine to fifteen months. The Group is also in the process of establishing a rotor blade testing centre in Vadodara.

Details of the WTG certificates held or applied for as at November 26, 2007 are contained in the following table:

Type	Rating	Hub	Agency	Certificate No.	Validity	Status / Remarks
S33	350kW	50 m (60)	C-WET	PTC II-002-R2	November 24, 2005	In process of renewal
S52	600 kW	75 m	GL	TC-GL-020-2007	November 7, 2009	Available
S64	1250 kW	56 m	GL	TC-GL-003A-2007	December 31, 2007	Available
S64	1250 kW	65 m	GL			Available
S64	1250 kW	65 m	GL			Available
S64	1250 kW	75 m	GL			Available
S64	1250 kW	75 m	DNV	CPN-2153-1	- NA-	Available
S66	1250 kW	65 m	GL	TC-GL-019-2007	October 31, 2008	Available
S66	1250 kW	75 m	GL			Available
S70	1250 kW	75 m	GL	TC-GL-002A-2007	December 31, 2007	Available
S82	1500 kW	78.5 m	GL	TC-GL-003A-2007	March 31, 2008	Available
S88	2100 kW	80 m	GL	TC-GL-001A-2007	February 6, 2009	Available
S88	2100 kW	80 m	DNV	IEC DE 215401	- NA-	Available
S88	2100 kW	80 m	GL	TC-GL-011A-2007	June 21, 2009	Available

During the course of the type certification process, WTG design, prototype performance and systems are independently assessed and verified, which assists in providing assurance to customers regarding the design, performance and safety of the Group's WTGs. Further, banks and other financial institutions often require type certification for the WTGs that the Group's customers propose to acquire to provide financing to its customers for their purchases. In quite a few cases, however, the Group is allowed to sell few of its WTGs on a "self-certification" basis.

As of the date of this Placement Document, the Group has obtained CWET type certification and Germanischer Lloyd certification for several of its WTG models, including for the 1.25 MW, 1.5 MW and 2.10 MW WTGs models.

Logistics

The dimensions and weight of WTG assemblies are such that their delivery can be a considerable logistical challenge. These challenges, particularly in terms of transport vehicles and the condition of transport routes, can create considerable problems, particularly in regions of India with less well developed infrastructure. As the Group's operations expand logistical challenges will increase particularly in regard to the shipping of WTG and WTG components. As a result, the Group conducts site suitability studies not only in terms of available wind resources, but also in terms of accessibility and presence of basic infrastructure. The costs of transport can make the delivery of the Group's MW and multi-MW WTG models substantially more expensive in certain regions.

Suppliers

The Group's strategy is to backward integrate production of key components. However, the Group still needs to purchase components such as gearboxes, generators, towers, bearings and castings from several different manufacturers. The Group has a strategy of procuring these components from manufacturers who have established themselves as suppliers of components that are compatible with its WTGs and meet its technical and quality standards, either on a purchase order basis or through negotiated supply agreements. In order to minimise the risk regarding availability of key components and of competition, the Group has entered into exclusive supply agreements with some of its suppliers, pursuant to which such suppliers have undertaken to maintain a minimum level of inventory to meet the Group's demand. The Group provides some suppliers with advances on orders, which range from 5.0 per cent and 25.0 per cent of the value of orders placed, depending on the supplier and the components involved. Otherwise, payment terms are usually on a letter of credit or documents against acceptance basis. For each of the fiscal years ended March 31, 2005, 2006 and 2007, on a standalone basis, the cost of imported raw materials as a percentage of SEL's cost of raw materials was approximately 49.88 per cent 54.53 per cent and 58.41 per cent respectively.

Raw materials for rotor blades, such as glass fibre, foam and epoxy resin are sourced from several suppliers, such as Kush Synthetics Pvt. Ltd., OCV reinforcement, DOW Chemicals, Aditya Birla Chemicals, Diab Australia Pty Ltd and Gurit Tianjin Composite Material Co Ltd. As these raw materials are in the nature of commodities, the Group is able to source them from other suppliers in the event its current suppliers cannot meet its manufacturing needs. The Group purchases rotor blades for its 0.35 MW WTG model solely from LM Glasfibre (India) Pvt. Ltd. The Group also sources castings from Jiangyin Jixin Machinery Co Ltd and Shanghai Electric Co., which are both located in China.

The chief supplier of tubular towers for India is Barakath Engineering Industries (P) Ltd., with whom the Group has entered into a five-year supply agreement for tubular towers. Gearboxes are currently supplied by Winergy AG and Winergy Drive System India (P) Ltd. However, the Group has recently begun sourcing a limited amount of its gearbox requirements from Hansen. The main supplier of generators and generator components is Siemens Ltd. of India, however, the Group also manufactures a significant portion of its generator requirements through its subsidiary Suzlon Generators. Suzlon Generators is a joint venture with Elin for the manufacture of slip ring generators required for WTGs. The Group provides management support and procurement services. ELIN is responsible for the initial start-up and commissioning of Suzlon Generator's manufacturing plant and providing the necessary technology and know-how required for the manufacture of slip ring generators. Elin is required to share technical information and raw material requirements to facilitate identification of the suppliers and vendors in India. The Group purchases gear rims and slewing rings from IMO Momentenlager GmbH, brake callipers from Svendborg Brakes A/S and yaw and pitch drives from Bonfiglioli Riduttori Spa, Bonfiglioli Getriebe GmbH and Bonfiglioni Transmissions (Pvt) Ltd. Castings for WTGs are purchased from several suppliers in India, including Patel Alloy Steel (P) Ltd., in each case on a purchase order basis. Castings are also sourced from China from Jiangyin Jixin Machinery Co Ltd and Shanghai Electric Co.

Suzlon Structures is a joint venture with the Kalthia Group for the design and manufacture of tubular towers, which are best suited for the higher and heavier WTG installations. The Group provides management support to Suzlon Structures while the Kalthia Group has operational responsibility for Suzlon Structures' manufacturing plant in Gandhidham, Kutch district in the State of Gujarat. Suzlon Structures commenced manufacturing of tubular towers in March 2005 and the Group procures a significant portion of its tubular tower requirements from Suzlon Structures.

As part of its strategy of increasing backward integration, the Group may from time to time evaluate the feasibility of entering into similar joint venture agreements with partners that have developed expertise in the manufacture of key WTG components.

The Group has acquired 100 per cent of Hansen which currently supplies WTG gearboxes to third parties and is also engaged in the business of industrial gearboxes. On May 9, 2006, AERH, a wholly-owned subsidiary of the Group, completed the purchase of 100 per cent of the share capital of Eve Holding N.V., Belgium for a consideration of

€ 431.43 million after having received all requisite approvals for the acquisition. The Group has 100 per cent ownership of Eve Holding N.V. and its wholly-owned subsidiary, Hansen, which is engaged in the business of design, development, manufacturing and supply of industrial and WTG gearboxes. The acquisition was financed by debt. The Group entered into a € 450 million facility with ICICI Bank Limited, State Bank of India, Deutsche Bank AG and Barclays Bank PLC for which the Company had provided its corporate guarantee as security (this facility has since been refinanced by the Acquisition Facility). This acquisition of Hansen will enable the Group to integrate gearbox technology into its total turbine solution, enabling the Group to produce more reliable and more cost competitive turbines in the market place.

Competition

The WTG market is characterised by strong concentration among a small group of manufacturers. In calendar 2006, approximately 95.7 per cent of the global market for WTGs, measured by installed capacity, was accounted for by only ten manufacturers, including the Group *(Source: BTM 2007 Report)*. The Group's primary competitors are the Danish manufacturers, Vestas Wind Systems A/S and Bonus Energy (which was acquired by Siemens), the U.S. manufacturer G.E. Wind (which acquired the WTG manufacturer Enron Wind Corp.), Spanish manufacturer Gamesa Eólica and the German companies Enercon GmbH, Nordex AG and REpower (See "-REpower Systems AG"). Based on annual installed capacity during 2006, the Group's market share is 7.7 per cent *(Source: BTM 2007 Report).*

In the Indian market, the Group's primary competitors include Indian subsidiaries of Vestas Wind Systems A/S and Enercon GmbH, Southern Windfarms and Vestas R.R.B India Ltd. Based on capacity installed during the calendar year 2006, the Group's share of the Indian WTG market is 52.3 per cent *(Source: BTM 2007 Report).*

Although the Group has recently acquired REpower, it will remain a competitor of REpower in key markets including Europe and United States.

Research and Development

The Group places great emphasis on continued research and development and undertakes its research and development activities primarily through its wholly-owned subsidiaries, SEG, AERH and Suzlon Windkraft GmbH.

SEG designs and develops the Group's new WTG models and focuses on upgrading and increasing the cost-efficiency of its existing WTG models. The Group's SEG team developed the design for its megawatt and multi-mega watt WTGs. SEG is also involved in customising the various WTG components to suit different climates. As of March 31, 2007, SEG employed a total of 38 people.

AERH is a holding company for its wholly-owned subsidiaries, AERT and SEBV. AERT designs and develops rotor blades, a critical component of WTGs and also designs the moulds and tooling used for rotor blade manufacturing. AERT has developed designs for rotor blades for 0.60 MW, 1.25 MW, 1.50 MW, 2.00 MW and 2.10 MW WTGs. Moulds and prototypes for rotor blades are designed by AERT, which are then built by the Group's engineering teams in India and used in its manufacturing facilities. AERT provides on-line support to the Group's mould, rotor blade and nacelle cover manufacturing units in India and conducts various training programmes in the Netherlands and in India for its employees. As of March 31, 2007, AERH employed a total of 47 people, including employees at AERT and SEBV.

Suzlon Windkraft GmbH and Suzlon Energy GmbH are both involved in the design and development of WTGs with the former focusing on the mechanical aspects and the latter focusing on the electronical aspects of design and development. In addition, the Group's has incorporated a wholly-owned subsidiary in Germany, SE Drive Technik GmbH, as a research and development subsidiary for the design, development and manufacture of WTGs and WTG components.

This company, although not currently active, is expected to undertake the design, development and manufacture of WTG components for the Group.

During the fiscal years ended March 31, 2005, 2006 and 2007, the total amounts paid for administrative and operating expenses of the Group's research and development subsidiaries in Germany and the Netherlands (including depreciation) were Rs.106.24 million, Rs.157.82 million and Rs.201.28 million, respectively. The total amounts accrued for the half-years ended September 30, 2006 and 2007 were Rs.70.50 million and Rs.105.88 million, respectively.

The Group is in the process of establishing together with REpower a global technology centre in Hamburg, Germany.

Intellectual Property Rights and Technical Know-How

The Group's application to the Registry of Trademark, Ahmedabad, for the registration of the Suzlon circle logo and WTG illustration has been completed and the Group is awaiting for the certificate of registration.

The Group is entitled to apply for registration of its product designs under the intellectual property laws of various countries. Other than in relation to Hansen, the Group has only made a limited number of applications for registration of any patents. As a result, its employment contracts, particularly those with certain of its employees who have special technical knowledge about its WTGs or its business, contain a general confidentiality undertaking. For employees of the Group research and development subsidiaries, the confidentiality undertaking extends for a specified period following the termination of employment. In addition to the confidentiality provisions, these employment agreements often contain non-competition clauses.

The Group also requires suppliers of key components to enter into non-disclosure arrangements to limit access to and distribution of its proprietary and confidential information.

Insurance

The Group maintains insurance coverage on all its office premises and its manufacturing units against fire, earthquake and certain other risks. In addition, the Group maintains transit insurance for the transport by rail or by road of all incoming raw materials and outgoing goods to and from locations in India and transit insurance for the transport by sea or by air for all incoming raw materials and outgoing goods from outside India to within India. This transit insurance includes damages that may be caused due to contingencies such as inland transit strikes, riots and civil commotion. The Group does not take out insurance cover during the installation of WTGs in India. In case of overseas marketing subsidiaries (subsidiaries of Suzlon Energy A/S, Denmark) the erection is covered under Erection All Risks ("EAR") policy for the period of erection subject to an outer date specified. If the owner / buyer is executing the erection works, the coverage is limited to cover in relation to the activities provided by Suzlon Energy e.g. supervision, test or commissioning. It also includes a full 24 month extended maintenance cover from the Take-Over-Certificate ("TOC") date.

All of the Group's insurance relating to office premises and manufacturing units in India and relating to the transit of goods contain "Agreed Bank Clauses'' which provide that any payments made under such policies are made to certain banks and financial institutions that have provided financing for the same.

The Group maintains insurance against any claim that may be made against each of its Directors and officers in their capacity as Directors while acting in that capacity.

The Group's insurance policies are generally for terms of one year.

Human Resources

The Group believes that a combination of its position as a leading wind energy solutions provider, its working environment and competitive compensation programmes allow the Group to attract and retain talented people. The Group believes its relationship with its employees is generally good. However, in the past the Group has occasionally experienced work stoppages of production facilities as a result of labour issues. In addition, there is currently a dispute with a past employee of AERT over the non-payment of certain incentives. See "Legal Proceedings" for further details. Other than the employees at the Group's operations and maintenance centres at Vankusawade, Dhule, Kutch, Nagda & Sangli and those employed by Hansen, none of its employees belong to a union.

The following table sets out the number of the Group's employees on a consolidated basis as of the end of the periods indicated:

	As of March 31,			As of October 31,
Total number of employees	**2005**	**2006**	**2007**	**2007**
Particulars				
Sales, Marketing & Business development & Corporate Affairs	70	131	469	523
Finance, Accounting, Audit and Legal	121	281	448	541
Production & Engineering	925	2,627	5,261	6,090
Purchasing and Imports	88	191	245	218
Human Resources and Administration	145	316	504	728
Projects and Operations & Maintenance	513	1,161	2,769	2,768
Research and Development & QA	97	466	802	976
Others	112	883	383	319
Total number of employees	2,071	6,056	10,881	12,164

The Group's compensation policy is performance based and the Group believes it is competitive with industry standards. The Group's compensation packages are adjusted annually based on industry salary correction, compensation surveys and individual performance. From time to time, employees who have met or exceeded performance standards are awarded bonuses. The Group also awards long-service bonuses to employees who have completed at least five years of service.

For employees forming part of the Group's operations and maintenance teams and who are based in remote wind farm sites, the Group provides residential, medical, recreational and communications facilities as part of the wind farm infrastructure.

During the fiscal years ended March 31, 2005, 2006 and 2007, employees' remuneration and benefits (including salaries, wages, allowances, incentives, bonuses, contribution to provident and other funds and staff welfare expenses) totalled Rs.617.79 million, Rs.1,215.88 million and Rs.6,495.90 million, respectively, corresponding to 3.14 per cent, 3.11 per cent and 8.04 per cent of total income during each such fiscal year. This increase was primarily due to the increase in the number of employees in Europe as a result of the acquisition of Hansen and higher salaries in Europe and the United States relative to India. Upward adjustments to employee wages are usually made during the first quarter of each fiscal year. The increase in fiscal year 2007 is mainly due to the acquisition of Hansen.

During the half-years ended September 30, 2006 and 2007, employee's remuneration and benefits (including salaries, wages, allowances, incentives, bonuses, contribution to provident and other funds and staff welfare expenses) totalled Rs.2,855.03 million and Rs.4,499.22 million, respectively, corresponding to 8.98 per cent and 7.92 per cent of total income during each such quarter.

The Company has instituted a stock option plan to reward and help retain its employees and to enable them to participate in the Group's future growth and financial success. The stock option plan includes provision for the grant of options to employees of SEL and the subsidiaries (except the Company's subsidiaries in the United States of America).The Company has granted stock options to eligible employees pursuant to the stock option plan. Pursuant to the stock option plan, the Company has granted 921,000 options to eligible employees. Under the terms of the stock option plan, 30 per cent of the options will vest in the employees at the end of the first year, 30 per cent at the end of the second year and the balance of 40 per cent at the end of third year from the date of the grant.

The shareholders of the Company have approved a new employee stock option scheme allowing grants of options to eligible employees of the Company and its subsidiaries. 103,900 options have been granted to eligible employees of the Company and its subsidiaries under this new scheme.

The Group's India-based employees' post-retirement benefits include a provident fund and a gratuity. Both the provident fund and the gratuity have been approved by the relevant statutory authorities. All India-based employees earning up to Rs.6,500 per month are entitled to provident fund benefits as laid down by Indian law. Each such employee makes monthly contributions to the plan equal to 12 per cent of the employee's basic monthly salary and the Group contributes a matching amount. The Group has no further obligations under the plan beyond the monthly contributions.

The Group also provides a superannuation scheme for India-based employees who earn more than Rs.6,500 per month. The Group makes monthly contributions to the plan equal to 10 per cent of the employee's basic monthly salary (27 per cent for employees at general manager level and higher). The Group has no further obligations under the plan beyond the monthly contributions. For this purpose the Group has taken a group superannuation policy with the Life Insurance Corporation of India. The policy provides for the payment of an annuity on the retirement, resignation or death of the employee. The amount of the lump sum is based on the employee's individual contribution with the Life Insurance Corporation of India.

The Group provides all its employees in India with group personal accident and life insurance. The Group also provides medical insurance coverage for all employees in India, including self, spouse and dependent children. The Group has also taken "key man" insurance for one of its directors and for one directors of its subsidiary companies.

Real Estate and Real Property

The Group's corporate headquarters is currently located at the Godrej Millennium, 5th Floor, 9, Koregaon Park Road, Pune 411 001. However, the Group is constructing a new Indian headquarters in Pune which will be completed during 2009 at an estimated total development cost (including land) of approximately Rs.3 billion. In addition, the Group's global management team has been based in Amsterdam since April 1, 2007. The Group's manufacturing facilities are located at Maharashtra, Gujarat, Diu, Daman and Pondicherry (India) and in Tianjin (China), Minnesota (United States) and Lommel (Belgium).

The Group has approximately 11 properties located across India that it uses for the purpose of its factories/units, out of which 10 are owned by the Group and one is leased. There are approximately 120 properties located across India that the Group uses as office premises/storage facilities, of which approximately 20 are owned by the Group and approximately 100 are leased. The Group owns the four properties located in China, United States and Belgium that it uses for the purpose of its factories/units. Further, the Group has approximately 45 leased international offices across the world. Additionally, the Group has leased approximately 23 properties across India for the purposes of wind farms and the Group has leased approximately 283 properties across India and one outside India for the purpose of guesthouses.

Safety, Health and Environmental Regulation

The Group is subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations governing its manufacturing processes and facilities. Such laws and regulations address, among other things, air emissions (particularly volatile organic compounds), waste water discharges, the generation, handling, storage, transportation, treatment and disposal of chemicals, materials and waste, workplace conditions and employee exposure to hazardous substances. The Group has incurred and expects to continue to incur, operating costs to comply with such laws and regulations. In addition, the Group has made and expects to make capital expenditures on an ongoing basis to comply with safety, health and environmental laws and regulations. While the Group believes it is in compliance in all material respects with all applicable safety, health and environmental laws and regulations, the discharge of raw materials that are chemical in nature or of other hazardous substances or other pollutants into the air, soil or water may nevertheless give rise to liabilities to the Indian Government or the relevant State Governments and Union Territories of in China, United States or Belgium where the Group's manufacturing facilities are located. In addition, the Group may be required to incur costs to remedy the damage caused by such discharges or pay fines or other penalties for non-compliance.

Product Warranties

The Group provides its customers in India which purchase its WTGs various types of warranties. These include an availability warranty, based on the percentage of time (generally 95 to 97 per cent) per year a WTG will be available and either (a) an absolute "unit" warranty ("performance guarantee"), which is dependent on consistent wind speeds as it is calculated on the total number of units of electricity that will be generated by the WTG subject to grid availability regardless of fluctuations in wind speed or (b) a power curve warranty, based on the number of units of electricity that will be generated by a WTG at different wind speeds. The performance guarantees are generally only provided in the Indian market. These performance guarantees generally extend for periods ranging from one to three years from the date a WTG is commissioned. In addition, the Group usually provides free O&M for the first year of operations. This cover may be renewed in subsequent years for a fee. In the international markets, the Group generally provides an availability warranty, a power curve warranty and product warranty as per the terms of the contract.

In India, during the year from April 1, 2007 to October 31, 2007, the Company received a total of 657 customer complaints, of which the Company has addressed 57 by way of replacements or repairs of major components, 2 by way of replacement of entire WTG, 196 by way of replacement of minor components during warranty period and 315 by way of other issues. The Company is in the process of evaluating the balance of 87 complaints.

The details of the generation claims from the Group's performance guarantee customers are as set out below:

	No. of claims			
	Year ended March 31,			Half- year ended September 30,
Nature of claim	**2005**	**2006**	**2007**	**2007**
Performance guarantees	22	63	117	95

For the years ended March 31, 2005, 2006 and 2007 and the half-year ended September 30, 2007 the Group paid customers Rs.57.36 million, Rs.230.43 million, Rs.632.31 million and Rs.475.53 million respectively, arising from performance guarantee claims. In May 2007, two customers of the Group claimed Rs.440.7 million with respect to a performance guarantee and the future shortfall in generation. See "Legal Proceedings".

Suzlon Energy A/S carries insurance coverage for claims arising from defects in construction, materials and manufacture, including warranty claims in respect thereof, for WTGs sold to customers outside of India.

The Group's Subsidiaries and Associate Companies

Domestic Subsidiaries

Suzlon Infrastructure Services Limited (formerly known as Suzlon Windfarm Services Limited which was formerly known as Suzlon Windfarm Services Private Limited), a wholly owned subsidiary of the Company, was incorporated on July 27, 1998 in the state of Gujarat. Its registered office is located at Godrej Millennium, 5th Floor, 9, Koregaon Park Road, Pune - 411001. It is engaged in the business of providing O&M services for WTGs and also development, installation and commissioning of WTGs and manufacturing of transformers.

Suzlon Towers And Structures Limited (formerly known as Suzlon Green Power Limited), a wholly owned subsidiary of the Company, was incorporated on January 25, 2000 in the state of Gujarat. Its registered office is located at "Suzlon", 5, Shrimali Society, Near Shri Krishna Complex, Navrangpura, Ahmedabad - 380009. It is engaged in the business of independent power projects and manufacturing and dealing in tubular towers for WTGs.

Suzlon Engitech Private Limited (formerly Sarjan Engitech Private Limited), a wholly owned subsidiary of the Company, was incorporated on May 3, 2001 in the state of Maharashtra. Its registered office is located at 3rd Floor, Sai-Hira, Mundhwa Road, Pune - 411 036. It is engaged in the business of manufacturing of WTG components.

Suzlon Generators Private Limited, a subsidiary of the Company, was incorporated on April 29, 2004 in the state of Maharashtra. Suzlon Generators Private Limited is a joint venture between the Company and Elin EBG Motoren GmbH, Austria, in which the Company owns 75 per cent of the equity. Its registered office is located at Gat No.339/3/1 & Plot No.A-20/1, Chakan Industrial Area, Village Mahalunge, Taluka Khed, Pune - 410 501. It is engaged in the business of manufacturing generators for WTGs.

Suzlon Structures Private Limited, a subsidiary of the Company, was incorporated on May 25, 2004 in the state of Gujarat. Suzlon Structures is a joint venture between the Company and the Kalthia Group in which the Company owns 75 per cent of the equity. Its registered office is located at "Suzlon", 5, Shrimali Society, Near Shri Krishna Complex, Navrangpura, Ahmedabad - 380009. It is engaged in the business of manufacturing tubular towers. Day-to-day operations are the responsibility of the Kalthia Group, but overall control rests with the Group.

Suzlon Gujarat Wind Park Limited, a wholly owned subsidiary of the Company, was incorporated on July 5, 2004 in the state of Gujarat. Presently its registered office is located at "Suzlon", 5, Shrimali Society, Near Shri Krishna Complex, Navrangpura, Ahmedabad - 380 009. It is engaged in the business of establishing windfarms projects.

Suzlon Wind International Limited, a wholly owned subsidiary of the Company, was incorporated on December 12, 2006 in the state of Karnataka. Its registered office is located at 806, Prestige Towers, 100, Residency Road, Bangalore - 560 025. It has been incorporated to engage in the business of manufacturing WTGs.

Suzlon Rotor International Limited, a wholly owned subsidiary of the Company, was incorporated on December 12, 2006 in the state of Karnataka. Its registered office is located at 806, Prestige Towers, 100, Residency Road, Bangalore - 560 025. It has been incorporated to engage in the business of manufacturing rotor blades.

Suzlon Towers International Limited, a wholly owned subsidiary of the Company, was incorporated on December 12, 2006 in the state of Karnataka. Its registered office is located at 806, 8th Floor, Prestige Towers, 100, Field Marshal K.M. Kariappa Road (Residency Road), Bangalore - 560 025. It has been incorporated to engage in the business of manufacturing tubular towers.

Suzlon Power Infrastructure Private Limited (formerly known as Suzlon Developers (South) Private Limited), a wholly owned subsidiary of the Company, was incorporated on June 10, 2004 in the state of Tamilnadu. Its registered office is located at 108, 2nd Floor, Srivari Gokul Tower, Race Course Road, Coimbatore - 641 018. It is engaged in the business of building infrastructure for extracting and transmitting of power from wind power projects.

SE Forge Limited, a wholly owned subsidiary of the Company, was incorporated on June 26, 2006 in the state of Gujarat. Presently its registered office is located at, 5, Shrimali Society, Navrangpura, Ahmedabad - 380 009. It is engaged in the business of forging and foundry.

Research and Development Subsidiaries

AE Rotor Holding B.V. ("AERH"), is a holding company of AE Rotor Techniek B.V. ("AERT") and Suzlon Energy B.V. AERT is a wholly-owned subsidiary of AERH engaged in research and development activities relating to rotor blade technology, a critical component of WTGs, including the development of moulds and tooling used for rotor blade construction. AERT has developed designs for rotor blades for the Group's 0.60 MW, 1.25 MW, 1.5 MW and 2.10 MW WTGs and coordinates its activities with the Group's rotor blade manufacturing team in India. Moulds and prototypes for rotor blades are designed by AERT, which are then built by the Group's engineering teams in India and used in its manufacturing facilities. AERT provides on-line support to the Group's mould, rotor blade and nacelle cover manufacturing units in India and conducts various training programmes in the Netherlands and in India for the Group's employees. Suzlon Energy B.V. was incorporated as a wholly-owned subsidiary of AERH for the purpose of marketing the Group's WTGs in the Netherlands. There is currently a dispute with a past employee of AERT over the non-payment of certain incentives. See "Legal Proceedings" for further details.

Suzlon Energy GmbH ("SEG"), is a wholly-owned subsidiary engaged in developing and launching new WTG models, as well as in upgrading and increasing the cost-efficiency of the Group's existing WTG models. SEG focuses on increasing energy generation at lower cost without sacrificing product quality. The Group has been able to develop and commercially manufacture its 0.60 MW, 1.25 MW, 1.50 MW and 2.10 MW WTG models through SEG. SEG is currently engaged in developing higher capacity, direct drive WTGs. SEG is also involved in customising the various WTG components to suit variations in climate.

SE Drive Technik GmbH, was incorporated on July 16, 2005 in Germany and is a wholly-owned subsidiary of AERH. This company although not currently active, is expected to undertake the design, development and manufacture of WTG components for the Group's WTGs.

Suzlon Windkraft GmbH, was incorporated on October 21, 2005 and was acquired by SE Drive Technik GmbH on January 18, 2006 as a wholly-owned subsidiary. It designs and develops WTGs of various models and employed eighteen people on December 31, 2006.

Overseas Managing and Demonstration Companies

AE Rotor Holding B.V. ("AERH"), is a holding company of AE Rotor Techniek B.V. ("AERT"), Suzlon Energy B.V., SE Drive Technik GmbH and Eve Holding N.V., Belgium. Eve Holding N.V., Belgium was acquired as a wholly-owned subsidiary on May 9, 2006 by AERH for a consideration of Euro 431.43 million and was the holding company of Hansen. In preparation for the listing of Hansen, AERH has recently begun the process for voluntary liquidation of Eve Holding N.V. All the shares of Hansen have been transferred from Eve Holding N.V. to AERH.

Windpark Olsdorf Watt GmbH & Co. KG, a joint venture between Suzlon Energy GmbH and Suzlon Windpark Management GmbH, is engaged in the business of setting-up and operating demonstration WTGs.

Suzlon Windpark Management GmbH, was incorporated as a wholly-owned subsidiary in Germany. This company has been incorporated to undertake the management of Windpark Olsdorf Watt GmbH & Co. KG.

Suzlon Energy Limited, Mauritius was incorporated on March 17, 2006 as a wholly-owned subsidiary, in Mauritius, to engage in the business of investment and holding as well providing turnkey solutions for the setting up of windfarm projects.

Suzlon Wind Energy Limited was incorporated in the United Kingdom, on April 7, 2006 as a wholly-owned subsidiary of Suzlon Energy Limited, Mauritius, to engage in the business of investment and holding.

Suzlon Windenergie GmbH was incorporated on December 4, 2006 and was acquired by the Group on January 12, 2007 and as at the date of this Placement Document is 100 per cent owned by SE Drive Technik GmbH. For more information, see "- Repower Systems AG".

Overseas Manufacturing companies

Suzlon Rotor Corporation, was incorporated on August 10, 2005 as a wholly-owned subsidiary, in the United States of America in order to reduce the logistics costs of supply of the Group's products to these markets. The company has commenced commercial operations of its manufacturing facilities for rotor blades in January 2007.

Suzlon Energy (Tianjin) Limited, was incorporated on January 4, 2006 as a wholly-owned subsidiary, in China in order to comply with the local regulations and to cater to the China market. The company commenced commercial operations of its integrated manufacturing facilities for WTGs, rotor blades, nacelle covers, control panels and generators in the second quarter of fiscal year 2007.

Hansen was acquired by the Group as a wholly-owned subsidiary in May 2006. On May 9, 2006, AERH completed the purchase of 100 per cent of the share capital of Eve Holding N.V. for a consideration of Euro 431.43 million after having received all requisite approvals for the acquisition. The acquisition was financed by debt. The Group entered into a € 450 million facility with ICICI Bank Limited, State Bank of India, Deutsche Bank AG and Barclays Bank PLC (which has since been refinanced by a new loan from ABN AMRO Bank N.V. and ICICI Bank Limited) for which the Company has provided its corporate guarantee as security.

Marketing Subsidiaries

Suzlon Energy A/S (Denmark) ("Suzlon Denmark"), is a wholly-owned subsidiary that has been incorporated as the Group's global headquarters for international marketing worldwide. It is a management company to all the overseas marketing subsidiaries of the Group.

Suzlon Wind Energy Corporation (USA) ("SWECO"), is a wholly-owned subsidiary of Suzlon Energy A/S that markets and sells WTGs in the United States. It has a wholly-owned subsidiary, Cannon Ball Wind Energy Park-I, LLC, which is not operating as of the date of this Placement Document.

Suzlon Energy Australia Pty. Ltd. ("Suzlon Australia"), is a wholly-owned subsidiary of Suzlon Energy A/S that was incorporated in January 2004 in order to give the Group a presence in the emerging Australian market for WTGs.

Suzlon Wind Energy A/S, Denmark, is a wholly-owned subsidiary of Suzlon Energy A/S, Denmark. It was incorporated in June 2006, in order to carry out marketing activities in Europe and Latin America. It also acts as a holding company to the Group's subsidiaries in the European and Latin American regions, engaged in marketing and selling WTGs in their respective countries. It has secured orders in Italy, Portugal and Brazil.

Suzlon Energy Italy Srl ("Suzlon Italy"), is a wholly-owned subsidiary of Suzlon Wind Energy A/S, Denmark. It was incorporated in November 2006, in order to undertake marketing and sales activities in Italy.

Suzlon Energy Portugal Energia Eolica Unipressol Lda ("Suzlon Portugal"), is a wholly-owned subsidiary of Suzlon Wind Energy A/S, Denmark. Incorporated in September 2006, its role is to undertake marketing and sales activities in Portugal.

Suzlon Energia Eolica do Brasil Ltda ("Suzlon Brazil"), is a wholly-owned subsidiary of Suzlon Wind Energy A/S, Denmark. Incorporated in September 2006, it undertakes marketing and sales in Brazil.

Suzlon Energy Korea Co., Ltd ("Suzlon Korea"), is a wholly-owned subsidiary of Suzlon Energy A/S, Denmark, which was incorporated in September 2006 to undertake marketing and sales activities in Korea.

Suzlon Wind Energy Espana S.L. is a wholly owned subsidiary of Suzlon Wind Energy A/S, Denmark, which was incorporated in 2007, to undertake marketing and sales activities in Spain.

Associate Companies

As a result of the successful acquisition, REpower is now an Associate Company of the Company. The Company (through its subsidiaries SWG and SE Drive Technik GmbH) currently holds 33.6 per cent of REpower's capital. The Company also controls or influences, through voting pool arrangements with Martifer and Areva, a further 52.9 per cent of the votes in REpower. Therefore, in aggregate the Group now controls or influences, either directly or through voting pool agreements, approximately 86.5 per cent of the votes in REpower. See " - Repower Systems AG".

Together with its Associate Companies, the Group offers integrated wind power solutions to customers in India. The Group does not hold any equity and/or preference interest in any Associate Companies. The Group does not have any ownership or exercise any control over the business activities of any Associate Companies, each of which is controlled by the Promoter Group. The Group provides financing to and guarantees the obligations of, its Associate Companies pursuant to arms' length transactions as set forth in the terms of agreements for services the Group has entered into with such Associate Companies. All loans and guarantees to Associate Companies are unsecured. As such, they are subordinated to the Group's secured third-party debt. As at March 31, 2007, outstanding loans and guarantees to the Associate Companies amounted to Rs.4,433.41 million and Rs.3.04 million, respectively. As at September 30, 2007, outstanding loans and guarantees to the Associate Companies amounted to Rs.Nil and Rs.Nil respectively. The Group also leases certain of its properties to its Associate Companies.

Sarjan Realities Limited ("SRL"), is primarily engaged in acquiring land for wind farm projects. After the Group has conducted wind resource assessments and land surveys of sites suitable for development of wind farms, SRL, at the Group's request, acquires land from owners either by way of purchase or lease. SRL then holds such land until a customer has executed a purchase order with the Group for supply of WTGs. Thereafter, SRL sells/leases/sub-leases portions of such land to such customers. Under the terms of an agreement for services between the Group and SRL, land acquired by SRL will be exclusively offered to the Group's customers.

Suzlon Infrastructure Limited ("SIL"), (formerly known as Aspen Infrastructures Limited) is primarily engaged in SEZ development. The activities relating to infrastructure development and installation of WTGs is now being conducted by a wholly-owned subsidiary of the Group, SISL, with effect from April 1, 2007, which were earlier being undertaken by SIL.

Shubh Realty (South) Private Limited is primarily engaged in acquiring land for wind farm projects in Southern India.

Shubh Realty (Gujarat) Private Limited is primarily engaged in acquiring land for wind farm projects in the state of Gujarat.

Members of the Promoter Group have also incorporated Samiran Jaipur Windfarms Private Limited, Samiran Jaisalmer Windfarms Private Limited, Samiran Jodhpur Windfarms Private Limited and Samiran Udaipur Windfarms Private Limited or collectively the "Samiran Associate Companies".

The Group has entered into capacity allocation agreements with SRL, SIL, the Samiran Associate Companies, Sunset Windfarms Private Limited and Samimeru Windfarms Private Limited (collectively, the "Windfarm Developers"). Under the terms of these agreements, the Windfarm Developers shall exclusively offer for sale or license, generating capacity and/or land allocated or obtained by the Windfarm Developers from state governments for the generation of electric power to the Group's customers or to the Group or to one or more of the Group's affiliates on such terms and conditions, including the consideration payable, as are negotiated on an arms' length basis. The Company has agreed to pay an annual exclusivity fee of Rs.10,000 per mega watt to the Windfarm Developers including all incidental expenses incurred by each of the Windfarm Developers in a year in relation to such transactions.

From time to time, the Group also enters into agreements to supply WTGs and WTG components to its Associate Companies and other members of the Promoter Group. It is the Group's policy to negotiate and enter into these agreements on an arm's-length basis.

Related Party Transactions

The Group has engaged in the past and is likely to in the future engage in, transactions with related parties. The Group believes that all transactions with related parties are on terms no less favourable to it than could have been obtained from unaffiliated third parties on an arm's length basis. For details of the Group's related party transactions, see note 13 and 14 to the financial statements for the year ended March 31, 2007 included elsewhere in this Placement Document.

REpower Systems AG

Background to acquisition of REpower

The Company indirectly holds 100 per cent of the equity shares of Suzlon Windenergie GmbH ("SWG"), which was set up as a joint venture vehicle between the Company and Martifer SGPS, S.A ("Martifer") for the acquisition of shares of REpower Systems AG ("REpower"), a German wind turbine producer. On February 9, 2007, SWG announced its intention for a tender offer for the entire outstanding share capital of REpower. The formal tender offer was submitted on February 28, 2007 (the "REpower Offer").

The initial offer from SWG followed an offer announced by Societ'e de Participation du Commissaria a' L'Energie Antomique ("AREVA"). Following further bids by both parties, on May 24, 2007, AREVA abandoned the bidding process and entered into a co-operation agreement ("Co-operation Agreement") with the Company and SEDT. See "-Co-operation Agreement". Following the REpower Offer, the Company held indirectly 33.85 per cent of REpower's share capital through its subsidiaries SWG and SE Drive Technik GmbH ("SEDT"). Through the exercise of a stock option plan of REpower in July 2007, the Company's stake was diluted to 33.6 per cent

The Group has paid approximately € 453 million for the aggregate number of REpower shares purchased or subscribed during the REpower Offer (excluding its obligations to Martifer and Areva). As a result of the entry into the Co-operation Agreement and the REpower Takeover Agreement (see below), the Company now controls or influences, through voting pool agreements with Martifer and Areva, a further 52.9 per cent of the votes in REpower. Therefore in aggregate the Group now controls or influences, either directly or through voting pool agreements, approximately 86.5 per cent of the votes in REpower.

The final offer of SWG of € 150.00 for each ordinary share values the total share capital of REpower of approximately € 1.35 billion, based on the outstanding share capital of REpower as at June 1, 2007 and such final offer price. The final offer of SWG represented a premium of 109.9 per cent on the average volume weighted share price of REpower for the three months immediately preceding the announcement of the initial AREVA offer. The acquisition of the REpower shares was financed by certain tranches of the Acquisition Facility. See "- Acquisition Facility". The Acquisition Facility was refinanced in part from the proceeds of the First Bonds and the Second Bonds.

REpower is currently operated as an entirely separate and independent entity from Suzlon as no 'domination agreement' has been signed. As a result Suzlon's rights as a minority shareholder will be the same as other minority shareholders until either a domination agreement is signed or the put/call options are exercised. In the meantime, REpower will continue to operate independently and will compete with the Group.

REpower Takeover Agreement

Martifer holds directly and indirectly through its 100 per cent owned subsidiary Martifer Energy Systems SGPS, S.A. ("Martifer Energy Systems") approximately 22.9 per cent of REpower's shares. On February 9, 2007, SWG, SEDT, Martifer, Martifer Energy Systems and SEL entered into a takeover, shareholders' and pooling agreement ("REpower Takeover Agreement").

The main purposes of the REpower Takeover Agreement include: (i) to agree on the major terms and conditions of the REpower Offer; (ii) to coordinate the exercise of voting rights attached to REpower Shares between SWG, SEDT, Martifer and Martifer Energy Systems following the fulfillment of the conditions of the Offer; and (iii) from May 26, 2009 to grant Martifer the right to sell and transfer its REpower shares and the REpower shares currently held by Martifer Energy Systems to SEDT and to grant SEDT the right to purchase and acquire the REpower shares held by Martifer and Martifer Energy Systems.

The purchase price for such REpower shares held by Martifer and Martifer Energy Systems prior to the signing of the REpower Takeover Agreement is € 150 per share. The purchase price for any REpower shares acquired by Martifer and Martifer Energy Systems thereafter conforms to the respective acquisition price but in any event does not exceed € 150. This amount shall be reduced by the dividends before tax distributed and paid in respect of REpower shares to be sold by Martifer and Martifer Energy Systems prior to the date the transfer becomes effective in accordance with the REpower Takeover Agreement.

Martifer has the right to require SEDT to purchase the REpower shares held by Martifer and Martifer Energy Systems in either one or two tranches. In the event of an exercise of such option, the purchase price shall be calculated in the same way as under the option of SEDT described in the preceding paragraph. In order to hedge the call option of SEDT, Martifer and Martifer Energy Systems have pledged their shares of REpower to SEDT. In addition, SEDT has delivered a bank guarantee pursuant to the Acquisition Facility for the payment obligations of SEDT under the Martifer put option.

Co-operation Agreement

The Co-operation Agreement between the Company, SEDT and AREVA governs the framework regarding the Company and AREVA´s shareholding in REpower. AREVA holds 29.9 per cent of REpower's share capital and under the Co-operation Agreement has committed to vote in accordance with the Company's directions subject to customary minority protection.

In addition, the Co-operation Agreement also provides that (a) within the period from May 12, 2008 until May 10, 2009, Areva may put its REpower shares to SEDT (b) after May 24, 2009 AREVA may put its REpower shares to the Company and (c) the Company has a right of first refusal as regards any other sale of REpower shares contemplated by AREVA after May 26, 2009. The price to be paid to AREVA would in certain cases be determined on the basis of an independent valuation of REpower shares. The Company has provided AREVA with a guarantee with respect to its payment obligations under the Co-operation Agreement for the put option, which has been supported by cash drawn under the Acquisition Facility.

Acquisition Facility

On February 9, 2007, ABN AMRO Bank, N.V., Singapore Branch as original lender entered into a € 1.575 billion credit agreement (as amended from time to time) with, among others, Suzlon Energy Limited (Mauritius), AERH and SEDT (all guaranteed by the Company) (the "Acquisition Facility") in order to assist with the financing of the REpower Offer. The Acquisition Facility provides for several tranches of debt which can be utilised for certain purposes including (i) the repayment of indebtedness relating to the acquisition of Hansen; (ii) payment of the purchase price and acquisition costs in relation to the REpower Offer; and (iii) general corporate purposes of the Group. The Company used approximately US$500 million from the proceeds of the First Bonds and the Second Bonds to refinance in part the Acquisition Facility. The aggregate purchase price for the aggregate 86.5 per cent interest in REpower is not expected to exceed the principal amount of the relevant tranches of the Acquisition Facility that have been allocated for the acquisition.

Group's intentions for REpower

The Executive Board and Supervisory Board of REpower see opportunities to establish a worldwide group for the development and production of WTGs in conjunction with the Group, thereby taking advantage of additional business opportunities. Further, they have stated that the two companies have strengths in different geographical regions which are expected to make synergies possible. In addition, the Group intends to support REpower by supplying certain components. The Group has also stated that:

- The Group intends to expand its existing technology activities in Germany, where most of the Group's research and development activities are already located. For this purpose, the Group together with REpower is in the process of establishing a global technology centre for wind power in Hamburg, Germany.
- The Group intends to build up a strong partnership and cooperation with REpower and its subsidiaries ("REpower Group").
- The Group intends to support the further business development of REpower by further strengthening its marketing, sales engineering and research and development team.

REpower's business

REpower is currently one of the leading WTG producers in the German wind energy sector. REpower focuses on the development, licensing, assembly, installation and service of multi-MW WTGs. REpower was founded in 2001 following the merger of BWU-Brandenburgische Wind und Umwelttechnologien GmbH, Jacobs Energie GmbH and pro + pro Energiesysteme GmbH & Ko. KG and is a stock corporation under German law with registered seat in Hamburg, registered with the commercial register at the local court of Hamburg under HRB 75543.

As at January 2007, REpower was the third largest manufacturer of WTGs in Germany by market share. REpower also has a presence in many of the major growth markets for wind energy in Europe (France, Portugal, Italy, Spain, the UK and Greece) and the USA, in addition to Asia (including Japan, China and India) and Australia. In the period from January 1, 2006 to December 31, 2006, REpower installed and recognised income from 263 WTGs with a total output of 492 MW. This represents a year-on-year increase in installed output of approximately 34 per cent compared to 2005 (for the year ended December 31, 2005, REpower installed and recognised income from 201 WTGs with a total output of 366 MW).

During the period from January 1, 2007 to September 30, 2007, REpower installed or delivered 172 WTGs corresponding to a total capacity of 329 MWs and a total revenue of € 394.1 million (compared with € 297.4 million for the corresponding period in 2006). The break down of sales by WTG type for the period from 1 January to September 30, for 2007 and 2006 is set out below:

	Nine months ended September 30,			
	2006		2007	
WTG type	**Number**	**MW**	**Number**	**MW**
5 MW	2	10.0	1	5.0
MM 92	3	6.0	66	132.0
MM 82	121	242.0	61	122.0
MM 70	8	16.0	8	16.0
MD 77	44	66.0	35	52.5
MD 70	10	15.0	1	1.5
Total	**188**	**355.0**	**172**	**329.0**

As at September 30, 2007, REpower's order book increased by 41 per cent with registered purchase agreements for 609 WTGs and a total rated power of 1,223.0 MW (compared with 453 WTGs and a total rated power of 867.5 MW at September 30, 2006). The orders correspond to a potential value of approximately € 1.2 billion. Germany accounts for 15.5 per cent of the WTGs contained in the order book with overseas locations accounting for the remaining 84.5 per cent The breakdown of the order book by WTG type at September 30, 2007 and 2006 is set out below:

	Nine months ended September 30,			
	2006		2007	
WTG type	**Number**	**MW**	**Number**	**MW**
5 MW	2	10.0	9	45.0
MM 92	157	314.0	322	644.0
MM 82	144	288.0	226	452.0
MM 70	61	122.0	8	16.0
MD 77	89	133.5	44	66.0
Total	**453**	**867.5**	**172**	**1,223.0**

REpower's products and services

Unlike Suzlon, REpower historically has not manufactured the key components of its WTGs, such as towers or rotor blades. It maintains research and design control over key components and has strong relationships with third party suppliers who manufacture the key components to REpower's specifications. As a result, REpower has historically been dependent on these component suppliers. This was evident in the first half of 2007 where, due to a global shortage in WTG inputs (such as gearboxes), delays in the delivery of components resulted in delays in the installation and completion of WTGs. The Group expects that its investment in REpower will improve the availability of key components to REpower, due to improved relationships with suppliers and sourcing of components from the Group. REpower has recently begun designing and producing its own rotor blades for a number of its WTGs and is also planning to start producing its own bearings at a production facility in India. However, REpower does not anticipate any products being manufactured prior to the end of 2009.

REpower's product range comprises several models of WTGs, ranging from outputs of 1.50 MW to 5 MW. REpower also specialises in high output WTG technology suitable for offshore WTGs. The WTGs currently produced by REpower are as follows:

Type	Rated power	Rotor diameter	Power control	Speed	Range of application
5M	5.0 MW	126.0m	Pitch (electrical)	Variable	Onshore/ Offshore
MM92	2.0 MW	92.5m	Pitch (electrical)	Variable	Onshore
MM82	2.0 MW	82.0m	Pitch (electrical)	Variable	Onshore
MM70	2.0 MW	70.0m	Pitch (electrical)	Variable	Onshore
MD77	1.5 MW	76.5m	Pitch (electrical)	Variable	Onshore

During 2006, the research and development team continued to develop a 3.3 MW WTG designed for onshore locations. It is expected the 3.3 MW WTG will be commercially available from 2009. A 6 MW offshore WTG is also under development.

REpower intends to expand its offshore capabilities through the further development of its 5 MW and 6 MW WTGs. The Groups expects that the offshore sector is an area where REpower's advanced technology and quality products can be best utilised. Therefore, it expects offshore WTG sales to contribute a greater proportion to REpower's overall WTG sales in the future.

A focus on design and quality control at all stages of the development and assembly process is of key importance to REpower's business. The output of REpower's WTGs for similar rated models is greater than that of some of its competitors. According to REpower's management, WTGs have historically satisfied quality controls and power generation specifications. In addition, there have been no material claims by customers under the operating availability or power curve guarantees provided by REpower on all of its WTGs.

REpower undertakes the construction of windparks, including all of the necessary construction requirements for infrastructure, the planning and realisation of the network connection, the design and development of the electrical network technology, construction requirements for the infrastructure and in some cases, the evaluation of the potential location and the configuration of the windpark

REpower also provides a range of services in relation to its WTGs including technical maintenance and 24-hour remote monitoring. All of REpower's WTGs in Germany are connected to the "Permanent Monitoring System" which enables remote monitoring of all facilities from the service headquarters in Husum, Germany. REpower has established a network of service locations throughout Germany to provide effective service to wind farm sites. REpower's logistics system allows it to source the necessary spare parts and components and to install them on site at short notice.

REpower is not generally involved in land acquisition or wind farm development activities.

Production facilities

In Germany, REpower has existing production facilities in the port of Husum and the city of Trampe. It also operates development centres in Osnabrück and Rendsburg. REpower expects to begin production of its 5 MW offshore WTGs in two new production facilities at Bremerhaven and Osterrönfeld, Germany during 2008. In July 2007, REpower announced that it had signed a development agreement with the Osterrönfeld's local authority for the construction of production sites, an administrative building and a port suitable for the transportation of very heavy WTG components at Osterrönfeld.

Due to the large size of the 5 MW WTGs, transportation of completed WTGs can be expensive and cause logistical problems. REpower usually engages third-party contractors for the transportation of WTGs within Germany and overseas. In addition, REpower also uses mobile production sites for the assembly of its 5 MW WTGs. It is currently operating a mobile production site in Buttel, Germany for the construction of 5 MW WTGs for a wind farm on the site.

Outside of Germany, REpower has production facilities in China (operated by its joint venture REpower North (China) Co). REpower is currently planning to establish an assembly facility in Portugal as a consortium headed by Galp Energia and REpower won a bid for government tender in Portugal providing for a wind energy project with a projected capacity of 400MW.

Sales and marketing

REpower operates its sales and marketing division through decentralised teams in its key markets. Numerous subsidiaries and associated companies in France, Spain, Italy, UK, Portugal, Greece, Australia, China and USA represent REpower in the international markets. In China, REpower is also represented through its licensees Zhejiang Windey Engineering Ltd. and Dongfang Steam Turbine Works and in Japan through its sales partner Meiden (see "REpower's subsidiaries, joint ventures and partners" below).

Customers

REpower has a limited number of customers, which typically include utilities and power companies. Long term relationships exist with most of its major customers. Purchase agreements with customers typically include the provision of WTGs over a number of years. Frame agreements entered into with customers commit them to accept a certain number of WTGs within certain timeframes. Under the frame agreements, REpower commit to providing such WTGs at an agreed price. Details for specific projects and the required WTG specifications must then be notified to REpower within time periods specified in the framework agreement. Only notified projects are included in REpower's order book and not capacity included in frame agreements.

Suppliers and inputs

REpower attempts to retain at least three different suppliers for each key component. Long term relationships have been developed with key suppliers. As REpower undertakes all research and development, suppliers plan and cooperate with REpower to produce components at the required specifications. Before REpower enters into any supply arrangements with new suppliers, extensive testing and quality control is undertaken.

Some suppliers include price escalation clauses in their supply contracts. Where possible, price increases are passed on through price escalation clauses in purchase agreements with customers. However, REpower is not fully protected from price increases in key inputs.

As with Suzlon, key components for REpower's assembly process include rotor blades, generators, gearboxes, control panel and towers. Recently, WTG suppliers, including Suzlon and REpower, have experienced supply shortages of certain key components such as WTG towers and gearboxes due to inability of component suppliers to match the demand. In certain instances, this has also led to delay in supplying and commissioning of WTGs which delays the timing of booking of sales. This occurred to REpower in the first half of 2007 where delays in the delivery of key WTG components resulted in delays in the installation and completion of WTGs.

Competition

REpower's primary competitors are the same as those for Suzlon and include Vestas Wind Systems A/S, G.E. Wind, Gamesa Eólica, Enercon GmbH and Nordex AG.

The Group expects REpower to continue to compete directly with Suzlon in some key markets, including Europe and the United States.

Research and Development

Research and development is a core part of REpower's business. REpower believes one of its strengths is its advanced WTG technology. In order to maintain this advantage, research and development is focused on improving power and efficiency of the existing WTGs and in particular, improving and expanding REpower's offshore capabilities.

REpower is in the process of establishing together with Suzlon a global technology centre for wind power in Hamburg. The technology centre will not include the transfer of any existing technology or knowledge from either Suzlon or REpower and there is currently no specific product developments planned. It is expected that the technology centre will undertake advanced research on specific areas of WTG materials, construction and operations. Orders for research will be placed by either REpower or Suzlon and will be paid for by the requesting party.

Intellectual Property Rights

As at September 30, 2007, REpower had a total of 23 patents with respect to different details/aspects of WTGs, as well as two utility German patents for rotor blades. REpower is not currently involved in any disputes, nor is it aware of any pending action against it, relating to intellectual property disputes.

The technologies developed by REpower are also offered as licensed products. License agreements exist for the 1.5 MW WTGs MD70 and MD77 as well as for the smaller 48/600 and 48/750 WTGs, with the following licensing parties:

Licensor	Model	Location	Exclusivity	Term
Fuhrländer AG, Waigandsheim/Westerwald	MD70/MD77	Germany, Italy, Spain, Portugal, Brazil	No	Unlimited
Südwind Energy GmbH (Nordex-Gruppe), Norderstedt	MD70/MD77	Worldwide (with the exception of France, Luxembourg, Belgium and Japan)	No	Unlimited
Goldwind Science & Technology Stock & Co., China	48/600, 48/750	China	No	Unlimited
Zheijang Windey Technology Co., China	48/600, 48/750	China	No	Unlimited
Dongfang Steam Turbine Works, China	MD70/MD77	China	No	October 31, 2014

Human resources

REpower has offices in Germany in the cities of Hamburg, Rendsburg, Husum, Osnabrück and Trampe. Subsidiaries and associated companies in France, Spain, UK, Greece, Australia, China, Portugal, Italy and other countries represent REpower in the international markets.

As at September 30, 2007, the REpower Group had a workforce of 1,085 (compared with 740 as at September 30, 2006). A large proportion of the workforce are made up of technicians and engineers (65 per cent as at December 31, 2006).

REpowers relationship with its employees is good with a low turnover of staff and no incidences of employee strikes or work stoppages.

Litigation

The REpower Group is not a party to and none of its property is subject to, any pending legal proceedings which the Group considers to be potentially material to its business.

REpower's share capital and management

On October 1, 2007, the share capital *(Grundkapital)* of REpower as stated in the commercial register amounted to € 8,993,376 and was divided into 8,993,376 non-par-value bearer common shares *(Inhaber-Stammaktien)* with a calculated value in the share capital *(rechnerischer Anteil am Grundkapital)* of € 1.00 per share. REpower raised contingent capital *(bedingtes Kapital)* in the total amount of € 2,779,300 for (i) the issuance and satisfaction of stock options to members of the management board *(Vorstandsmitglieder)*, Managing Directors of subsidiaries and executives of companies of REpower Group and (ii) for the satisfaction of convertible bonds *(Wandelschuldverschreibungen)*. As per December 31, 2006 there existed a total of 259,300 stock options. In 2007, up to a further 235,000 stock options can be issued. 200,000 of the stock options can only be exercised from July 2008. In July 2007, 65,200 stock options issued within the framework of the stock option plan 2005 were exercised.

Pursuant to sec. 5(6) of the articles of association of REpower, the management board of REpower is authorised to increase the share capital, with the consent of the supervisory board, on one or more occasions by up to € 3,240,719 through issuance of up to 3,240,719 new shares against contribution in cash or in kind until 29 May 2011. The management board is authorised, with the approval of the supervisory board, to exclude shareholders' subscription rights on one or more occasions (i) insofar as this is necessary to exclude fractional amounts from subscription rights, (ii) the new shares are issued against contribution in kind or (iii) up to in total 10 per cent of the registered share capital at the date on which the authorisation is exercised for the first time if the new shares are issued against contribution in cash, provided that the issue price of new shares is not substantially lower than the market price of the listed shares of the same category on the date on which the issue price is finally determined or (iv) insofar as necessary to grant subscription rights for new shares to holders of conversion or option rights issued by REpower. REpower Shares are traded in the regulated market *(Geregelter Markt)* in the sub-sector Prime Standard at the Frankfurt Stock Exchange *(Frankfurter Wertpapierbörse)* under securities identification code ISIN DE0006177033 and over-the-counter (Freiverkehr) at the stock exchanges in Munich, Berlin-Bremen, Düsseldorf, Hamburg and Stuttgart.

Members of the management board of REpower are currently Prof. Dr. Fritz Vahrenholt (CEO), Pieter Wasmuth (CFO) and Matthias Schubert (CTO). REpower recently announced that Prof. Dr. Fritz Vahrenholt will withdraw from the day-to-day business as CEO by the end of 2007 and will move to the supervisory board. It is contemplated that Per Hornung Pederson will be appointed as CEO from January 1, 2008.

Members of the supervisory board of REpower are currently Bertrand Durrande, Dr. Jorge Martins, Dr. Hans-Joachim Reh, Oliver Heinecke, Alf Trede and Tulsi R. Tanti. On June 21, 2007, Tulsi R. Tanti was appointed as a new member of the Supervisory Board and was subsequently elected as Chairman of the Supervisory Board. Tulsi R. Tanti replaced Dr. Rolf Bierhoff who had earlier stepped down as a member of the Supervisory Board. REpower recently announced that Dr. Jorge Martins and Dr. Hans-Joachim Reh will resign from the supervisory board at the end of 2007. It is contemplated that Andre Horbach will join the supervisory board from January 1, 2008.

The supervisory board of REpower is subject to employee co-determination according to the One-Third Participation Act *(Drittelbeteiligungsgesetz)*, according to which one third of the supervisory board members of REpower are elected by the employees, whereas the other two thirds are elected by the shareholders at the general meeting of REpower.

REpower's recent announcements

Some recent developments relating to REpower include:

- the first-ever offshore REpower WTG was successfully installed at the end of August 2006 in the Moray Firth estuary, in the North Sea off the coast of Scotland. The first commercial offshore wind farm, Thornton Bank, will be established near the Belgian coast by the end of 2008. REpower will be delivering six 5 MW WTGs for the project. REpower is also providing six 5 MW WTGs to the first German offshore wind farm near Borkum.
- in July 2007, the Portugese government awarded the tender for a wind energy project with a projected capacity of 400MW to a consortium headed by the Portugese energy company, Galp Energia and which includes REpower Portugal and REpower amongst other companies. The implementation period of the tender is expected to be five years from 2008.
- in August 2007, REpower announced that it had signed a framework agreement with EPURON for the delivery of 80 WTGs (with a total capacity of 160 MWs) for wind farm projects in Germany, Italy, France and Australia.
- in October 2007, REpower announced that it's joint venture, REpower North (China) Co., Ltd., has been awarded a 150 MW capacity wind farm project in China's Shandong province.

REpower's subsidiaries, joint ventures and partners

As at September 30, 2007, REpower's subsidiaries which were consolidated in the interim results were:

	Group Share in the nominal capital (per cent)
Sales Corporations	
REpower Espana S.L., Spain	100
Repower S.A.S, France	100
Fernes Eoliennes de France, S.A.S., France	100
REpower Italia srl., Italy	100
REpower Australia Pty. Ltd., Australia	100
REpower Diekat A.E., Greece	60
REpower UK Ltd., U.K.	67
REpower USA Corp., USA	100

	Group Share in the nominal capital (per cent)
Wind farm project and operating corporations	
REpower Betriebs-und Beteiligungs GmbH, Germany	100
REpower Investitions- und Projektierungs GmbH & Co. KG, Germany	100
Windpark Großvargula Betriebs GmbH, Germany	100
Manufacturing facilities	
PowerBlades GmbH, Germany	51

Joint ventures in which REpower are currently involved include:

- REpower North (China) Co., Ltd is a joint venture established with North Heavy Industry Corporation and Honiton Energy in which REpower holds 50.01 per cent It is based in Baotou, China and has been established to take advantage of wind farm opportunities in China.
- PowerBlades GmbH is a joint venture with Abeking & Rasmussen (A&R) and has been established to produce offshore rotor blades developed by REpower. REpower and A&R have stakes of 51 per cent and 49 per cent respectively in the joint venture. The location of the blade factory will be in Bremerhaven and rotor blade production is scheduled to begin in mid-2008.
- REpower Portugal - Sistemas éolicos, S.A. was founded in June 2005 and is a joint venture between REpower and Martifer SGPS, S.A.. Both companies possess 50 per cent of the shares in REpower Portugal. REpower Portugal's operations will involve the construction and marketing of WTGs. The joint venture is headquartered in Portugal in the city of Oliveira de Frades near Porto.

REpower also has a number of partners outside Europe who sell REpower's technology in their domestic markets with a number of them also producing REpower WTGs under license. Key partners include:

- Meiden is a blue chip company in the Japanese electrical engineering sector which operates in four main areas: energy, the environment, IT and industrial systems. It markets REpower's multimegawatt technology in Japan.
- Zhejiang WINDEY Engineering Ltd. is a Chinese company formed by Zhejiang Institute of Mechanical & Electrical Engineering and Zhejiang Mech & Ele Group Ltd. Its business activities include production under licence and the sale of some of REpower's WTGs, plus technical development, erection and after-sales service.
- Dongfang Steam Turbine Works ("DFSTW") is one of the leading Chinese manufacturers of steam and gas turbines. In November 2004, a licence agreement was entered into between DFSTW and REpower for the production of certain WTGs.
- The Essar Group is one of India's largest industrial enterprises and operates mainly in the steel production, construction and power-plant construction industries. A licence agreement was entered into in 2006 which enables the Essar Group to produce REpower's 1.5 MW technology in India.

REpower's Recent Reported Financial Performance

The REpower Group's financial year is from January 1 until December 31. However, at the Extraordinary General Meeting of REpower which took place on October 17, 2007, shareholders resolved to change the financial year from April 1 to March 31. As a result, the three month period from January 1, 2008 to March 31, 2008 will be audited.

The financial statements for the years ended December 31, 2005 and 2006 and the interim financial statements for the nine months ended September 30, 2007 and 2006 are set out in full elsewhere in this Placement Document.

For the year ended December 31, 2005, REpower generated a total performance of € 335.1 million. For the year ended December 31, 2006, REpower achieved a total performance of approximately € 461.5 million with consolidated total assets as at December 31, 2006 of approximately € 408.7 million. REpower reported a consolidated net profit of € 7.1 million for the year ended December 31, 2006, compared to a consolidated net loss of € 6.8 million for the year ended December 31, 2005.

The half-year net operating result to June 30, 2007 for the REpower Group was significantly less compared to the corresponding period in 2006 due to higher expenses. In particular: (i) there was a significant increase in raw materials costs, (ii) staff costs increased due to an increase in the number of employees and (iii) depreciation of property, plant and equipment and amortisation of intangible assets increased as a result of higher investments and amortisation of development costs. This result has been partially offset as at September 30, 2007 due to a stronger third quarter. During the nine months ended September 30, 2007, REpower installed or delivered 172 sales-related WTGs corresponding to a total capacity of 329 MWs and a total performance of € 394.1 million (compared with € 297.4 million for the corresponding period in 2006). As at September 30, 2007, the order book increased by 41 per cent with registered purchase agreements for 609 WTGs and a total rated power of 1,223.0 MW (compared with 453 WTGs and a total rated power of 867.5 MW as at September 30, 2006).

The segment breakdown of revenue for the nine months ended September 30, 2007 and 2006 is set out below:

	Nine months ended September 30,	
	2007	**2006**
	€ (million)	
Germany	99.2	101.8
Outside Germany	273.8	190.8
Total	**373.0**	**292.6**

Hansen Transmissions

Hansen and its subsidiaries were acquired by the Group in May 2006. Hansen contributed approximately 23.24 per cent of the Group's total consolidated revenue and approximately 16.24 per cent of the Group's total consolidated net profit for the year ended March 31, 2007. The Group has recently begun sourcing a limited part of its gearbox requirements from Hansen.

The Group operates Hansen as an independent business unit and intends for Hansen to continue operating in the industrial gearbox sector.

Listing on the London Stock Exchange

Hansen listed its equity shares on the London Stock Exchange on December 11, 2007.

The net proceeds received by Hansen through the offer were approximately € 400 million after deducting fees and commissions and estimated offering expenses payable by Hansen.

Hansen plans to use the net proceeds primarily to fund the expansion of its manufacturing capacity through the construction of integrated manufacturing facilities in India and China. In particular, Hansen intends to spend approximately € 240 million of the proceeds to finance the construction of the plant in Coimbatore, India and approximately € 160 million of the proceeds to finance the China facility. In the short term, the proceeds of the offer may also be held by Hansen in cash or liquid investments but they will not be used by Hansen to repay any outstanding indebtedness.

In preparation for the listing, all the shares of Hansen have been transferred from EVE to AERH on November 16, 2007 and on November 26, 2007. The Company approved the dissolution of EVE which was put into liquidation on November 19, 2007. As part of the preparation for listing of Hansen and in accordance with a pre-existing agreement involving the managers, certain managers of Hansen have acquired 8,529 ordinary shares in Hansen. The shares were transferred by AERH to the relevant managers.

Products

Hansen focuses on the manufacture of sophisticated high performance standardised gearboxes for medium and heavy industrial applications that require specialised solutions For the half-year ended September 30, 2007 and the year ended March 31, 2007, 76.8 per cent and 79.4 per cent of Hansen's revenue respectively was derived from sales of gearboxes to WTG manufacturers.

WTG Gearboxes

Hansen's current WTG gearbox product is the Hansen W4. The Hansen W4 is a WTG gearbox for WTGs with a power range that varies between 1.5MW and 4.5MW. Transmission ratios vary from 46 and 120 and the Hansen W4 has a generator based rotor shaft torque of 1,000 to 4,000kNm. Most of Hansen's WTG gearboxes allow for access to some of the components of the gearbox within the nacelle, avoiding the need for disassembly. Hansen is also currently developing gearboxes with a capacity of up to 6MW.

Industrial Gearboxes

Hansen's industrial gearboxes are used in a range of specialist applications in industries such as the chemicals, energy, material handling, environmental, extraction, pulp and paper, steel and metal, food and beverages and construction industries. Hansen's industrial gearbox product range consists of two series, the Hansen P4 and the Hansen M4.

Hansen also supplies drive package solutions for its industrial customers, comprising gearboxes, coupling, motors and housing.

Customers

WTG Gearboxes

Hansen's primary customer base consists of WTG manufacturers who supply end-users within the wind energy utilities industry and WTG developers with completed WTGs. The global WTG market is very concentrated and Hansen has ongoing business relationships with contracted or anticipated future deliveries of gearboxes to five of the world's seven largest gear-driven WTG manufacturers (by MW supplied). Hansen has agreements in place with Vestas, Gamesa, Siemens Wind and the Company and is currently working with REpower on product development. These five manufacturers together accounted for a majority of the gear-driven market and the total WTG market in 2006 *(Source: BTM Report 2007)*.

Given the high demand for wind energy and WTGs, Hansen is currently capacity constrained and has as a result been limited in its ability to diversify its customer base. The recent addition and subsequent expansion of its Lommel plant in Belgium, coupled with its current expansion plans in India and China, is expected to enable Hansen to serve additional new WTG gearbox customers in these key regions and to take on additional orders from existing WTG gearbox customers. See "Risk Factors - Risks relating to Hansen".

Typically, Hansen enters into long-term supply agreements with its WTG gearbox customers for the supply of its products. These supply agreements have an indefinite term or vary in term between four and five years. They contain minimum sales commitments, either by reference to a fixed total amount of capacity or as a percentage of a customer's total capacity requirement for a specified period. Hansen is currently in negotiations with Vestas and Gamesa regarding their existing long-term supply agreements (in accordance with Hansen's policy of renegotiating its long-term supply agreements well in advance of their expirations). On the basis of these discussions, Hansen believes that Vestas may seek to reduce its reliance on Hansen over time and to reduce the total MW capacity provided by Hansen's WTG gearboxes as a percentage of its total requirements.

Some of Hansen's customers also have a limited right under their respective agreements to change the mix of products ordered. Pricing is fixed at the time of entering into the contract, although Hansen is, in certain cases subject to the prior consent of the relevant customer, able to adjust the price every six months or annually by reference to changes in labour and raw material price indices. Hansen typically provides a warranty to its WTG customers for a period of two years, with an option for the customer to purchase an extension of up to five years. After the expiration of the warranty period Hansen generally ceases to be liable for defects that could be found during regular inspections, but in some cases it remains liable for hidden defects as well as for serial defects, (i.e. identical defects affecting several products of the same design).

Industrial Gearboxes

In contrast to the WTG market, Hansen's industrial gearbox customer base is more diversified in terms of geographic spread as well as in terms of industries and applications. Hansen's customers are typically OEMs who incorporate Hansen's gearboxes and drive package solutions into their product offering to end-users and end-users who employ Hansen's gearboxes in their own processes.

Hansen does not generally enter into long-term supply agreements with its industrial customers. Whilst in some instances Hansen has supply agreements in place with its industrial customers, setting out the general terms of the relationship, it does not have any minimum sales commitments from its industrial customers, who are more typically supplied on the basis of one-off contracts for a specified product. Hansen typically provides a warranty of one year on its industrial gearboxes but remains liable for hidden defects after the expiration of the one year warranty period.

Competitors

Hansen believes that its principal competitors in the wind gearbox manufacturing sector are large-scale mechanical transmission equipment manufacturers such as Siemens (Winergy), Bosch Rexroth, Moventas, Echesa. Hansen also faces competition from smaller WTG gearbox manufactures. Currently, Hansen's customers and as a consequence, its competitors, are predominantly located in Europe given Europe's strong position in the wind energy market. In addition, Hansen also faces indirect competition from direct-driven or "gearless" WTG designs. Enercon is the principal WTG manufacturer employing this design.

In the industrial gearbox manufacturing sector, Hansen's principal competitors are David Brown/Textron, Falk/Rexnord, Moventas, Siemens (Flender) and Sumitomo Heavy Industries.

Sales and Distribution

Within the WTG sector, Hansen has long-standing relationships with its customers engaging with them at various levels from key account management, research and development, product design and manufacturing up to senior management. New business sale processes largely involve the conclusion of agreements to design and produce jointly a new customised gearbox for a customer for serial manufacture over a period of two to five years. Hansen covers its WTG gearbox customer base, which is primarily concentrated in Europe, out of Belgium with a key account management approach.

In the industrial sector, Hansen principally sells its products directly through its technically trained, proprietary sales force in Europe, Australia, Brazil, China, India, Japan, South Africa and the United States. Sales in regions with lower sales volumes are conducted through Hansen's third party distribution agent network covering over 32 countries. Hansen has entered into agreements with each of its regional distributors appointing them as distributors for its industrial gearboxes in respect of specific territories. These distributors sell Hansen industrial gearboxes in combination with other industrial drive package components and the majority of Hansen's agreements with its distributors include non-compete provisions in favour of Hansen. Distributors generally order Hansen's products on the basis of orders already received from end-users.

Service and After-Sales Support

Hansen offers its industrial customers high quality after-sales support through its service centres, distribution network and in-house technical teams. In the case of WTG gearboxes, these are currently serviced and repaired at Hansen's facilities in Belgium. Hansen's proposed facilities in China and India have been designed to also comprise internal repair and service departments for WTG gearboxes, as well as mobile service teams for on-site repairs. Hansen's industrial gearboxes are serviced through its extensive international organisation and local distributors and agents with offices in Argentina, Australia, Belgium, Brazil, Chile, Colombia, France, Malaysia, the Netherlands, Peru, South Africa, Spain, Thailand the United Kingdom and the United States.

Hansen provides a warranty to its WTG customers for a period of two years, with the option to purchase an extension of up to five years. After expiration of the warranty period Hansen ceases to be liable for defects that could be found during regular inspections, but in some cases it remains liable for hidden defects as well as for serial defects, (i.e. identical defects affecting several products of the same design). In most cases, Hansen also provides a warranty to its industrial customers which is generally valid for one year from the date of delivery. In each of the past three fiscal years, Hansen's warranty costs have not exceeded 2.2 per cent of Hansen's total revenue during the years ended March 31, 2005, 2006 and 2007 respectively. Repairs outside the warranty period are chargeable to the customer.

Manufacturing Facilities

Hansen's existing main manufacturing facilities are located in Edegem and Lommel, both in Belgium and are supported by assembly facilities for the industrial gearbox sector in the UK, the United States, Australia, China and South Africa. Hansen is also undertaking projects to build fully integrated manufacturing facilities in Coimbatore, India and in China for the manufacture of WTG gearboxes.

Edegem, Belgium

Hansen's manufacturing facility at its headquarters in Edegem (total surface area of approximately 50,000 square metres and factory building of approximately 30,000 square metres) currently produces both WTG and industrial gearboxes. The facility includes research and development, engineering, manufacture, assembly and sales and service for Hansen's WTG and industrial gearboxes.

Lommel, Belgium

Hansen's dedicated WTG gearbox manufacturing facility at Lommel opened in May 2004. Designed for the serial production of highly specialised gearboxes, it is Hansen's primary WTG gearbox manufacturing facility. The facility also has a dedicated building for servicing up to three WTG gearboxes per day. At present Hansen's Lommel facility has a manufacturing output of 2,200MW per annum, but Hansen is currently in the process of expanding manufacturing capacity at this site.

Expansion Plans

Lommel, Belgium

Hansen is currently undertaking an expansion project at its Lommel facility to significantly increase the facility's manufacturing capacity from 2,200MW to 6,000MW. The project, which will increase the plant's size from 120,000 square metres to 183,600 square metres and increase the number of employees to approximately 800, commenced in 2006 and is expected to be completed in April 2008 at a cost of approximately € 180 million.

Coimbatore, India

Hansen has recently leased a site in Coimbatore, India, a Special Economic Zone from which exports are fully tax exempt and has begun a € 270 million project to build an integrated manufacturing plant for the manufacture of WTG gearboxes, modelled on its facility at Lommel, Belgium. The plant will cover a total surface area of approximately 220,000 square metres and a factory area of approximately 95,000 square metres and will employ more than 800 employees. Manufacturing at the site will primarily be focused on the important local and international WTG manufacturers located in the Asia and Pacific region. The site in Coimbatore, which will initially focus on the assembly of WTG gearboxes before ramping up to full manufacturing, is expected to have a yearly manufacturing capacity of 5,000MW by April 2011 with the first shipment expected to be made in September 2008.

China

Hansen is undertaking the construction of an additional manufacturing facility for the production of WTG gearboxes in China at an estimated cost of € 200 million. Hansen has shortlisted two potential regions for the facility, which will initially focus on the assembly of WTG gearboxes. The site is expected to commence assembly and testing of WTG gearboxes in September 2008 before ramping up to the full manufacturing process. It is expected that the site will have an annual manufacturing capacity of 3,000MW by April 2011, when it reaches its full manufacturing capabilities.

Assembly Facilities

In addition to its manufacturing plants, Hansen has assembly centres in Huddersfield (UK), Verona, Virginia (US), Melbourne (Australia), Boksburg (South Africa) and Tianjin (China) for its industrial gearboxes, employing a total of 70 people at September 30, 2007. The facilities also provide refurbishment and repair services, application engineering and full technical support services to Hansen's industrial customers. Hansen also has a service centre serving its industrial customers in Schoten, Belgium, employing 49 employees as at September 30, 2007.

Raw Materials and Components

The major raw materials and components used in Hansen's business are cast iron, steel and bearings and components for the drive packages offered to its industrial customers, which include motors, coupling and in some cases also emergency drives and electronic equipment. Hansen operates a multiple sourcing strategy and sources its raw materials and components from a number of third party suppliers so that it is not reliant on any one supplier for the supply of any of its raw materials or components. Hansen does not generally have long-term supply agreements with any of its raw materials suppliers. Whilst demand for such products from other third parties, in particular for bearings, is high, Hansen mitigates this by placing orders for periods of up to 18 months in advance. As Hansen prepares to expand its manufacturing operations in India and China, it is in the process of reviewing the sourcing of its raw materials and intermediate components from local markets to service these facilities. Hansen believes that it maintains good relationships with its suppliers and that it will be able to source a sufficient number of bearings from its existing suppliers to meet the needs of its new facilities and is currently negotiating commitments with certain of its bearings suppliers to increase supplies in the future.

Research and Development

Hansen's main research and development focus lies in the WTG gearbox segment, where its research and development team works in close co-operation with customers to ensure that Hansen's products are fully compatible with customers' specifications and that Hansen's processes are fully aligned to its customers' business needs. Hansen has in place joint product development programmes with its WTG customers to increase the capacity, efficiency and reliability of its products and to reduce the cost and weight per MW. Through such programmes and its experienced research and development team, Hansen aims to establish and maintain long-standing customer relationships. Independently, the research and development team also focuses on the optimisation of Hansen's manufacturing process in order to achieve a high production efficiency to provide timely and consistently high quality service to its customers.

Intellectual Property

Hansen believes that securing patent and other intellectual property protection in respect of its technology is important to its business and that its future performance will depend in part on its ability to obtain and maintain patents, to maintain confidential information and trade secrets and to avoid infringing third party intellectual property rights. The technology used by Hansen is protected through a combination of intellectual property rights owned by Hansen, such as patents and trademarks and procedures regarding confidential information.

Patents

Hansen has approximately 35 granted patents and 117 patent applications pending. Key patents to its wind energy business unit include conceptual patents leading to improved product performance as well as added functionality of it products through, for instance, a more integrated drive package lay-out. Key patents to its industrial business unit include, amongst others, a patent principally protecting both the Hansen P4 and Hansen M4 product range. Hansen uses patent surveillance services to detect third party applications to register patents in respect of its know-how and undertakes a formal programme of monitoring market activity to detect infringement at the earliest opportunity.

Trade Marks

Hansen owns a number of trade marks used in its business. Hansen strives to protect its brands and trade marks, including monitoring and taking appropriate action in respect of suspected infringements and seeking to register trade marks in countries in which the group may trade in the future.

Environment, Health and Safety

Hansen seeks to achieve high standards of environmental practice. Hansen is subject to environmental regulations in Belgium where it operates manufacturing facilities and in other countries where it has premises. These environmental laws and regulations regulate, among other things, the general environmental impact of its facilities on neighbouring land and individuals, discharges of pollutants into the air, water and land the use, storage and disposal of hazardous substances and wastes and the cleanup of contaminated properties.

Hansen is subject to various health and safety laws and regulations in the countries in which it has operations. Hansen is committed to ensuring that its employees are appropriately protected from health and safety risks associated with its operations. It pursues a policy of monitoring noise levels and ensuring that appropriate protective personal proactive equipment is used. Hansen believes that it complies in all material respects with the environmental and health and safety regulations and related licensing arrangements which apply to it and is not aware of any material recommendations by any relevant government ministry or local authority to improve its environmental record or practice.

Insurance

Hansen's major insurable risks are covered by insurance policies for property, business interruption, product and general liability and directors' and officers' liability. In relation to its products, Hansen has an insurance policy for product liability that covers damage and consequential loss to third party property, including first and third party recall. Warranty claims and repair costs, however, are not covered. Hansen will continue to seek to secure appropriate insurance coverage for these risks at commercially reasonable rates. Hansen also maintains policies in respect of health and safety at work.

Employees

The table below sets out the total number of people (full-time and part-time) employed by Hansen at the end of the fiscal years ended March 31, 2005, 2006 and 2007 and the six months ended September 30, 2007:

	As at March 31,			As at September 30,
	2005	**2006**	**2007**	**2007**
Research and development	99	103	129	106
HR, Corporate services, Finance and IT	167	201	239	304
Distribution	49	62	69	96
Operations	751	857	997	1,086
Total	**1,066**	**1,223**	**1,434**	**1,592**

Hansen expects to recruit approximately 1,400 additional employees for its Indian and Chinese facilities (approximately 800 for India and 600 for China) in the period from fiscal year 2008 to 2011. Hansen has already recruited 60 employees for the India facility, compared to 25 as at September 30, 2007 who are currently being trained in Lommel.

As at September 30, 2007, Hansen had 1,592 employees worldwide, including 1,358 in Belgium. The majority of the Hansen Group's employees in Belgium are unionised. At the Hansen Group's Belgium facilities, a collective bargaining process takes place every other year to determine the following year's pay and general conditions.

Litigation

Hansen is not, nor has it been, involved in any governmental, legal or arbitration proceedings during the past 12 months which may have, or have had in the recent past significant effects on the financial position or profitability of the Hansen Group, nor, so far as Hansen is aware, are any such proceedings pending or threatened.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Company's Articles of Association provide that the minimum number of directors shall be three and the maximum number of directors shall be 12. Currently, the Company has six directors. The Company may, subject to the provisions of the Articles of Association and the Companies Act, alter the minimum or the maximum number of directors by approval of its shareholders.

Not less than two-thirds of the total number of directors shall be elected directors who retire by rotation. At the Company's annual general meeting, one-third or such of the directors for the time being who are liable to retire by rotation, shall retire from office. A retiring director is eligible for re-election. The Company's Articles of Association permit certain financial institutions which are its lenders to appoint executive or non-executive directors to the Board while any amount is outstanding to them from the Company. The Company does not currently have any such appointees on the Board. The quorum for meetings of the Board is the higher of one-third of the total number of directors, subject to a minimum of two directors.

The following table sets forth details regarding the Company's Board of Directors as at the date of this Placement Document:

Board of Directors

Name	Age	Position
Tulsi R. Tanti(3)	49	Chairman and Managing Director
Girish R. Tanti(3)	37	Executive Director (International Business Development and HR)
Ajay Relan	53	Non-executive and Independent Director
Ashish Dhawan(1)(2)	38	Non-executive and Independent Director
Pradip Kumar Khaitan(1)(2)(3)	66	Non-executive and Independent Director
V. Raghuraman(1)(2)	64	Non-executive and Independent Director

Notes:

(1) Audit Committee Member

(2) Remuneration Committee Member

(3) Investors' Grievance Committee Member

The business addresses of the directors are set out in the following table:

Name	Address
Mr. Tulsi R. Tanti	Godrej Millennium, 5th Floor, 9, Koregaon Park Road, Pune - 411001
Mr. Girish R. Tanti	Godrej Millennium, 5th Floor, 9, Koregaon Park Road, Pune - 411001
Mr. Ajay Relan	Citibank N.A., Jeevan Vihar, Sansad Marg, New Delhi - 110001
Mr. Ashish Dhawan	ChrysCapital Investment Advisors (I) Private Limited, Suite 101, The Oberoi, Dr. Zakir Hussain Marg, New Delhi - 110003
Mr. Pradip Kumar Khaitan	Khaitan & Co., Emerald House, 1B, Old Post Office Street, Kolkata - 700001
Mr. V. Raghuraman	Confederation of Indian Industry, 249F, Sector 18, Udyog Vihar, Gurgaon - 122 015

Mr. Tulsi R. Tanti

Mr. Tulsi R. Tanti is the founder of the Company and been the Chairman and Managing Director since its inception in 1995. Under Mr. Tulsi R. Tanti's stewardship, the Company has ranked as the leading WTG manufacturer in India for the last eight consecutive years. Mr. Tulsi R. Tanti is a commerce graduate and holds a diploma in mechanical engineering. Mr. Tulsi R. Tanti is responsible for the overall strategic direction of the Company and has led the Company to rank among the top five of global wind turbine producers in terms of MW installations. Mr. Tulsi R. Tanti has received a number of awards in recognition for his leadership of the wind energy industry in India, his business achievements and stewardship of the renewable energy cause. These include:

- **"Hero of the Environment Award"** by TIME Magazine;
- **"Most Inspiring Entrepreneur Award, 2007"** by National Institute of Industrial Engineering (NITIE), Mumbai, India;
- **"Rajiv Gandhi Award 2007"** for the most successful Industrialist in India;
- **"Best Industrialist Award 2007"** by Nagar Road Industries Chamber Commerce & Agriculture, Pune, India;
- **"Ernst & Young Entrepreneur of the Year 2006"** award by Ernst & Young;
- **"India Business Leader Award 2006"** by the television channel CNBC TV18 in the category "The most promising entrant into the big league";
- **"Terialumni Award"** for outstanding "Entrepreneurship in Energy - Environment Technologies 2006" by The Terialumni Trust;
- **"Pioneer Award"** by the Solar Energy Society of India for his contribution to the promotion of renewable energy in India in 2006;
- **"Best Renewable Man of the Decade"** which is a lifetime achievement award from the Foundation of Indian Industry and Economists in 2005; and
- **"Champions of Composites Technologies"** award by Composite Centre International for his outstanding contribution in application of composites materials and development of composite technology in 2004.

Mr. Girish R. Tanti

Mr. Girish R. Tanti is one of the Promoters and a whole time director of Suzlon Energy Limited. He is the brother of Mr. Tulsi R. Tanti. He is a young entrepreneur with over 10 years of experience in business management. Mr. Tanti has played an active and crucial role at the strategic and operational level from the formation of Suzlon Energy Limited in 1995.

An engineer with a Master's in Business Administration from the UK, Mr. Girish Tanti played an active role in the growth of the business leading critical functions like identifying new business opportunities; fostering and managing international partnerships; global sourcing; sales and marketing; global human resource management; internationalisation of Suzlon's operations; developing and building Suzlon brand; and information technology initiatives like the SAP implementation.

Working towards the Company´s strategic decision to move from a promoter-driven organisation to one managed by non-promoter managers, Mr. Girish Tanti has handed over his executive responsibilities to the newly established group management team in Amsterdam and now works in a strategic, supervisory role as a mentor and member of the Board of Suzlon Energy Limited.

Mr. Ajay Relan

Mr. Ajay Relan is the Managing Director of Citigroup Venture Capital International in India and the former Chief Executive of Citicorp Securities & Investments Limited. He has had over twenty-five years of corporate and investment banking experience in India, Saudi Arabia, Tunisia and Switzerland. He has a MBA from the Indian Institute of Management, Ahmedabad and a B.A. Honours (Economics) from the St. Stephen's College, Delhi. He was appointed on board of the Company as a nominee of Citicorp International Finance Corporation Inc. on April 19, 2004. He ceased as a nominee on January 29, 2007 and was appointed as an Independent Director on board of the Company with effect from January 29, 2007.

Mr. Pradip Kumar Khaitan

Mr. Pradip Kumar Khaitan is a B.Com, LL.B., Attorney-at-Law (Bell Chambers Gold Medallist). He is a well-known lawyer and partner of Khaitan & Company, Advocates. He is a member of the Bar Council of India and Indian Council of Arbitration, New Delhi. His areas of specialisation are commercial and corporate laws, tax laws, arbitration, joint ventures, mergers and acquisition, restructuring and de-mergers. He was appointed on the Board of the Company with effect from August 25, 2004.

Mr. Vaidhyanathan Raghuraman

Shri V. Raghuraman is currently the Principal Advisor and a Chief Co-ordinator - Energy, Environment and Natural Resources of the Confederation of Indian Industry (CII) Energy Program. He is an internationally recognised specialist in energy management, energy efficiency, energy policy and related regulatory and technology issues. He is a Chemical Engineer by qualification and worked as a Deputy Director General of the National Productivity Council. Subsequently he served as a Secretary General of the Associated Chamber of Commerce and Industry (ASSOCHAM). He also served as the Chairman of South Asian Regional Energy Co-operation (SAREC). He was appointed on the Board of the Company with effect from October 29, 2005.

Mr. Ashish Dhawan

Mr. Ashish Dhawan holds a masters degree in Business Administration with distinction from Harvard University and holds a dual Bachelors Degree (B.S. / B.A.) in applied mathematics and economics from Yale University. He was appointed on the board of the Company as a nominee of Chryscapital III, LLC on August, 10 2004. He ceased as nominee on December 22, 2005 and was appointed as an Independent Director on board of the Company with effect from December 28, 2005. He also chairs the Company's Audit Committee.

Corporate Governance

The Company believes that it is in compliance with the requirements of applicable corporate governance regulations, including the listing agreement between the Company and the Indian Stock Exchanges (the "Listing Agreement") in respect of the constitution of the Board of Directors and Committees of the Board of Directors.

The Company believes that its Board of Directors is constituted in compliance with the Companies Act and the Listing Agreement. The Board of Directors functions either as a full Board or through various committees constituted to oversee specific operational areas. The Company's management provides the Board of Directors with detailed reports on its performance on a quarterly basis.

The Board of Directors is comprised of six Directors, two of which are executive directors and four of which are non-executive and independent directors. The Chairman of the Board of Directors is the Company's Managing Director.

Committees of the Board of Directors

Audit Committee

The Audit Committee, which was re-constituted on December 28, 2005 and comprises three members: Mr. Ashish Dhawan (Chairman), Mr. Pradip Kumar Khaitan and Mr. Vaidhyanathan Raghuraman, all of whom are non-executive independent directors. The committee secretary is Mr. Hemal A. Kanuga, the Company Secretary.

The scope and functions of the Audit Committee are as set out by Section 292A of the Companies Act and include:

1. oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditors and the fixation of audit fees;
3. approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
   (a) matters required to be included in the directors' responsibility statement to be included in the Board's report in terms of clause 2AA of Section 217 of the Companies Act,
   (b) changes, if any, in accounting policies and practices and reasons for the same,
   (c) major accounting entries involving estimates based on the exercise of judgement by management,
   (d) significant adjustments made in the financial statements arising out of the audit findings,
   (e) compliance with listing and other legal requirements relating to financial statements,
   (f) disclosure of any related party transactions,
   (g) qualifications in the draft audit report.

5. reviewing, with the management, the quarterly financial statements before submission to the Board for approval.

6. reviewing, with the management, performance of statutory, internal auditors and also adequacy of the internal control systems;

7. reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;

8. discussion with internal auditors regarding any significant findings and follow-up thereon;

9. review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;

10. discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

11. to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

12. to review the functioning of the "whistle blower" mechanism, if existing; and

13. carrying out any other function as is mentioned in the terms of reference for the Audit Committee.

Remuneration Committee`

The Remuneration Committee was formed on December 20, 2004 and was reconstituted on January 30, 2006. The Remuneration Committee comprises three members: Mr. Ashish Dhawan, Mr. Pradip Kumar Khaitan and Mr. Vaidhyanathan Raghuraman. The Chairman for the Remuneration Committee is decided by the Committee members from time to time.

The responsibilities of the Remuneration Committee include:

1. to review the overall compensation structure and related policies with a view to attract, motivate and retain employees;

2. the committee determines the Company's policies on remuneration packages payable to the Directors including pension rights, performance/achievement bonus and perquisites; and

3. consider grant of stock options to employees and review compensation levels in relation to other companies and the industry in general.

Investors' Grievance Committee

The Investors' Grievance Committee, which was formed on March 28, 2005 and comprises Mr. Pradip Kumar Khaitan (Chairman), Mr. Tulsi R. Tanti and Mr. Girish R. Tanti.

The responsibilities of this committee includes, among other things:

1. redressal of shareholder and investors complaints including but not limiting to transfer of shares and issue of duplicate share certificates, non-receipt of balance sheet, non-receipt of declared dividends, etc.; and

2. monitoring transfers, transmissions, dematerialisation, rematerialisation, splitting and consolidation of shares issued by the Company.

Risk Management

The Company has devised a formal risk management framework for risk assessment and minimisation. The Company has engaged a professional consultancy firm for the up-gradation of their risk management framework. The scope of the Audit Committee includes review of the Company's financial and risk management policies.

Shareholding of the Directors

The Company's Articles of Association do not require the Company's Directors to hold any qualification shares in the Company. As at September 30, 2007, the following Directors held Shares in the Company:

Name	Position	Beneficially Owned Number of Shares	Percentage of Shares Beneficially Owned
Mr. Tulsi R.Tanti	Chairman & Managing Director	23,076,000(1)	8.01
Mr. Girish R.Tanti	Whole-time Director (Executive)	35,816,400(2)	12.44
Mr. Pradip Kumar Khaitan	Non-Executive Independent Director	Nil	Nil
Mr. Ajay R. Relan	Non-Executive Independent Director	Nil	Nil
Mr. Ashish Dhawan	Non-Executive Independent Director	Nil	Nil
Mr. Vaidhyanathan Raghuraman	Non-Executive Independent Director	Nil	Nil

Notes:

(1) Includes 3,837,600 Shares (1.33 per cent) held by Mr. Tulsi R. Tanti as karta of Tulsi Ranchhodbhai HUF; 8,532,000 Shares (2.96 per cent) held jointly by Mr. Tulsi R. Tanti, Mr. Vinod R. Tanti and Mr. Jitendra R. Tanti; 8,514,000 (2.96 per cent) held by Mr. Tulsi R. Tanti as karta of Ranchhodbhai Ramjibhai HUF;

(2) Includes 12,600,000 Shares (4.38 per cent) held by Mr. Girish R. Tanti as karta of Girish Ranchhodbhai HUF.

Compensation of Directors and Executive Officers

The Company's non-executive Directors are each paid sitting fees as detailed in the following table for attending each Board and Audit Committee meeting for the year ended March 31, 2007 and for the six months ended September 30, 2007:

Name	Sitting fees (Rs.)	
	Fiscal 2007	Six months ended September 30, 2007
Mr. Ajay Relan	Nil*	Nil*
Mr. Ashish Dhawan	140,000	40,000
Mr. Pradip Kumar Khaitan	140,000	40,000
Mr. Vaidhyanathan Raghuraman	140,000	40,000

* Mr. Ajay Relan has expressed unwillingness to accept any sitting fees and hence is not paid any sitting fees.

Mr. Tulsi R. Tanti and Mr. Girish R. Tanti are paid annual remuneration of Rs.12,000,000 and Rs.4,201,896 respectively, in terms of separate agreements dated April 1, 2005 entered into respectively by them with the Company.

Borrowing Powers of the Company's Board of Directors

Pursuant to the approval of the shareholders of the Company by way of a postal ballot dated December 6, 2007, the Company's Board of Directors is authorised to borrow up to an aggregate amount not exceeding Rs.70,000 million over and above the aggregate of the paid up share capital and free reserves of the Company.

Key Managerial Personnel of the Group

The following key managerial personnel are permanent employees of the Group:

Mr. T. Sphere - Head of WTG Design (Germany)

Mr. Sphere has over twenty years of experience in the wind industry and has been associated with the industry from its early stages. He was one of the stakeholders of Sudwind which was later taken over by Nordex.

Mr. William Verheij - Head of Rotor Blade Design (Netherlands)

Mr. Verheij has over thirty years of experience in various engineering industries in the areas of blade designing and as project and operations manager.

Mr. Andre Horbach - Global Chief Executive Officer of the Group

Mr. Horbach has experience in the industrials and power business. In his last position at General Electric ("GE"), Mr. Horbach held the key responsibility of Chief Executive Officer and President for GE consumer and industrial (Europe, Middle East and Africa), a business that consists of a lighting business, an electrical controls and switch gear business and an appliances business, with an international team of over 16,000.

Mr. Per Hornung Pedersen - Chief Executive Officer of Suzlon Energy A/S (Denmark)

Mr. Pedersen has over twenty years of international experience, which includes 5 years of experience in the wind industry with NEG Micon. He is a specialist in corporate turnarounds, strategic work and building new organisations.

Mr. Erik Winther Pedersen - Chief Sales Officer - Suzlon Energy A/S (Denmark)

Mr. Pedersen has twenty-five years of international experience in project sales and project execution of which the last eight years are in the wind industry. Mr. Pedersen is a mechanical engineer.

Mr. Andris E. Cukurs - Chief Executive Officer of Suzlon Wind Energy Corporation (USA)

Mr. Cukurs has over twenty-two years of experience in engineering, construction and project management, with the last six years in the wind energy industry as Chief Executive Officer of NEG Micon's operations in the United States and Canada.

Mr. Paulo Fernando Soares - Chief Representative Officer - Suzlon Energy Limited, Beijing Representative Office

Mr. Soares has experience in wind power sector and is responsible for developing the Group's business in China.

Mr. Dan Kofoed Hansen - Vice President Sales & Marketing (Asia Pacific)

Mr. Hansen has eighteen years of experience in the international general contracting industry which includes ten years in the wind industry. In his former position with NEG Micon in Australia and the United States, Mr. Hansen secured approximately 300 MW of wind energy projects and entered into preliminary agreements for a further 1,000 MW potential in Australia. Mr. Hansen joined the Company in June 2004 to establish the Group in Australia and New Zealand.

Mr. Toine van Megen - Vice President - International Corporate Development

Mr. van Megen has over twenty-five years of experience in business development, strategy and management, which includes seven years of senior management positions in the wind energy sector. He has managed a range of international projects and businesses including township infrastructure projects and electrical utility services.

Mr. I. C. Mangal - Head - Marketing

Mr. Mangal is an engineer and has been with the Group for eight years. He has developed the Group's presence in the Indian growth markets of Gujarat, Rajasthan, Karnataka and Maharashtra.

Mr. Kirti Vagadia - Head - Finance

Mr. Vagadia is a chartered accountant with over twenty years of experience in the areas of finance, accounting, foreign exchange and taxation. He is a key member of the senior management team at the Group.

Mr. Sai Baba - Business Development and Marketing

Mr. Baba has an MBA from Denmark with over twenty-three years of experience. Mr. Baba has worked internationally with NEG Micon and has recently joined the Group in business development and marketing.

Mr. R. Sridhar - Head, Supply Chain Management

Mr. Sridhar has over twenty-three years of experience and is responsible for management of projects, global purchases, supply chain management and quality assurance.

Mr. T. Pradeep Kumar - Head - Technology

Mr. Pradeep Kumar has over twenty-nine years of experience and has worked with various high profile organisations, his last assignment being the Managing Director of Bajaj Ventures Limited.

Mr. Ivan Brems - Chief Executive Officer of Hansen Transmissions

Mr. Ivan Brems has over thirty years of experience in Engineering and Marketing.

Mr. Ranjitsinh Parmar - Director - Project Execution

Mr. Parmar has over twenty years of experience in infrastructure development and project execution and has been responsible for the implementation of multiple projects at the same time.

Mr. Patrick Walter Krähenbühl - Group Chief Finance Officer of the Group

Mr. Krähenbühl has more than fifteen years of experience in corporate finance, treasury & controlling and acquisitions and divestitures. He has completed his Masters in Economics & Computer Science. He worked with ABB Ltd. as Chief Financial Officer of Power Technologies & Power Systems Divisions, North America for the last three years.

Mr. Wim Dufourné - Chief Human Resource Officer

Mr. Wim Dufourné has twenty five years of experience in the field of human resource management in various companies.

Mr. Klaas Schuring - Vice President of AERT

Mr. Klaas Schuring has over fourteen years of experience in the field of aeronautics and eleven years of experience in the wind energy sector.

Mr. Shailesh Ghorpade - Head Strategy & Planning

Mr. Shailesh Ghorpade has sixteen years of experience primarily in consulting, financial services, planning and strategy and business excellence in various industries with over a year's experience in the wind energy sector. Mr. Ghorpade holds a master's degree in business administration.

Mr. Pieter Wasmuth - Chief Financial Officer of REpower Systems AG

Mr. Pieter Wasmuth having assumed the office of the Chief Financial Officer at REpower Systems AG since January 2005 and is responsible for controlling, finance and accounting, international sites organisation, logistics and purchasing as well as for maintenance and service.

Prof. Dr. Fritz Vahrenholt - Chairman of the Management Board of REpower Systems AG

Prof. Dr. Fritz Vahrenholt occupied key positions of councillor of state at the Environmental Authority of Hamburg and as chairman of the supervisory board of HEW. Dr. Vahrenholt is responsible for personnel, business development, sales and project management

Mr. Matthias Schubert - Member of the Executive Board of REpower Systems AG

Mr. Matthias Schubert has been a member of the executive board since April 2001 and is responsible for sectors technology, product development, the support centre as well as the offshore department. Mr. Schubert is an engineer in the field of fluid dynamics and a holds master's degree in aero-space engineering.

Mr. Alex De Ryck - Chief Financial Officer of Hansen Group

Mr. Alex De Ryck joined the Hansen group in 2004 as the Chief Financial Officer. Prior to joining the Hansen Group Mr. De Ryck has been the Chief Executive Officer of Esselte Belgium and Eldon Belgium, the Chief Financial Officer of the Dymo Group and the Eldon Enclosures Group and Finance Manager at Honeywell Europe.

Other than as is disclosed in this Placement Document, there have been no transactions during the current or previous audited financial year between the Group and any of the Directors and executive officers, which, because of their unusual nature or the circumstances in which they have been entered into, are or will be required to be disclosed in the Company's accounts or approved by its shareholders and there are no such transactions during an earlier financial year which remain in any respect outstanding or unperformed.

Employee Stock Option Plan

The Company instituted an employee stock option plan for 2005 (the "2005 Plan") for all eligible employees in pursuance of a special resolution approved by the shareholders at the extra-ordinary general meeting held on June 16, 2005 (the "Grant Date"). The 2005 Plan covers grant of options to specified permanent employees of the Company as well as its subsidiaries.

Pursuant to the 2005 Plan, the Company has granted 921,000 options to eligible employees at an exercise price which is 50 per cent of the issue price determined in the 2005 Initial Public Offering of the Company in accordance with SEBI Guidelines (i.e. Rs.510 per Share). Under the terms of the 2005 Plan, 30 per cent of the options will vest in the employees at the end of the first year, 30 per cent at the end of the second year and the balance of 40 per cent at the end of third year from the Grant Date:

Date of vesting	Proportion of vesting (percentage)
June 16, 2006	30
June 16, 2007	30
June 16, 2008	40

The employee stock options granted shall be capable of being exercised within a period of five years from the date of first vesting i.e. June 16, 2006. Once the options vest as set out in the table above, they are exercisable by the option holder and the shares arising on exercise of such options shall not be subject to any lock-in period. Further, in the case of termination of employment, all non-vested options will be cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed as mentioned above, failing which they will be cancelled.

During the year ended March 31, 2007, employees exercised their first vesting as a result of which 233,400 shares were allotted. Further, 25,000 options were cancelled as certain employees resigned from the services of the Company. The movement in the stock options during the period is set out in the following table:

Options outstanding at April 1, 2006	**889,000**
Granted during the year	Nil
Forfeited/cancelled during the year	25,000
Exercised during the year	233,400
Expired during the year	Nil
Options outstanding at March 31, 2007	630,600
Exercisable at the end of period*	32,100

* (included in options outstanding at March 31, 2007)

The Company has charged a sum of Rs.73.0 million (Rs.255 per option) being the intrinsic value of option under the 2005 Plan for the year ended March 31, 2007.

In terms of the employee stock option plan of the Company, 30 per cent of the 921,000 options granted vested in June 2007. During the period from April 1, 2007 to November 30, 2007, the eligible employees have exercised their options as a result of which 235,700 shares were allotted up to November 30, 2007. A further 7,700 options were cancelled as certain employees resigned from the services of the Company and / or its subsidiary companies.

The shareholders of the Company have approved a new employee stock option scheme allowing the grant of options to eligible employees of the Company and its subsidiaries. 103,900 options have been granted to eligible employees of the Company and its subsidiaries under this new scheme.

ORGANISATIONAL STRUCTURE AND PRINCIPAL SHAREHOLDERS

The Registered Office of the Company is at "Suzlon", 5, Shrimali Society, Near Shri Krishna Complex, Navrangpura, Ahmedabad 380 009, India and its corporate office is at Godrej Millennium, 5th Floor, 9 Koregaon Park Road, Pune 411 001, India.

The Company's Equity Shares have been listed on the NSE and the BSE since October 19, 2005.

The following table contains information as of September 30, 2007 concerning the ownership of the Company's Equity Shares by the Company's promoters and each person who beneficially owns 1 per cent or more of the Company's Equity Shares, as per the Company's knowledge:

Category of Shareholder	Number of Equity Shares	Total shareholding as a per cent of the total No. of issued and outstanding shares
Promoters and Promoter Group		
Promoters		
Indian Promoters		
Tanti Holdings Limited	26,065,800	9.05
Gita T. Tanti	12,902,400	4.48
Tulsi R. Tanti jointly with Vinod R. Tanti jointly with Jitendra R. Tanti	8,532,000	2.96
Tulsi R. Tanti as karta of Ranchhodbhai Ramjibhai (HUF)	8,514,000	2.96
Tulsi R. Tanti as karta of Tulsi Ranchhodbhai (HUF)	3,837,600	1.33
Tulsi R. Tanti	2,192,400	0.76
Foreign Promoters	-	-
Sub total (A)	**62,044,200**	**21.54**
Promoter Group		
Girish R. Tanti	23,216,400	8.06
Lina J. Tanti	14,036,400	4.87
Sangita V. Tanti	14,036,400	4.87
Rambhaben Ukabhai	13,036,400	4.53
Vinod R. Tanti as karta of Vinod Ranchhodbhai (HUF)	12,600,000	4.38
Girish R. Tanti as karta of Girish Ranchhodbhai (HUF)	12,600,000	4.38
Pranav T. Tanti	11,813,400	4.10
Nidhi T. Tanti	4,810,400	1.67
Jitendra R. Tanti as karta of Jitendra Ranchhodbhai (HUF)	3,837,600	1.33
Jitendra R. Tanti	2,489,400	0.86

Category of Shareholder	Number of Equity Shares	Total shareholding as a per cent of the total No. of issued and outstanding shares
Vinod R. Tanti	2,273,400	0.79
Brij J. Tanti through guardian Jitendra R. Tanti	12,083,400	4.20
Rajan V. Tanti through guardian Vinod R. Tanti	3,321,000	1.15
Trisha J. Tanti through guardian Jitendra R. Tanti	3,024,000	1.05
Sugati Holdings Private Limited	855,000	0.30
Sanman Holdings Private Limited	855,000	0.30
Suruchi Holdings Private Limited	855,000	0.30
Samanvaya Holdings Private Limited	855,000	0.30
Sub total (B)	**136,598,200**	**47.44**
Persons acting in concert	-	-
Sub total (C)	**-**	**-**
Total Promoter and Promoter Group Holding (A+B+C)	**198,642,400**	**68.98**
Non-Promoters Holding		
Banks, Financial Institutions, Insurance Companies	373,029	0.13
Foreign Institutional Investors (FIIs)	61,448,742	21.34
Mutual Funds/UTI	5,225,010	1.81
Private Corporate Bodies	1,193,815	0.41
Indian Public	19,050,775	6.62
NRIs	1,941,710	0.67
Clearing Members	99,502	0.03
Trusts	497	0.00
Total Non-Promoters Holding (D)	**89,333,080**	**31.02**
Grand Total (A+B+C+D)	**287,975,480**	**100.00**
Name of Persons belonging to the category "Public" and holding more than 1 per cent of the total No. of shares	**Number of Equity Shares**	**Total shareholding as a per cent of the total No. of issued and outstanding shares**
Europacific Growth Fund	9,334,100	3.24
Citicorp International Finance Corporation	9,036,029	3.14
Merrill Lynch International Investment Funds	6,247,811	2.17
Balrajsinh A. Parmar	4,192,200	1.46
Ranjitsinh A. Parmar	3,207,000	1.11
HSBC Financial Service Middle East Limited	2,891,149	1.00
Total	**34,908,289**	**12.12**

ISSUE PROCEDURE

Below is a summary intended to present a general outline of the procedure relating to the application, payment, Allocation and Allotment of the Equity Shares. The procedure followed in the Issue may differ from the one mentioned below and the investors are assumed to have appraised themselves of the same from the Company or Bookrunners. The investors are advised to inform themselves of any restrictions or limitations that may be applicable to them.

Qualified Institutional Placements

The Issue is being made in reliance upon Chapter XIII-A of the SEBI Guidelines through the mechanism of Qualified Institutional Placements ("QIP") wherein a listed company may issue and allot equity shares/fully convertible debentures/ partly convertible debentures or any other security (excluding warrants) on a private placement basis to Qualified Institutional Buyers ("QIBs") as defined in clause 2.2.2B (v) of the SEBI Guidelines.

The Company has applied for and received the in-principle approval of the Stock Exchanges under Clause 24 (a) of its listing agreements for the listing of the Equity Shares on the Stock Exchanges. The Company has also filed a copy of the Preliminary Placement Document with the Stock Exchanges.

Issue Procedure

1. The Issuer and the Bookrunners shall circulate serially numbered copies of the Preliminary Placement Document and the Application Form, either in electronic form or physical form, to not more than 49 QIBs.
2. The list of QIBs to whom the Application Form is delivered shall be determined by the Bookrunners at their sole discretion. Unless a serially numbered Preliminary Placement Document along with the Application Form is addressed to a particular QIB, no invitation to subscribe shall be deemed to have been made. Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person.
3. QIBs may submit the Applications through the Application Form during the Bidding Period to the Bookrunners.
4. QIBs will be required to indicate the following in the Application Form:
   a. Name of the QIB to whom Equity Shares are to be Allotted;
   b. Number of Equity Shares; \
   c. Price at which they are agreeable to apply for the Equity Shares, provided that QIBs may also indicate that they are agreeable to submit an Application Form at "Cut-off Price"; and
   d. The details of the dematerialised account(s) to which the Equity Shares should be credited.

   Note: Each sub-account of an FII will be considered as an individual QIB and separate forms would be required from each such sub-account for submitting Application Form(s).
5. Once the Application Form is submitted by the QIB, the same cannot be withdrawn after the Bid Closing Date.
6. Upon receipt of the Application Form, the Issuer shall, in consulation with the Bookrunners, decide the Issue Price and the number of Equity Shares to be issued. On determination of the Issue Price, the Bookrunners will send the CAN to the QIBs who have been Allocated Equity Shares. The dispatch of CAN shall be deemed a valid, binding and irrevocable contract for the QIBs to pay the entire Issue Price for all the Equity Shares Allocated to such QIB. The CAN shall contain details like the number of Equity Shares Allocated to the QIB and payment instructions including the details of the amounts payable by the QIB for Allotment of the Equity Shares in its name and the Pay-In Date as applicable to the respective QIB.
7. Upon receipt of the application monies from the QIBs, the Issuer shall issue and allot the Equity Shares to the QIBs as per the details provided in the respective CANs. The Issuer will intimate to the Stock Exchanges the details of the Allotment.
8. After receipt of the in-principle approval of the Stock Exchanges, the Issuer shall credit the Equity Shares into the depository participant accounts of the QIBs.
9. The Issuer shall then apply for the final trading and listing permissions from the Stock Exchanges.
10. The Equity Shares that have been so allotted and credited to the depository participant accounts of the QIBs shall

be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing approvals from the Stock Exchanges.

11. As per applicable laws, the Stock Exchanges shall notify the final trading and listing permissions, which are ordinarily available on their websites, upon intimation of such approval and the Issuer shall communicate the receipt of the final trading and listing permissions from the Stock Exchanges to the QIBs who have been Allotted the Equity Shares. The Issuer shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. QIBs are advised to appraise themselves of the status of the receipt of the permissions from the Stock Exchanges or the Issuer.

Qualified Institutional Buyers

Only QIBs as defined in clause 2.2.2B (v) of the SEBI Guidelines are eligible to invest. Currently these include:

- Public financial institutions as defined in section 4A of the Companies Act;
- Scheduled commercial banks;
- Mutual funds registered with SEBI ("Mutual Funds");
- Foreign institutional investors registered with SEBI ("FIIs");
- Multilateral and bilateral development financial institutions;
- Venture capital funds registered with SEBI;
- Foreign venture capital investors registered with SEBI;
- State industrial development corporations;
- Insurance companies registered with Insurance Regulatory and Development Authority;
- Provident Funds with minimum corpus of Rs.250 million; and
- Pension Funds with minimum corpus of Rs.250 million.

FIIs are permitted to participate through the portfolio investment scheme in this Issue. FIIs are permitted to participate in the QIP subject to compliance with all applicable laws and such that the shareholding of the FIIs does not exceed specified limits as prescribed under applicable laws in this regard.

No Allotment shall be made pursuant to the Issue, either directly or indirectly, to any QIB being our promoter or any person related to our promoter(s). QIBs, who have all or any of the following rights shall be deemed to be a person related to promoter(s):

a) rights under a shareholders agreement or voting agreement entered into with our promoters or persons related to our promoters;

b) veto rights; or

c) right to appoint any nominee director on our Board.

The Issuer and the Bookrunners are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Placement Document. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. QIBs are advised to ensure that any single Application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Placement Document. Further, QIBs are required to satisfy themselves that their Applications would not eventually result in triggering a tender offer under the Takeover Code.

A minimum of 10 per cent of the Equity Shares in this Issue shall be allotted to Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion as specified above, such minimum portion or part thereof may be allotted to other QIBs.

Note: Affiliates or associates of the Bookrunners who are QIBs may participate in the Issue in compliance with applicable laws.

Application Process

Application Form

QIBs shall only use the serially numbered Application Forms supplied by the Bookrunners in either electronic form or by physical delivery for the purpose of making an application in terms of the Preliminary Placement Document and the Placement Document.

By making an Application (including revision) for Equity Shares through Applicaton Forms, the QIB will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under "Transfer Restrictions":

1. The QIB confirms that it is a Qualified Institutional Buyer ("QIB") in terms of Clause 2.2.2B (v) of the SEBI Guidelines and is eligible to participate in this Issue;
2. The QIB confirms that it is not a Promoter and is not a person related to the Promoters, either directly or indirectly and its Application does not directly or indirectly represent the Promoter or promoter group of the Issuer;
3. The QIB confirms that it has no rights under a shareholders agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board of the Issuer other than that acquired in the capacity of a lender which shall not be deemed to be a person related to the Promoters;
4. The QIB has no right to withdraw its application after the Bid Closing Date;
5. The QIB confirms that if Allotted Equity Shares pursuant to the Preliminary Placement Document and Placement Document, the QIB shall not, for a period of one (1) year from Allotment, sell the Equity Shares so acquired otherwise than on the floor of the Stock Exchanges;
6. The QIB confirms that the QIB is eligible to apply and hold Equity Shares so Allotted and together with any Equity Shares held by the QIB prior to the Issue. The QIB further confirms that the holding of the QIB, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the QIB;
7. The QIB confirms that the Application Forms would not eventually result in triggering a tender offer under the Takeover Code; and
8. The QIB confirms that to the best of its knowledge and belief together with other QIBs in the Issue that belong to the same group or are under common control, the Allotment to the QIB shall not exceed 50 per cent of the Issue Size. For the purposes of this statement:
    a. The expression "belongs to the same group" shall derive meaning from the concept of "companies under the same group" as provided in sub-section (11) of Section 372 of the Companies Act;
    b. "Control" shall have the same meaning as is assigned to it by clause (c) of Regulation 2 of the Takeover Code.

QIBS WOULD NEED TO PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD.

Demographic details like address, bank account etc. will be obtained from the Depositories as per the Depository Participant account details given above.

The submission of Application Form by the QIBs shall be deemed a valid, binding and irrevocable offer for the QIB to pay the entire Issue Price for its share of Allotment (as indicated by the CAN) and becomes a binding contract on the QIB, upon issuance of the CAN by the Issuer in favour of the QIB.

Submission of Application Form

All Application Forms shall be duly completed with information including the name of the QIB, the price and the number of Equity Shares applied. The Application Form shall be submitted to the Bookrunners either through electronic form or through physical delivery at the following address:

Global Coordinators and Bookrunners		Joint Bookrunner	Co Bookrunner
Citigroup Global Markets India Private Limited	**DSP Merrill Lynch Limited**	**JM Financial Consultants Private Limited**	**YES Bank Limited**
12th Floor, Bakhtawar Nariman Point Mumbai 400 021, India Contact Person: Niraj Karwa Email: niraj.karwa@citi.com	Mafatlal Centre, 10th Floor Nariman Point Mumbai 400 021, India Contact Person: Sanjeev Jha Email: suzlon_qip@ml.com	141, Maker Chambers III, Nariman Point Mumbai 400 021 Contact Person: Kailash Soni Email: suzlon.qip@jmfinancial.in	Nehru Centre, 12th Floor, Discovery of India Dr. A.B. Road, Worli Mumbai 400 018, India Contact Person: Shikhar Maini Email: suzlon_qip@yesbank.in

The Bookrunners shall not be required to provide any written acknowledgement of the same.

Pricing and Allocation

Build up of the book

The QIBs shall submit their applications through the Application Form within the Bidding Period to the Bookrunners who shall maintain the Book.

Price discovery and Allocation

The Issuer, in consultation with the Bookrunners, shall finalise the Issue Prices for the Equity Shares which shall be at or above the Floor Price.

After finalisation of the Issue Price, the Issuer shall update the Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

Method of Allocation

The Issuer shall determine the Allocation in consultation with the Bookrunners on a discretionary basis and in compliance with Chapter XIII-A of the SEBI Guidelines.

Application Forms received from the QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such QIBs will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10 per cent of the Issue Size shall be undertaken subject to valid Applications being received at or above the Issue Price.

THE DECISION OF THE ISSUER AND THE BOOKRUNNERS IN RESPECT OF ALLOCATION SHALL BE BINDING ON ALL QIBS. QIBS MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF THE ISSUER AND QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATIONS AT OR ABOVE THE ISSUE PRICE. NEITHER THE ISSUER NOR THE BOOKRUNNERS ARE OBLIGED TO ASSIGN ANY REASONS FOR SUCH NON-ALLOCATION.

Number of Allottees

The minimum number of allottees in the Issue shall not be less than:

(a) two, where the issue size is less than or equal to Rs.2.5 billion;

(b) five, where the issue size is greater than Rs.2.5 billion.

Provided that no single allottee shall be Allotted more than 50 per cent of the aggregate amount of the Issue Size.

Provided further that QIBs belonging to the same group or those who are under common control shall be deemed to be a single allottee for the purpose of this clause. For details of what constitutes "same group" or "common control" see "Application Process- Application Form."

THE DECISION OF THE ISSUER AND BOOKRUNNERS IN RESPECT OF ALLOTMENT SHALL BE FINAL AND BINDING ON ALL QIBS.

The maximum number of Allottees of Equity Shares shall not be greater than 49 Allottees.

CAN

Based on the Application Forms received, the Company and the Bookrunners will, in their sole and absolute discretion, decide the list of QIBs to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares allocated to them and the details of the amounts payable for Allotment of the same in their respective names shall be notified to such QIBs. Additionally, the CAN would include details of the bank account(s) for transfer of funds if done electronically, address where the application money needs to be sent, Pay-In Date as well as the probable designated date ("Designated Date"), being the date of credit of the Equity Shares to the QIB's account, as applicable to the respective QIBs.

The QIBs would also be sent a serially numbered Placement Document either in electronic form or by physical delivery alongwith the serially numbered CAN.

The dispatch of the serially numbered Placement Document and the CAN by the QIB shall be deemed a valid, binding and irrevocable contract for the QIB furnish all details that may be required by the Bookrunners to pay the entire Issue Price for all the Equity Shares allocated to such QIB.

Bank Account for Payment of Application Money

The Issuer has opened a special bank account with the HDFC Bank Limited ("Escrow Bank") in terms of the arrangement between the Issuer and the Escrow Bank. The QIB will be required to deposit the entire amount payable for the Equity Shares allocated to it by the Pay-In Date as mentioned in the respective CAN.

If the payment is not made favouring the Escrow Bank Account within the time stipulated in the CAN, the Application Form and the CAN of the QIB are liable to be cancelled.

In case of cancellations or default by the QIBs, the Issuer and the Bookrunners have the right to reallocate the Equity Shares at the Issue Price among existing or new QIBs at their sole and absolute discretion, subject to the compliance with the requirement of ensuring that the Application Forms are sent to not more than 49 QIBs.

Payment Instructions

The payment of application money shall be made by the QIBs in the name of Suzlon Energy Limited - QIB Escrow Account as per the payment instructions provided in the CAN.

QIBs may make payment through cheques or electronic fund transfer.

Note: Payment of the amounts through outstation cheques are liable to be rejected. Payments through cheques should be only through high value cheques payable at Mumbai.

Designated Date and Allotment of Equity Shares

1. The Equity Shares will not be allotted unless the QIBs pay the Issue Price to the Bank Account as stated above.
2. In accordance with the SEBI Guidelines, Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.
3. The Issuer reserves the right to cancel the Issue at any time up to Allotment without assigning any reasons whatsoever.
4. Post Allotment and credit of Equity Shares into the QIBs depository participant account, the Issuer would apply for trading/listing approvals from the Stock Exchanges.
5. In the unlikely event of the any delay in the Allotment or credit of Equity Shares, or receipt of trading or listing approvals or cancellation of the Issue, no interest or penalty would be payable by the Issuer.

Submission to SEBI

The Issuer shall submit the Placement Document to SEBI within thirty (30) days of the date of Allotment for record purposes.

Other Instructions

Permanent Account Number or PAN

Each QIB should mention its Permanent Account Number (PAN) allotted under the IT Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Application Form.** Applications without this information will be considered incomplete and are liable to be rejected. It is to be specifically noted that applicant should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

In a case where the sole/first Bidder and joint Bidder(s) is/are not required to obtain a PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the Joint Bidder(s) have applied for a PAN which has not yet been allotted, each of the Bidder(s) should enter "Applied for" on the Application Form. Further, where the Bidder(s) has entered "Applied for" or "Not Applicable", the sole/first Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a Permanent Account Number and who enters into any transaction specified in Rule 114B of the Income Tax Rules, 1962), or Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in Rule 114B of the Income Tax Rules, 1962), as may be applicable, duly filed along with a copy of any one of the following documents in support of the address: (a) ration card, (b) passport, (c) driving licence, (d) an identity card issued by any institution, (e) copy of an electricity bill or telephone bill showing a residential address, (f) any document or communication issued by any authority of the Central Government, State Government or local bodies showing a residential address, or (g) any other documentary evidence in support of the address given in the declaration. It may be noted that Form 60 and Form 61 have been amended via a notification issued on December 1, 2004 by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.

The Company's Right to Reject Applications

The Issuer, in consultation with the Bookrunners, may reject Applications, in part or in full, without assigning any reasons whatsoever. The decision of the Issuer and the Bookrunners in relation to the rejection of an Application Form shall be final and binding.

Equity Shares in dematerialised form with NSDL or CDSL

The allotment of the Equity Shares in this Issue shall be only in dematerialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

1. A QIB applying for Equity Shares must have at least one beneficiary account with a depository participant of either NSDL or CDSL prior to making the Application.
2. Allotment to a successful QIB will be credited in electronic form directly to the beneficiary account (with the depository participant) of the QIB.
3. Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the stock exchanges where the Company's Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
4. The trading of the Equity Shares of the Issuer would be in dematerialised form only for all QIBs in the demat segment of the respective stock exchanges.
5. The Issuer will not be responsible or liable for the delay in the credit of Equity Shares due to errors in the Application Form or on part of the QIBs.

PLACEMENT

Memorandum of Understanding

On December 13, 2007, the Bookrunners entered into a Memorandum of Understanding with the Company, (the "MOU") pursuant to which the Bookrunners have agreed to place up to such number of the Company's Equity Shares to Qualified Institutional Buyers, pursuant to Chapter XIII-A of the SEBI Guidelines, outside the United States, in reliance on Regulation S under the Securities Act and within the United States to qualified institutional buyers (as such term is defined in Rule 144A under the Securities Act).

The MOU provides that the obligation of the investors to pay for and accept delivery of the Equity Shares offered by this Placement Document is subject to the approval of certain legal matters by the counsels to the Bookrunners and to other conditions. The MOU also provides that the Company will indemnify the Bookrunners against certain liabilities.

Applications have been made to list the Equity Shares and admit them to trading on the BSE and NSE. No assurance can be given as to the liquidity or sustainability of the trading market for the Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

This Placement Document has not been and will not be, registered as a prospectus with the Registrar of Companies in India. No Equity Shares will be offered in India or overseas to the public or any other class of investors other than QIBs.

The Bookrunners and other affiliates of the Bookrunners have performed investment banking and advisory services for the Company from time to time for which they have received customary fees and expenses. The Bookrunners and their affiliates may, from time to time, engage in transactions with and perform services for the Company in the ordinary course of their business for which they may receive customary compensation. As at September 30, 2007 an affiliate of Citigroup Global Markets India Private Limited, Citicorp International Finance Corporation held 3.13 per cent of the total issued and outstanding shares of the Company and an affiliate of DSP Merrill Lynch, Merrill Lynch International Investment Funds, held 2.17 per cent of the total issued and outstanding shares of the Company.

Lock-up

The Company has agreed that it will not, for a period of 60 days from the date of the Placement Document, without the prior written consent of the Bookrunners, (A) directly or indirectly, issue, offer, lend, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention with respect to any of the foregoing, (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of the Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention to enter into any such transaction, whether any such swap or transaction described in clause (A) or (B) hereof is to be settled by delivery of Equity Shares or such other securities, in cash or otherwise, or (C) deposit Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares or which carry the right to subscribe for or purchase Equity Shares in depositary receipt facilities or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or a deposit of Equity Shares in any depositary receipt facility, or publicly announce any intention to enter into any such transaction. The foregoing sentence shall not apply to: (I) any issuance or transfer of Equity Shares by the Company to any employee of the Company or any member of the Group as a result of such employee exercising its employee stock option issued under an existing employee stock option plan and disclosed in this Placement Document, (II) any grant by the Company of an option, right or warrant to purchase or acquire Equity Shares in the Company to the employees of the Company and any member of the Group as part of the employee stock option plan in existence as of the date of this Placement Document and disclosed in this Placement Document, (III) any issuance of Equity Shares on conversion of convertible bonds outstanding on the date of the Memorandum of Understanding and disclosed in this Placement Document, and (IV) any issuance, sale, transfer or disposition of Equity Shares by the Company to the extent such issuance, sale, transfer or disposition is required by Indian law. Provided however, that the foregoing restrictions shall not be applicable to any issue of Equity Shares by the Company to the extent such issue is required by Indian law.

Each of the Promoter Group has also entered into a lock-up agreement on the terms set out above.

DISTRIBUTION AND SOLICITATION RESTRICTIONS

The distribution of this Placement Document and the offer, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Persons who come into possession of this Placement Document are advised to take legal advice with regard to any restrictions that may be applicable to them and to observe such restrictions. This Placement Document may not be used for the purpose of an offer or sale in any circumstances in which such offer or sale is not authorised or permitted.

General

No action has been taken or will be taken that would permit a public offering of the Equity Shares to occur in any jurisdiction, or the possession, circulation or distribution of this Placement Document or any other material relating to the Company or the Equity Shares in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly and neither this Placement Document nor any offering materials or advertisements in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The Issue will be made in compliance with the applicable SEBI Guidelines. Each purchaser of the Equity Shares in the Issue will be required to make, or be deemed to have made, as applicable, the acknowledgments and agreements as described under "Transfer Restrictions".

Canada

Equity Shares will not be offered for sale or sold in Canada or to residents of Canada other than in compliance with applicable Canadian securities laws. Without limiting the foregoing, offers and sales of the Equity Shares in Canada or to residents of Canada will be made only through an appropriately registered securities dealer or in accordance with an available exemption from the applicable registered securities dealer requirements under applicable Canadian securities laws and pursuant to an exemption from the prospectus requirements under applicable Canadian securities laws.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any Equity Shares which are the subject of the placement contemplated by this Placement Document may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any Equity Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than € 43,000,000 and (3) an annual net turnover of more than € 50,000,000, as shown in its last (or, in Sweden, in its last two) annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Bookrunners for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Equity Shares shall result in a requirement for the publication by the Bank or any Book Runners of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Equity Shares to be offered so as to enable an investor to decide to purchase any Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Hong Kong

No Equity Shares have been offered or sold and no Equity Shares may be offered or sold, in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong. No document, invitation or advertisement relating to the Equity Shares has been issued or may be issued, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted under the securities laws of Hong Kong) other than with respect to Equity Shares which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Republic of Italy

The offering of the Equity Shares has not been registered and will not be registered with the *Commissione Nazionale per la Società e la Borsa* ("CONSOB") (the Italian securities and exchange commission) pursuant to the Italian securities legislation and accordingly, the Bookrunners represent and agree that they have not offered or sold and will not offer sell or deliver any Equity Shares nor distribute copies of any document relating to the Equity Shares in an offer of Equity Shares to the public in the Republic of Italy other than: (a) to qualified investors *(investitori qualificati)* pursuant to Article 100, paragraph 1(a), of Legislative Decree No 58, 24 February 1998 (the "Italian Financial Act") as amended and restated from time to time and Article 2(e) (i), (ii) and (iii) of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003; or (b) in any other circumstances where an express exemption from compliance with the restrictions to the offerings to the public applies, as provided under the Italian Financial Act or CONSOB Regulation No. 11971 of 14 May 1999, as amended.

For the purposes of this selling restriction, the expression "offer of the Equity Shares to the public" in the Republic of Italy means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe the Equity Shares, including the placement through authorised intermediaries.

Moreover and subject to the foregoing, any offer, sale or delivery of the Equity Shares or distribution of copies of this document or any other document relating to the Equity Shares in Italy under (a) or (b) above must be: (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Act, Legislative Decree No. 385 of 1 September 1993 (the "Banking Act"), CONSOB regulation No. 16190 of 29 October 2007, all as amended; (ii) in compliance with the so-called subsequent notification to the Bank of Italy, pursuant to Article 129 of the Banking Act and the implementing guidelines, if applicable; and (iii) in compliance with any other applicable laws and regulations, including but not limited to any Italian securities, tax and exchange control laws and regulations and any other relevant limitations which may be imposed from time to time by CONSOB or the Bank of Italy.

Any investor purchasing the Equity Shares in this offering is solely responsible for ensuring that any offer or resale of the Equity Shares it purchased in this offering occurs in compliance with applicable laws and regulations.

Article 100-bis of the Italian Financial Act affects the transferability of the Equity Shares in the Republic of Italy to the extent that any placing of Equity Shares is made solely with qualified investors and such Equity Shares are then systematically resold to non-qualified investors on the secondary market at any time in the 12 months following such placing. Where this occurs, purchasers of Equity Shares who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and to claim damages from any authorised person at whose premises the Equity Shares were purchased, unless an exemption provided for under the Italian Financial Act applies.

Japan

The Equity Shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the "Financial Instruments and Exchange Law"). Accordingly, each Bookrunner has represented, warranted and agreed that the Equity Shares which it subscribes, if any, will be subscribed by it as principal and that, in connection with the offering made hereby, it will not, directly or indirectly, offer or sell any Equity Shares in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of and otherwise in compliance with, the Financial Instruments and Exchange Law and other relevant laws and regulations of Japan.

Saudi Arabia

This Placement Document may not be distributed in the kingdom except to the extent permitted under the rules governing exempt offers as set forth in the offers of securities regulations (the "regulations"). It should not be distributed to any other person, or relied upon by any other person.

The capital market authority does not take any responsibility for the contents of this Placement Document, does not make any representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Placement Document. Prospective purchasers of the Equity Shares offered hereby should conduct their own due diligence on the accuracy of the information relating to the Equity Shares.

Singapore

This Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Bookrunner has represented and agreed that it has not offered or sold any Equity Shares or caused such Equity Shares to be made the subject of an invitation for subscription or purchase and will not offer or sell such Equity Shares or cause such Equity Shares to be made the subject of an invitation for subscription or purchase and has not circulated or distributed, nor will it circulate or distribute, this Placement Document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Equity Shares, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A) and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to and in accordance with the conditions of, any other applicable provision of the SFA.

Note:

Where Equity Shares are subscribed or purchased under Section 275 by a relevant person which is:

(a) corporation (which is not an accredited investor) (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 except:

(i) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

(ii) where no consideration is or will be given for the transfer; or

(iii) where the transfer is by operation of law.

United Arab Emirates

The Equity Shares have not been and will not be offered, sold or publicly promoted or advertised in the United Arab Emirates or the Dubai International Financial Centre other than in compliance with any laws applicable in the United Arab Emirates or the Dubai International Financial Centre governing the issue, offering or the sale of securities.

United Kingdom

Each Bookrunner has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Market Act 2000 (the "FSMA)) received by it in connection with the issue or sale of the Equity Shares in circumstances in which Section 21(1) of the FSMA does not apply to it; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom.

United States

Each Bookrunner has represented and agreed that the Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in transactions not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. The Bookrunners are expected to make offers and sales of Equity Shares to "qualified institutional buyers" (as such term is defined in Rule 144A under the Securities Act) in the United States pursuant to Section 4(2) of the Securities Act.

TRANSFER RESTRICTIONS

Purchasers of the Equity Shares in this Issue are not permitted to sell the Equity Shares for a period of one year from the date of Allotment except through the Stock Exchanges.

Subject to the foregoing:

U.S. Offer Transfer Restrictions

Each purchaser of the Equity Shares in the United States pursuant to Section 4(2) of the Securities Act by accepting delivery of this Placement Document will be deemed to have represented and agreed as follows:

- It is (A) a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act) and (B) acquiring such Equity Shares for its own account or for the account of a qualified institutional buyer.
- It understands that the Equity Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the Equity Shares have not been and will not be registered under the Securities Act and that if in the future it decides to offer, resell, pledge or otherwise transfer any of the Equity Shares, such Equity Shares may be offered, resold, pledged or otherwise transferred only (A) to a person that it and any person acting on its behalf reasonably believes is a qualified institutional buyer purchasing for its own account or for the account of a qualified institutional buyer, (B) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act or (C) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.
- It acknowledges that the Company and the Bookrunners and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations or agreements deemed to have been made by virtue of its purchase of the Company's Equity Shares are no longer accurate, it will promptly notify the Company.

Global Offer Transfer Restrictions

Each purchaser of the Equity Shares outside the United States pursuant to Regulation S will be deemed to have represented and agreed as follows:

- It is authorised to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations.
- It acknowledges (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges) that such Equity Shares have not been and will not be registered under the U.S. Securities Act.
- It certifies that either (A) it is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares and it is not a U.S. person and is located outside the United States (within the meaning of Regulation S) or (B) it is a broker-dealer acting on behalf of its customer and its customer has confirmed to it that (i) such customer is, or at the time the Equity Shares are purchased will be, the beneficial owner of the Equity Shares and (ii) such customer is not a U.S. person and is located outside the United States (within the meaning of Regulation S).
- It agrees that it will not offer, sell, pledge or otherwise transfer such Equity Shares except in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or pursuant to any other available exemption from registration under the U.S. Securities Act and in accordance with all applicable securities laws of the States of the United States and any other jurisdiction, including India.
- It acknowledges that the Company and the Bookrunners and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations or agreements deemed to have been made by virtue of its purchase of the Equity Shares are no longer accurate, it will promptly notify the Company.

Any resale or other transfer or attempted resale or other transfer, made other than in compliance with the above-stated restrictions will not be recognised by the Company.

INDIAN SECURITIES MARKET

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from SEBI, BSE and the NSE and has not been prepared or independently verified by the Company or the Bookrunners, or any of their respective affiliates or advisers.

The Indian Securities Market

India has a long history of organised securities trading. In 1875, the first Stock Exchange was established in Mumbai.

Stock Exchange Regulation

India's stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the Securities Contracts (Regulation) Act 1956, as amended ("SCRA") and the Securities Contracts (Regulation) Rules, 1957, as amended ("SCRR"), which, along with the rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership and the manner in which contracts are entered into and enforced between members.

The Securities and Exchange Board of India Act, 1992, as amended granted powers to SEBI to regulate the Indian securities markets, including stock exchanges and other intermediaries in the capital markets, to promote and monitor self-regulatory organisations, to prohibit fraudulent and unfair trade practices and insider trading and to regulate substantial acquisitions of shares and takeovers of companies. SEBI has also issued guidelines and regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisition of shares and takeovers of companies, buyback of securities, delisting of securities, employee stock option schemes, stockbrokers, underwriters, mutual funds, foreign institutional investors ("FIIs"), credit rating agencies and other capital market participants.

Listing

The listing of securities on recognised Indian stock exchanges is regulated by the SCRA, the SCRR and the listing agreements of the respective stock exchanges. Under the SCRR, which the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach by a listed company of its obligations under such agreement, subject to such company receiving prior notice of such intent of the stock exchange.

A listed company can be delisted under the provisions of the SEBI (Delisting of Securities) Guidelines 2003, as amended, which govern voluntary and compulsory delisting of shares of Indian companies from the stock exchanges. A company may voluntarily delist from a stock exchange provided that the securities of the company have been listed for a minimum period of three years on any stock exchange. A company may be delisted through a voluntary delisting sought by the shareholders of the company with a minimum of 75 per cent majority of the shares of the company or a compulsory delisting by the stock exchange due to any acquisition of shares of the company or other arrangement or consolidation of holdings which results in the public shareholding of the company falling below the minimum level specified in the listing conditions or in the listing agreements. A company may voluntarily delist from a stock exchange provided that an exit opportunity has been given to the investors at an exit price determined in accordance with the "reverse book building process". The offer price shall have a floor price, which shall be the average of 26 weeks traded price quoted on the stock exchange where the shares of the company are most frequently traded in the preceding 26 weeks from the date of the public announcement and without any ceiling of maximum price. The procedure for compulsory delisting also requires the company to make an exit offer to the shareholders.

The Delisting Guidelines were amended on January 31, 2006 to permit stock exchanges to delist the securities of companies that have been suspended for a minimum period of six months for non-compliance with the listing agreement of the applicable Indian stock exchange after considering representations received from aggrieved persons. The amendment also provides that in the event that the securities of a company are delisted by a stock exchange, the fair value of securities shall be determined by persons appointed by the stock exchange out of a panel of experts, which shall also be selected by the stock exchange. If a listed company is delisted by the stock exchange, the listed company may file an appeal before the Securities Appellate Tribunal against the stock exchange's decision.

The Company have entered into listing agreements with the Stock Exchanges for the continuous listing of its Equity Shares. Each of these agreements and/ or the Takeover Code requires that:

- the Company adheres to certain corporate governance requirements including ensuring the minimum number of independent directors on the board and composition of various committees such as audit committees and remuneration committees;
- the Company is subject to continuing disclosure requirements and must publish unaudited financial statements on a quarterly basis and immediately inform the stock exchanges of any unpublished price sensitive information;
- the Company maintains a minimum level of shares held by the public as required under these agreements;
- if any person acquires more than 5 per cent of the Company's Equity Shares or voting rights the Company and the acquiror shall comply with the provisions of the Takeover Code;
- no person shall acquire, or agree to acquire, 15 per cent or more of the Company's Equity Shares or voting rights, unless the provisions of the Takeover Code are complied with; and
- if any takeover offer is made or if there is any change in management control, then the Company and the persons securing management control of the Company need to comply with the Takeover Code.

Any non-compliance with the terms and conditions of the listing agreements with the Stock Exchanges may entail the delisting of the Company's Equity Shares from such stock exchanges, which will affect future trading of those Equity Shares.

Disclosures under the Companies Act and Securities Regulations

Under the Companies Act, a public offering of securities in India must be made by means of a prospectus, which must contain information specified in the Companies Act and the SEBI (Disclosure and Investor Protection) Guidelines 2000, as amended. The prospectus must be filed with the Registrar of Companies having jurisdiction over the place where a company's registered office is situated, which in this case is currently the Registrar of Companies located in Ahmedabad, Gujarat. A company's directors and promoters may be subject to civil and criminal liability for misrepresentation in a prospectus. The Companies Act also sets forth procedures for the acceptance of subscriptions and the allotment of securities among subscribers and establishes maximum commission rates for the sale of securities. SEBI has issued detailed guidelines concerning disclosure by public companies and investor protection.

Public limited companies are required under the Companies Act and SEBI guidelines to prepare, file with the Registrar of Companies and circulate to their shareholders audited annual accounts which comply with the Companies Act's disclosure requirements and regulations governing their manner of presentation and which include sections pertaining to corporate governance, related party transactions and the management's discussion and analysis as required under the listing agreement. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its listing agreement with the relevant stock exchange. Accordingly, companies are now required to publish unaudited financial statements (subject to a limited review by the Company's auditors) on a quarterly basis and are required to inform stock exchanges immediately regarding any stock price-sensitive information.

The Institute of Chartered Accountants of India and SEBI have implemented changes which require Indian companies to account for deferred taxation, to consolidate their accounts with subsidiaries, to provide segment reporting, to increase their disclosure of related party transactions from April 1, 2001 and to account for investments in associated companies and joint ventures in consolidated accounts and interim financial reporting from April 1, 2002.

Indian Stock Exchanges

There are now 22 stock exchanges in India. Most of the stock exchanges have their own governing board for self-regulation. A number of these exchanges have been directed by SEBI to file schemes for demutualisation as a measure of moving towards greater investor protection.

The BSE and NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalisation and trading activity.

With effect from April 1, 2003, the stock exchanges in India operate on a trading day plus two, or T+2, rolling settlement system. At the end of the T+2 period, obligations are settled with buyers of securities paying for and receiving securities, while sellers transfer and receive payment for securities. For example, trades executed on a Monday would typically be settled on a Wednesday. SEBI proposes to subsequently move to a T+ 1 settlement system. In order to contain the risk arising out of the transactions entered into by the members of various stock exchanges either on their own account or on behalf of their clients, the stock exchanges have designed risk management procedures, which include compulsory prescribed margins on the individual broker members, based on their outstanding exposure in the market, as well as stock-specific margins from the members.

To restrict abnormal price volatility, SEBI has instructed stock exchanges to apply the following price bands calculated at the previous day's closing price (there are no restrictions on price movements of index stocks):

Market Wide Circuit Breakers. In order to restrict abnormal price volatility in any particular stock, SEBI has instructed stock exchanges to apply daily circuit breakers, which do not allow transactions beyond certain price volatility. An index based market-wide (equity and equity derivatives) circuit breaker system has been implemented and the circuit breakers are applied to the market for movement by 10 per cent 15 per cent and 20 per cent for two prescribed market indices: the BSE Sensex for the BSE and the Nifty for the NSE, or the NSE Nifty, whichever is breached earlier. If any of these circuit breaker thresholds are reached, trading in all equity and equity derivatives markets nationwide is halted.

Price Bands. Price bands are circuit filters of 20 per cent movements either up or down and are applied to most securities traded in the markets, excluding securities included in the BSE Sensex and the NSE Nifty and derivatives products. In addition to the market-wide index based circuit breakers, there are currently in place varying individual scrip wise bands (except for scrips on which derivative products are available or scrips included in indices on which derivative products are available) of 20 per cent either ways for all other scrips.

BSE

The BSE is one of the stock exchanges in India on which the Company's Equity Shares are listed. Established in 1875, it is the first stock exchange in India to have obtained permanent recognition in 1956 from the Government of India under the SCRA and has evolved over the years into its present status. Recently, pursuant to the BSE (Corporatisation and Demutualisation) Scheme 2005 of SEBI, with effect from August 20, 2005, the BSE has been incorporated and is now a company under the Companies Act.

NSE

The Company's Equity Shares are also listed in India on the NSE. The NSE was established by financial institutions and banks to provide nationwide on-line satellite-linked screen-based trading facilities with market makers and electronic clearing and settlement for securities including government securities, debentures, public sector notes and units. Deliveries for trades executed "on-market" are exchanged through the National Securities Clearing Corporation Limited. After recognition as a stock exchange under the SCRA in April 1993, the NSE commenced operations in the wholesale debt market segment in June 1994 and operations in the derivatives segment in June 2000.

Trading Hours

Trading on both the BSE and the NSE normally occurs Monday through Friday, between 9:55 a.m. and 3:30 p.m. The BSE and the NSE are closed on public holidays.

Trading Procedure

In order to facilitate smooth transactions, in 1995, BSE replaced its open outcry system with BSE On-line Trading ("BOLT") facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work.

Stock Market Indices

The following two indices are generally used in tracking the aggregate price movements on the BSE. The BSE Sensitive Index, or Sensex, consists of listed shares of 30 large market capitalisation companies. The companies are selected on the basis of market capitalisation, liquidity and industry representation. Sensex was first compiled in 1986 with the financial year ended March 31, 1979 as its base year. The BSE 100 Index (formerly the BSE National Index) contains listed shares of 100 companies including the 30 in Sensex with financial 1984 as the base year. The BSE 100 Index was introduced in January 1989.

Internet-Based Securities Trading and Services

SEBI approved internet trading in January 2000. Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. This permits clients throughout the country to trade using brokers' Internet trading systems. Stock brokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated by SEBI.

Takeover Code

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the Takeover Code which prescribes certain thresholds or trigger points that give rise to certain obligations thereunder. The Takeover Code is under constant review by the SEBI.

Certain important provisions of the Takeover Code are as follows:

Any acquirer (meaning a person who, directly or indirectly, acquires or agrees to acquire equity shares or voting rights in a company, either by himself or with any person acting in concert) who acquires equity shares or voting rights that would entitle him to more than 5 per cent 10 per cent 14 per cent 54 per cent or 74 per cent of the equity shares or voting rights in a company (together with the company's equity shares or voting rights, if any, already held by such acquirer) is required to disclose the aggregate of his equity shareholding or voting rights in that company to the company (which in turn is required to disclose the same to each of the stock exchanges on which the company's equity shares are listed) and to each of the stock exchanges on which the company's equity shares are listed within two days of (a) the receipt of allotment information; or (b) the acquisition of equity shares or voting rights, as the case may be. The term "shares" has been defined under the Takeover Code to mean equity shares or any other security which entitles a person to acquire shares with voting rights.

A person who, together with persons acting in concert with him, holds 15 per cent or more but less than 55 per cent of the equity shares or voting rights in any company is required to disclose any purchase or sale representing 2 per cent of the equity shares or voting rights of that company (together with the aggregate shareholding after such acquisition or sale) to that company and the stock exchanges on which the company's equity shares are listed within two days of the purchase or sale and is also required to make annual disclosure of his holdings to that company (which in turn is required to disclose the same to each of the stock exchanges on which the company's equity shares are listed).

Promoters or persons in control of a company are also required to make annual disclosure of their holding in the same manner. The company is also required to make annual disclosure of holdings of its promoters or persons in control as on March 31 of the respective year to each of the stock exchanges on which its equity shares are listed.

An acquirer cannot acquire equity shares or voting rights which (taken together with existing equity shares or voting rights, if any, held by him or by persons acting in concert with him) would entitle such acquirer to exercise 15 per cent or more of the voting rights in a company, unless such acquirer makes a public announcement offering to acquire a further minimum of 20 per cent of the equity shares of the company at a price not lower than the price determined in accordance with the Takeover Code. A copy of the public announcement is required to be delivered, on the date on which such announcement is published, to SEBI, the company and the stock exchanges on which the company's equity shares are listed.

No acquirer who, together with persons acting in concert with him, has acquired, in accordance with law, 15 per cent or more but less than 55 per cent of the shares or voting rights in a company, shall acquire, either by himself or through or with persons acting in concert with him, additional shares or voting rights that would entitle him to exercise more than 5 per cent of the voting rights in any financial year ending March 31, unless such acquirer makes a public announcement offering to acquire a further minimum of 20 per cent of the equity shares of the company at a price not lower than the price determined in accordance with the Takeover Code.

An acquirer who, together with persons acting in concert with him, has acquired, in accordance with law, 55 per cent or more but less than 75 per cent of the equity shares or voting rights in a company (or, where the company concerned had obtained the initial listing of its shares by making an offer of at least 10 per cent of the issue size to the public pursuant to Rule 19(2) (b) of the SCRR, less than 90 per cent of the shares or voting rights in the company) would require such an acquirer to make an open offer to acquire a minimum of 20 per cent of the shares or voting rights which it does not already own in the company. However, if an acquisition made pursuant to an open offer results in the public shareholding in the target company being reduced below the minimum level required under the listing agreement with the stock exchanges, the acquirer would be required to take steps to facilitate compliance by the target company with the relevant provisions of the listing agreement with the stock exchanges, within the time period prescribed therein.

Where an acquirer who (together with persons acting in concert) holds 55 per cent or more, but less than 75 per cent of the shares or voting rights in a target company (or, where the concerned company had obtained the initial listing of its shares by making an offer of at least 10 per cent of the issue size to the public pursuant to Rule 19(2)(b) of the SCRR, less than 90 per cent of the shares or voting rights in the company), intends to consolidate its holdings while ensuring that the public shareholding in the target company does not fall below the minimum level permitted by the listing agreement with the stock exchanges, the acquirer may do so only by making an open offer in accordance with the Takeover Code. Such open offer would be required to be made for the lesser of (i) 20 per cent of the voting capital of the company, or (ii) such other lesser percentage of the voting capital of the company as would, assuming full subscription to the open offer, enable the acquirer (together with persons acting in concert), to increase the holding to the maximum level possible, which is consistent with the target company meeting the requirements of minimum public shareholding laid down in the listing agreement with the stock exchanges.

In addition, regardless of whether there has been any acquisition of equity shares or voting rights in a company, an acquirer cannot directly or indirectly acquire control over a company (for example, by way of acquiring the right to appoint a majority of the directors or to control the management or the policy decisions of the company) unless such acquirer makes a public announcement offering to acquire a minimum of 20 per cent of the voting equity shares of the company. In addition, the Takeover Code introduces the "chain principle" by which the acquisition of a holding company will obligate the acquirer to make a public offer to the shareholders of each subsidiary company which is listed.

The Takeover Code sets out the contents of the required public announcements as well as the minimum offer price. The minimum offer price depends on whether the shares of the company are "frequently" or "infrequently" traded (as defined in the Takeover Code). In case the shares of the company are frequently traded, the offer price shall be the higher of:

- the negotiated price under the agreement for the acquisition of shares in the company;
- the highest price paid by the acquirer or persons acting in concert with him for any acquisitions, including through an allotment in a public, preferential or rights issue, during the 26-week period prior to the date of public announcement;
- the average of the weekly high and low of the closing prices of the shares of the company quoted on the stock exchange where the shares of the company are most frequently traded during the 26-week period prior to the date of public announcement, or the average of the daily high and low of the prices of the shares as quoted on the stock exchange where the shares of the company are most frequently traded during the two weeks preceding the date of public announcement, whichever is higher.

The Takeover Code permits conditional offers as well as an acquisition and consequent delisting of the shares of a company and provides specific guidelines for the gradual acquisition of shares or voting rights. Specific obligations of the acquirer and the board of directors of the target company in the offer process have also been specified. Acquirers making a public offer are also required to deposit in an escrow account a percentage of the total consideration which amount will be forfeited in the event that the acquirer does not fulfil his obligations.

The general requirements to make such a public announcement do not, however, apply entirely to bailout takeovers when a promoter (i.e. a person or persons in control of the company, persons named in any offer document as promoters and certain specified corporate bodies and individuals) is taking over a financially weak company but not a "sick industrial company" pursuant to a rehabilitation scheme approved by a public financial institution or a scheduled bank. A "financially weak company" is a company which has at the end of the previous financial year accumulated losses which have resulted in the erosion of more than 50 per cent but less than 100 per cent of the total sum of its paid up capital and free reserves as at the beginning of the previous financial year. A "sick industrial company" is a company registered for more than five years which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth.

The Takeover Code, subject to certain conditions specified in the Takeover Code, exempts certain specified acquisitions from the requirement of making a public offer, including, among others, the acquisition of shares (1) by allotment in a public issue or a rights issue, (2) pursuant to an underwriting agreement, (3) by registered stockbrokers in the ordinary course of business on behalf of clients, (4) in unlisted companies, (5) pursuant to a scheme of reconstruction or amalgamation, (6) pursuant to a scheme under Section 18 of the Sick Industrial Companies (Special Provisions) Act, 1985, (7) resulting from transfers between companies belonging to the same group of companies or between promoters of a publicly listed company and relatives, (8) by way of transmission through inheritance or succession, (9) resulting from transfers by Indian venture capital funds or foreign venture capital investors registered with SEBI, to promoters of a venture capital undertaking or venture capital undertaking pursuant to an agreement between such venture capital funds or foreign venture capital investors with such promoters or venture capital undertaking, (10) by the Government of India controlled companies, unless such acquisition is made pursuant to a disinvestment process undertaken by the Government of India or a state government, (11) change in control by takeover/ restoration of the management of the borrower company by the secured creditor in terms of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, (12) acquisition of shares by a person in exchange of equity shares received under a public offer made under the Takeover Code and (13) in terms of guidelines and regulations relating to delisting of securities as specified by SEBI. The Takeover Code does not apply to acquisitions in the ordinary course of business by public financial institutions either on their own account or as a pledgee. An application may also be filed with the takeover panel seeking exemption from the open offer requirements of the Takeover Code. In addition, the Takeover Code does not apply to the acquisition of Global Depository Receipts or American Depository Receipts so long as they are not converted into equity shares carrying voting rights.

Insider Trading Regulations

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 1992, as amended (''Insider Trading Regulations'') have been notified by SEBI to prevent insider trading in India by prohibiting and penalising insider trading in India. The Insider Trading Regulations prohibit an ''insider'' from dealing, either on his own behalf or on behalf of any other person, in the securities of a company listed on any stock exchange when in possession of unpublished price-sensitive information. The terms "unpublished" and "price sensitive information" are defined by the Insider Trading Regulations. The Insider Trading Regulations define an insider to mean any person who is or was connected with the company or is deemed to have been connected with the company and who is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company or who has received or has had access to such unpublished price sensitive information.

Price sensitive information means any information which relates directly or indirectly to a company and which if published is likely to materially affect the price of securities of the company, such as the periodical financial results of the company, intended declaration of dividends (both interim and final), issue of securities or buy-back of securities. The insider is also prohibited from communicating, counselling or procuring, directly or indirectly, any unpublished price-sensitive information to any other person who whilst in possession of such unpublished price-sensitive information shall not deal in securities.

The Insider Trading Regulations make it compulsory for listed companies and certain other entities associated with the securities market to establish an internal code of conduct to prevent insider trading and also to regulate disclosure of unpublished price-sensitive information within such entities so as to minimise misuse of such information. To this end, the Insider Trading Regulations provide a model code of conduct. Further, the Insider Trading Regulations specify a model code of corporate disclosure practices to prevent insider trading which must be implemented by all listed companies.

The Insider Trading Regulations require any person who holds more than 5 per cent of the outstanding shares or voting rights in any listed company to disclose to the company the number of shares or voting rights held by such person and any change in such shareholding or voting rights within four business days of:

- the receipt of intimation of allotment of shares; or
- the acquisition of the shares or voting rights, as the case may be.

On a continuing basis, under the Insider Trading Regulations, any person who holds more than 5 per cent of the shares or of the voting rights in any listed company is required to disclose to the company,- the number of shares or voting rights held by him and any change in shareholding or voting rights, (even if such change results in the shareholding falling below 5 per cent) if there has been change in such holdings from the last disclosure made, provided such change exceeds 2.0 per cent of the total shareholding or voting rights in the company. Such disclosure is required to be made within four working days of:

- the receipt of intimation of allotment of the shares; or
- the acquisition or the sale of the shares or voting rights, as the case may be.

Depositories

In August 1996, the Indian Parliament enacted the Depositories Act 1996 (the ''Depositories Act'') which provides a legal framework for the establishment of depositories to record ownership details and effect transfers in electronic book-entry form. SEBI has framed the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, as amended which provide for the formation of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, the company, the beneficial owners and the issuers. The depository system has significantly improved the operations of the Indian securities markets.

Trading of securities in book-entry form commenced in December 1996. In January 1998, SEBI notified scripts of various companies for compulsory dematerialised trading by certain categories of investors such as foreign institutional investors and other institutional investors and has also notified compulsory dematerialised trading in specified scrips for all retail investors. SEBI has subsequently significantly increased the number of scrips in which dematerialised trading is compulsory for all investors. However, even in the case of scrips notified for compulsory dematerialised trading, investors, other than institutional investors, may trade in and deliver physical shares on transactions outside the stock exchange where there are no requirements to report such transactions to the stock exchange and on transactions on the stock exchange involving lots of less than 500 securities.

SEBI has also provided that the issue and allotment of shares in initial public offerings and/ or the trading of shares shall only be in electronic form and the company gives an option to subscribers, shareholders or investors either to receive the security certificates or to hold the securities in book-entry form with a depository.

Under the Depositories Act, every person subscribing to securities offered by an issuer has an option to either receive the security certificates or hold the securities with a depository

Transfers of shares in book-entry form require both the seller and the purchaser of the equity shares to establish accounts with depository participants registered with the depositories established under the Depositories Act. Upon delivery, the shares shall be registered in the name of the relevant depository in the Company's books and this depository shall enter the name of the investor in its records as the beneficial owner, thus effecting the transfer of beneficial ownership. The beneficial owner shall be entitled to all rights and benefits of a shareholder and be subject to all liabilities in respect of his shares held by a depository. Every person holding equity shares of the company and whose name is entered as a beneficial owner in the records of the depository is deemed to be a member of the concerned company.

The Companies Act compulsorily provides that Indian companies making any initial public offerings of securities for or in excess of Rs.100 million should issue the securities in dematerialised form.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRA Rules and the SEBI Act. The SCRA was amended in February 2000 and derivative contracts were included within the term "securities," as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivative exchange or derivative segment of a stock exchange functions as a self regulatory organisation under the supervision of the SEBI. Derivatives products have been introduced in a phased manner in India, starting with future contracts in June 2000 and index options, stock options and stock futures in June 2000, July 2001 and November 2001, respectively.

DESCRIPTION OF THE SHARES

Set forth below is certain information relating to the Company's share capital, including a brief summary of some of the provisions of its Memorandum and Articles of Association, the Companies Act and certain related legislation of India, all as currently in effect.

General

The authorised capital of the Company is Rs.4,450,000,000 divided into 430,000,000 Equity Shares of Rs.10 each and 1,500,000 Preference Shares of Rs.100 each. As of November 30, 2007, 2,88,000,480 Equity Shares of the Company were issued and outstanding.

The shareholders of the Company, by their resolution dated December 6, 2007, have approved the sub-division of the 430,000,000 Equity Shares of Rs.10 each to 2,150,000,000 equity shares of Rs.2 each with effect from a 'record date' to be determined by the Chairman of the Company. The shareholders have also approved the reclassification of the 1,500,000 Preference Shares of Rs.100 each to 75,000,000 equity shares of Rs.2 each. Consequent to such sub-division, the authorised capital of the Company will be Rs.4,450,000,000 divided into 2,225,000,000 equity shares of Rs.2 each. Shareholders of the Company who hold Equity Shares on the 'record date' (including investors who are Allotted Equity Shares through this Issue and who hold Equity Shares on the 'record date') will be entitled to five equity shares of Rs.2 each for every Equity Share of Rs.10 each held on the 'record date'.

Dividend

Under the Companies Act, unless the board recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions laid down in the Companies Act, no dividend can be declared or paid by a company for any financial year except out of the profits of the company determined in accordance with the provisions of the Companies Act or out of the undistributed profits or reserves of previous financial years or out of both, arrived at in accordance with the provisions of the Companies Act. Under the Company's Articles of Association, the shareholders at a general meeting may declare a lower, but not higher, dividend than that recommended by the Board. Dividends are generally declared as a percentage of the par value of the shares. The dividend recommended by the Board and approved by the shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their shares as at the record date for which such dividend is payable. In addition, the board may declare and pay interim dividends. Under the Companies Act, dividends can only be paid in cash to shareholders listed on the register of shareholders on the date which is specified as the "record date" or "book closure date". No shareholder is entitled to a dividend while unpaid calls on any of his shares are outstanding.

Dividends must be paid within 30 days from the date of the declaration and any dividend that remains unpaid or unclaimed after that period must be transferred within seven days to a special unpaid dividend account held at a scheduled bank. Any money that remains unpaid or unclaimed for seven years from the date of such transfer must be transferred by the Company to the Investor Education and Protection Fund established by the Government and thereafter any claim with respect thereto will lapse.

Under the Companies Act, a company may pay a dividend in excess of 10.0 per cent of its paid-up capital in respect of any financial year, out of the profits of that financial year only after it has transferred to its reserves a certain percentage of its profits for that year ranging between 2.5 per cent and 10.0 per cent depending on the percentage of dividend proposed to be declared in that year. The Companies Act and the Companies (Transfer of Profits to Reserves) Rules, 1975, as amended, further provides that if the profit for a year is insufficient, the dividend for that year may be declared out of accumulated profits from previous years which have been transferred to reserves, subject to certain conditions prescribed under those legislations.

Capitalisation of Reserves

The Company's Articles of Association permit a resolution of the shareholders in a general meeting to resolve in certain circumstances that certain amounts standing to the credit of certain reserves or securities premium can be capitalised by the issue of fully paid bonus shares or by crediting shares not fully paid-up with the whole or part of any sum outstanding. Bonus shares must be issued pro rata to the amount of capital paid-up on existing shareholdings.

Any issue of bonus shares would be subject to the guidelines issued by SEBI in this regard. The relevant SEBI guidelines prescribe that no company shall, pending conversion of convertible securities, issue any shares by way of bonus unless a similar benefit is extended to the holders of such convertible securities, through a proportionate reservation of shares. Further, in order to issue bonus shares a company should not have defaulted in the payment of interest or principal in respect of on existing debentures. The declaration of bonus shares in lieu of a dividend cannot be made. A bonus issue may be made out of free reserves built out of genuine profits or share premium collected in cash and not from reserves created by revaluation of fixed assets.

The issue of bonus shares must take place within six months from the date of approval by the Board or the shareholders, whichever is later.

Pre-emptive Rights and Alteration of Share Capital

Subject to the provisions of the Companies Act, the Company may increase its share capital by issuing new shares. Such new shares must be offered to existing shareholders registered on the record date in proportion to the amount paid-up on those shares at that date. The offer shall be made by notice specifying the number of shares offered and the date (being not less than one month from the date of the offer) after which the offer, if not accepted, will be deemed to have been declined. After such date the Board may dispose of the shares offered in respect of which no acceptance has been received, in such manner as they think most beneficial to the Company. The offer is deemed to include a right exercisable by the person concerned to renounce the shares in favour of any other person provided that the person in whose favour such shares have been renounced is approved by the Board in their absolute discretion.

However, under the provisions of the Companies Act, new shares may be offered to any persons whether or not those persons include existing shareholders, if a special resolution to that effect is passed by the shareholders of the company in a general meeting. The issue of the Equity Shares has been duly approved by a special resolution of the Company's shareholders and such shareholders have waived their pre-emptive rights with respect to such shares.

The Company's issued share capital may, among other things, be increased by the exercise of warrants attached to any of the company's securities entitling the holder to subscribe for shares.

The Company's Articles of Association provide that the Company may, by an ordinary resolution passed at the general meeting, consolidate or sub-divide its share capital, convert all or any of its fully paid-up shares into stock and reconvert that stock into fully paid-up shares or cancel shares which have not been taken up by any person. The Company can also alter its share capital by way of a reduction of capital, in accordance with the Companies Act.

Preference Shares and Warrants

Preference share capital is that part of the paid-up capital of the company which fulfils both the requirements below:

- That with respect to dividends, it carries or will carry a preferential right to be paid a fixed amount or an amount calculated at a fixed rate; and
- With respect to capital, it carries or will carry on a winding-up of the company, a preferential right to be repaid the amount of the capital paid-up or deemed to have been paid-up, subject to the provisions of the Companies Act.

Preference shares must be redeemed within 20 years of issue. Under the Companies Act, the Company may issue redeemable preference shares but:

- no such shares may be redeemed except out of profits otherwise available for dividends or out of the proceeds of a fresh issue of shares made for the purposes of the redemption;
- no such shares may be redeemed unless they are fully paid;
- the premium, if any, payable on redemption shall have been provided for out of the company's profits or share premium account, before the shares are redeemed;
- where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividends, be transferred to a reserve fund, to be called the Capital Redemption Reserve Account, a sum equal to the nominal amount of the shares redeemed; and
- the provisions of the Companies Act relating to the reduction of the share capital of a company shall apply as if such reserve account were paid-up share capital of such company.

General Meetings of Shareholders

The Company must hold its annual general meeting each year within 15 months of the previous annual general meeting and within six months after the end of each accounting year. The Registrar of Companies may extend this period in special circumstances at the Company's request. The Board may convene an extraordinary general meeting of shareholders when necessary and shall convene such a meeting at the request of a shareholder or shareholders holding in the aggregate not less than 10 per cent of the Company's issued paid-up capital.

Written notices convening a meeting setting out the date and place of the meeting and its agenda must be given to members at least 21 days prior to the date of the proposed meeting and where any special business is to be transacted at the meeting an explanatory statement shall be annexed to the notice as required under the Companies Act. A general meeting may be called after giving shorter notice if consent is received from all shareholders, in the case of an annual general meeting and from shareholders holding not less than 95 per cent of the company's paid-up capital, in the case of any other general meeting. Currently, the Company gives written notices to all members and in addition, give public notice of general meetings of shareholders in a daily newspaper of general circulation in Gujarat. The Company's general meetings are held in Ahmedabad, Gujarat.

A company intending to pass a resolution relating to matters such as, but not limited to, an amendment in the objects clause of the Memorandum, a buy-back of shares under the Companies Act, the giving of loans or extending a guarantee in excess of limits prescribed under the Companies Act (and guidelines issued thereunder) may pass the resolution by means of a postal ballot instead of transacting the business in the general meeting of the company. A notice to all the shareholders must be sent along with a draft resolution explaining the reasons therefor and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of such notice. The quorum for the Company's general meetings is such number of shareholders representing at least 50 per cent of the voting rights in the Company present in person.

Voting Rights

At a general meeting upon a show of hands, every member holding shares and entitled to vote and present in person has one vote. Upon a poll, the voting rights of each shareholder entitled to vote and present in person or by proxy is in the same proportion to his share of the paid-up equity capital of the Company.

Ordinary resolutions may be passed by simple majority of those present and voting. Special resolutions require that the votes cast in favour of the resolution must be at least three times the votes cast against the resolution. The Companies Act provides that to amend the Articles of Association, a special resolution is required to be passed in a general meeting.

A shareholder may exercise his voting rights by proxy to be given in the form required by the Company's Articles of Association. The instrument appointing a proxy is required to be lodged with the Company at least 48 hours before the time of the meeting. A shareholder may, by a single power of attorney, grant a general power of representation regarding several general meetings of shareholders. Any shareholder may appoint a proxy. A corporate shareholder is also entitled to nominate a representative to attend and vote on its behalf at general meetings. A proxy may not vote except on a poll and does not have a right to speak at meetings. A shareholder which is a legal entity may appoint an authorised representative who can vote in all respects as if a member both on a show of hands and a poll.

The Companies Act allows the Company to issue shares with differential rights as to dividend, voting or otherwise, subject to certain conditions. In this regard, the law requires that for a company to issue shares with differential voting rights the company must have had distributable profits in terms of the Companies Act for a period of three financial years and the company must not have defaulted in filing annual accounts and annual returns for the immediately preceding three years.

Register of Shareholders and Record Dates

The Company is obliged to maintain a register of shareholders at its Registered Office in Ahmedabad or at some other place in the same city. The Company recognises as shareholders only those persons whose names appear on the register of shareholders and cannot recognise any person holding any share or part of it upon any express, implied or constructive trust, except as permitted by law. In the case of shares held in physical form, transfers of shares are registered on the register of shareholders upon lodgement of the share transfer form duly complete in all respects accompanied by a share certificate or, if there is no certificate, the letter of allotment in respect of shares transferred together with duly stamped transfer forms. In respect of electronic transfers, the depository transfers shares by entering the name of the purchaser in its books as the beneficial owner of the shares. In turn, the name of the depository is entered into the company's records as the registered owner of the shares. The beneficial owner is entitled to all the rights and benefits as well as the liabilities with respect to the shares.

For the purpose of determining the shareholders, the register may be closed for periods not exceeding 45 days in any one year or 30 days at any one time at such times, as the Board may deem expedient in accordance with the provisions of the Companies Act. Under the listing agreements of the Stock Exchanges on which the Company's outstanding shares are listed, the Company may, upon at least 15 days' advance notice to such stock exchanges, set a record date and/or close the register of shareholders in order to ascertain the identity of shareholders. The trading of shares and the delivery of certificates in respect thereof may continue while the register of shareholders is closed.

Under the Companies Act, the Company is also required to maintain a register of debenture holders.

Annual Report and Financial Results

The Annual Report must be laid before the annual general meeting. The report includes financial information, a corporate governance section and management's discussion and analysis and is sent to the company's shareholders.

Under the Companies Act, the Company must file the Annual Report with the Registrar of Companies within six months from the close of the accounting year or within 30 days from the date of the annual general meeting, whichever is earlier. As required under its listing agreements, copies are required to be simultaneously sent to the stock exchanges on which the shares are listed. The Company must also publish its financial results in at least one English language daily newspaper circulating in the whole or substantially the whole of India and also in a newspaper published in the language of the region of its Registered Office.

The Company files certain information on-line, including its Annual Report, six-month and quarterly financial statements and the shareholding pattern statement, in accordance with the requirements of the listing agreements and as may be specified by the SEBI from time to time.

Transfer of Shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with applicable SEBI regulations. These regulations provide the regime for the functioning of the depositories and their participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownerships of shares held through a depository are exempt from stamp duty.

SEBI requires that for trading and settlement purposes shares should be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange.

The shares are freely transferable, subject only to the provisions of the Companies Act under which, if a transfer of shares contravenes any provisions of the SEBI Act or the regulations made thereunder or the SICA, or any other law, the Company Law Board may, on an application made by the company, a depository incorporated in India, an investor, SEBI or a participant, direct a rectification of the register of records. If a company without sufficient cause refuses to register a transfer of shares within two months from the date of which the instrument of transfer is delivered to the company, the transferee may appeal to the Company Law Board seeking to register the transfer. The Company Law Board may, in its discretion, issue an interim order suspending the voting rights attached to the relevant shares before completing its investigation of the alleged contravention. Under the Companies (Second Amendment) Act 2002, the Company Law Board will be replaced with the National Company Law Tribunal with effect from a date that is yet to be notified. Further, under the Sick Industrial Companies (Special Provisions) Repeal Act 2003, the SICA is sought to be repealed and the Board of Industrial and Financial Reconstruction, as constituted under the SICA, is to be replaced with the National Company Law Tribunal, set up under the Companies Act.

Pursuant to the Company's listing agreements, in the event that a transfer of shares is not affected within one month or where the Company has failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of one month, the Company is required to compensate the aggrieved party for the opportunity loss caused by the delay.

The Companies Act provides that shares or debentures of a public listed company (as in the case of this Company) shall be freely transferable. However, the Company's Articles of Association provide for certain restrictions on the transfer of shares, including granting power to the Board in certain circumstances to refuse to register or acknowledge transfer of shares or other securities issued by it.

A transfer may also be by transmission. Subject to the provisions of the Company's Articles, any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with these presents, may, with the consent of the Board, upon producing such evidence that he sustains the character in respect of which he proposes to act under the Article, or his title, as the Board thinks sufficient, be registered as a member in respect of such shares, or may, subject to the regulations as to transfer contained in the Articles, transfer such shares.

Acquisition by the Company of its own Shares

A company is prohibited from acquiring its own shares unless the consequent reduction of capital is effected by an approval of at least 75 per cent of its shareholders, voting on it in accordance with the Companies Act and sanctioned by the High Court of competent jurisdiction. Subject to certain conditions, a company is prohibited from giving, whether directly or indirectly and whether by means of loan, guarantee, provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person for any shares in the company or its holding company. However, pursuant to certain amendments to the Companies Act, a company has been empowered to purchase its own shares or other specified securities out of its free reserves, the securities premium account, the proceeds of any shares or other specified securities (other than the kind of shares or other specified securities proposed to be bought back) subject to certain conditions, including:

- the buy-back should be authorised by the Articles of Association of the company;
- a special resolution has been passed by postal ballot authorising the buy-back;
- the buy-back is limited to 25 per cent of the total paid-up capital and free reserves;
- the debt owed by the company is not more than twice capital and free reserves after such buy-back; and
- the buy-back is in accordance with the Securities and Exchange Board of India (Buy-Back of Securities) Regulations 1998, as amended.

The first and second condition mentioned above would not be applicable if the buy-back is for less than 10 per cent of the total paid-up equity capital and free reserves of the company and provided that such buy-back has been authorised by the Company's board. A company buying back its securities is required to extinguish and physically destroy the securities so bought back within seven days of the last date of completion of the buy-back. Further, a company buying back its securities is not permitted to buy back any securities for a period of one year from the buy-back or to issue securities for six months subject to certain limited exceptions.

A company is also prohibited from purchasing its own shares or specified securities through any subsidiary company including its own subsidiary companies or through any investment company. Further a company is prohibited from purchasing its own shares or specified securities, if the company is in default in the repayment of deposit or interest, redemption of debentures or preference shares, in payment of dividend to a shareholder, in repayment of any term loan or interest payable thereon to any financial institution or bank or in the event of non-compliance with certain other provisions of the Companies Act.

Liquidation Rights

Subject to the rights of creditors, of employees and of the holders of any other shares entitled by their terms of issue to preferential repayment over the shares, in the event of winding up of the Company, the holders of the shares are entitled to be repaid the amounts of capital paid-up or credited as paid-up on such shares. All surplus assets after payments due to employees, the holders of any preference shares and other creditors belong to the holders of the shares in proportion to the amount paid-up or credited as paid-up on such shares respectively at the commencement of the winding-up.

In case assets available are insufficient to repay the whole of the paid up capital, the assets shall be so distributed such that the losses are borne to the extent possible by the shareholders in the ratio of capital contributed. In case any of the shares involve a liability to call or otherwise, any person may, within 10 days after the passing of the resolution, by notice in writing direct the liquidators to sell his portion and pay him the net proceeds and the liquidator shall, if practicable, act accordingly.

The division of assets on winding up, if thought expedient, may subject to the provisions of the Companies Act, be otherwise than in accordance with the legal rights of the contributories (except when unalterably fixed by the Memorandum) and in particular, any class may be given preferential or special rights which may be excluded altogether or in part but any contributory who is prejudiced by the same have a right to dissent and possess ancillary rights as though such determination were a special resolution under section 494 of the Companies Act.

TAXATION

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS PLACEMENT DOCUMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

* * * * *

The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Equity Shares by a U.S. Holder (as defined below). This summary deals only with initial purchasers of Equity Shares that are U.S. Holders and that will hold the Equity Shares as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Equity Shares by particular investors and does not address state, local, foreign or other tax laws. This summary also does not address tax considerations applicable to investors that own (directly or indirectly) 10 per cent or more of the voting stock of the Company, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Equity Shares as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar).

As used herein, the term "U.S. Holder" means a beneficial owner of Equity Shares that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in a partnership that holds Equity Shares will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their tax advisers concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Equity Shares by the partnership.

The summary assumes that the Company is not a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes, which the Issuer believes to be the case. The Company's possible status as a PFIC must be determined annually and therefore may be subject to change. If the Issuer were to be a PFIC in any year, materially adverse consequences could result for U.S. Holders.

The summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and India (the "Treaty"), all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE EQUITY SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Dividends

General. Distributions paid by the Company out of current or accumulated earnings and profits (as determined for U.S.

federal income tax purposes) will generally be taxable to a U.S. Holder as foreign source dividend income and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the Equity Shares and thereafter as capital gain. However, the Company does not maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should therefore assume that any distribution by the Company with respect to Equity Shares will constitute ordinary dividend income. U.S. Holders should consult their own tax advisors with respect to the appropriate U.S. federal income tax treatment of any distribution received from the Company.

For taxable years that begin before 2011, dividends paid by the Company will generally be taxable to a non-corporate U.S. Holder at the special reduced rate normally applicable to long-term capital gains, provided the Company qualifies for the benefits of the Treaty. A U.S. Holder will be eligible for this reduced rate only if it has held the Equity Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date.

Prospective purchasers should consult their tax advisers concerning the applicability of the source of income rules to dividends on the Equity Shares.

Foreign Currency Dividends. Dividends paid in Rupees will be included in income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the U.S. Holder, regardless of whether the Rupees are converted into U.S. dollars at that time. If dividends received in Rupees are converted into U.S. dollars on the day they are received, the U.S. Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

Sale or other Disposition

Upon a sale or other disposition of Equity Shares, a U.S. Holder generally will recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the U.S. Holder's adjusted tax basis in the Equity Shares. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in the Equity Shares exceeds one year. However, regardless of a U.S. Holder's actual holding period, any loss may be long-term capital loss to the extent the U.S. Holder receives a dividend that qualifies for the reduced rate described above under "Dividends-General" and exceeds 10 per cent of the U.S. Holder's basis in its Equity Shares.

A U.S. Holder's tax basis in an Equity Share will generally be its U.S. dollar cost. The U.S. dollar cost of an Equity Share purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of Equity Shares traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. The amount realised on a sale or other disposition of Equity Shares for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or disposition. On the settlement date, the U.S. Holder will recognise U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of Equity Shares traded on an established securities market that are sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale and no exchange gain or loss will be recognised at that time.

As discussed in "Taxation - Indian Tax Considerations - Computation of capital gains", under current law, the sale of Equity Shares on may be subject to Indian tax (the STT). If a U.S. Holder is subject to the STT, U.S. Holders will be able to claim the amount of the STT actually paid as a credit against their foreign source income as an "in lieu of tax". However, any gain or loss realised on the sale of Equity Shares will generally be U.S. source. Therefore, a U.S. Holder may have insufficient foreign source income to utilise foreign tax credits attributable to any STT or other Indian tax imposed on a sale or disposition. However, if the STT does not qualify as a foreign tax under Section 903 of the Code, U.S. Holders will not be entitled to claim a foreign tax credit. Prospective purchasers should consult their tax advisers as to the availability of and limitations on any foreign tax credit attributable to the payment of the STT.

Disposition of Foreign Currency

Foreign currency received on the sale or other disposition of an Equity Share will have a tax basis equal to its U.S. dollar value on the settlement date. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Equity Shares or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Backup Withholding and Information Reporting

Payments of proceeds from a sale or other disposition, as well as dividends and other proceeds with respect to Equity Shares by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders (including, among others, corporations) are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

INDIAN TAX CONSIDERATIONS

The information provided below sets out the possible tax implications on the shareholders and benefits available to the shareholders in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares, under the tax laws presently in force in India. It is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the Equity Shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

YOU SHOULD CONSULT YOUR OWN TAX ADVISORS CONCERNING INDIAN TAX IMPLICATIONS AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN YOUR PARTICULAR SITUATION.

As per the taxation laws in force, the tax benefits / consequences as applicable, to the Qualified Institutional Investors (not being individuals or HUFs) investing in the Equity Shares of Suzlon Energy Limited (on the assumption that the units are not held as stock-in-trade) are stated as follows:

1. Implications on resident shareholders

1.1 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Income Tax Act. However Section 14A of the Income Tax Act restricts claim for deduction of expenses incurred in relation to exempt income. Thus, any expenditure incurred to earn the dividend income is not a tax deductible expenditure.

1.2 Computation of capital gains

1.2.1 Capital assets may be categorised into short term capital assets or long term capital assets based on the period of holding. Shares of a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these long term assets would be considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less would be considered as "short term capital gains".

1.2.2 Section 48 of the Income Tax Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit to the holders of the capital asset by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

As per the provisions of Section 112 of the Income Tax Act, long term gains which are not exempt under section 10(38) of the Income Tax Act would be subject to tax at a rate of 20 per cent (plus applicable surcharge and education cess). However, if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 per cent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 per cent without indexation benefit, then such gains are chargeable to tax at a rate of 10 per cent (plus applicable surcharge and various education cess).

As per the provisions of Section 111A of the Income Tax Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to Securities Transaction Tax ("STT") shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and various education cess). Also no deduction under Chapter VI-A would be allowed in computing such short term capital gains. Where the transaction has not been subjected to STT, the short term capital gains would be chargeable at the rate of tax applicable to the seller, i.e. 30 per cent (plus applicable surcharge and education cess.)

1.2.5 Exemption of capital gain from income tax

- According to section 10(38) of the Income Tax Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from tax.
- According to the provisions of Section 54EC of the Income Tax Act and subject to the conditions and investment limits specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. The investments made on or after April 1, 2007 in the long-term specified asset by a shareholder during any financial year does not exceed fifty thousand rupees. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

2. Implications on Non-resident shareholders

2.1 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Income Tax Act.

2.2 Computation of capital gains

2.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units ("Assets") will be considered long term capital Assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these long term Assets would be considered "long term capital gains". Capital gains arising on sale of the assets which are held for 12 months or less would be considered "short term capital gains".

2.2.2 Section 48 of the Income Tax Act contains special provisions in relation to computation of capital gains on transfer of an Indian company's shares by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the same currency, which was used to acquire the shares. The capital gains (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency would then be converted into Indian Rupees at the prevailing rate of exchange.

2.2.3 In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost.

As per the provisions of Section 112 of the Income Tax Act, long term gains as computed above that are not exempt under section 10(38) of the Income Tax Act would be subject to tax at a rate of 20 per cent (plus applicable surcharge and various education cess). In a recent advance ruling, the Advance Ruling Authority has held that the proviso to Section 112(1) would also be applicable to non residents. Accordingly, if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 per cent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 per cent without indexation benefit, then such gains are chargeable to tax at a rate of 10 per cent (plus applicable surcharge and various education cesses).

2.2.4 As per the provisions of section 111A of the Income Tax Act, short-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess). Where the non resident shareholder, being a foreign company, recognises short term capital gains and the transaction has not been subject to STT, it will be subject to tax at the rate of 40 per cent (plus applicable surcharge and education cess). Where the non-resident shareholder is an individual, the tax rate applicable will be 30 per cent (plus applicable surcharge and education cess).

2.2.5 Exemption of capital gain from income tax

- According to Section 10(38) of the Income Tax Act, long-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be exempt from capital gains tax.
- According to the provisions of Section 54EC of the Income Tax Act and subject to the conditions and investment limits specified therein, capital gains not exempt under section 10(38) and arising to the shareholder on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the shareholder transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. The investments made on or after April 1, 2007 in the long-term specified asset by a shareholder during any financial year does not exceed fifty thousand rupees.

3. Implications on Foreign Institutional Investors ('FIIs')

3.1 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Income Tax Act.

3.2 Taxability of capital gains

As per the provisions of Section 115AD of the Income Tax Act, FIIs will be taxed on the capital gains that are not exempt under Section 10(38) of the Income Tax Act at the following rates:

Nature of income	**Rate of tax (per cent)**
Long term capital gains	10
Short term capital gains	30

The above tax rates would be increased by the applicable surcharge and education cess. The benefits of indexation and foreign currency fluctuation protection as provided by Section 48 of the Income Tax Act are not available to an FII.

According to Section 111A of the Income Tax Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

3.3 Exemption of capital gain from income tax

According to Section 10(38) of the Income Tax Act, long-term capital gains on sale of shares where the transaction of sale is chargeable to STT shall be exempt from tax.

4. Implications on Mutual Funds

As per the provisions of Section 10(23D) of the Income Tax Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt from income tax, subject to the conditions which may be prescribed by the government.

5. Tax Deduction at Source

No income-tax is deductible at source from income by way of capital gains under the present provisions of the Income Tax Act in case of residents. However, the provisions of section 195 of the Income Tax Act may apply to non-residents (other than Foreign Institutional Investors and long-term capital gains exempt under section 10(38) of the Income Tax Act).

Accordingly income tax at the applicable tax rate as discussed in case of each of the above categories of non-resident shareholders would have to be deducted at source by the buyer of the Assets, unless a lower withholding tax certificate is obtained from the tax authorities.

6. Tax Treaty benefits

Under the provisions of Section 90(2) of the IT Act, if the provisions of the Tax Treaty between India and the country of residence of the non resident shareholder are more beneficial, then the provisions of the Tax Treaty shall be applicable.

7. Implications under the Wealth-tax Act, 1957

Asset as defined under Section 2(ea) of the Wealth tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

8. Implications under the Gift-tax Act, 1958

Gift tax is abolished as of October 1, 1998. No gift tax is leviable in respect of shares gifted after such date.

The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of Equity Shares held as investment (and not as stock in trade). The statements made above are based on the tax laws in force and as interpreted by the relevant taxation authorities as of date. Investors are advised to consult their tax advisors with respect to the tax consequences of the purchase, ownership and disposal of equity shares.

LEGAL PROCEEDINGS

Except as described below, the Group is not involved in any legal proceedings and no proceedings are threatened, which may have, or have had, a material adverse effect on the business, properties, financial condition or operations of the Group. The Group believes that the number of proceedings in which the Group is involved in is not unusual for a company of its size in the context of doing business in India and in international market.

1. The Company sent demand notices dated April 16, 2007 to two of its customers, Vishal Exports Overseas Limited and Vishal Plastnomer Private Limited ("Vishal Entities") for Rs.60, 801,574 and Rs.10, 079, 172 payable by them in respect of WTGs sold to them. The Vishal Entities by way of their responses dated May 8, 2007 and May 10, 2007 have denied their liability to pay the said amounts on the grounds of short fall in generation by the WTGs supplied by the Company. They have claimed an amount of Rs.59,731,235 under the generation guarantee given by the Company in respect of short fall in generation in the prior periods. They have also claimed an amount of Rs.381,100,000 in respect of anticipated short fall in generation during the remainder of the lifecycle of the WTGs. The Company believes that it is a defensible case and is in the process of preparing a suitable response to the Vishal Entities. The Vishal Entities have called for arbitration proceedings for the resolution of the dispute. In addition, the Vishal Entities have also obtained an interim injunction from the City Civil Court, Ahmedabad to prevent the Company from stopping the O&M services in respect of the WTGs supplied to the Vishal Entities. The High Court has passed an order removing the interim injunction granted by the City Civil Court. The dispute is pending.

2. The Company was given a notice dated September 9, 2002 by the Collector, Satara, Maharashtra under the Maharashtra Land Revenue Code, 1966 for carrying on unauthorised mining activity and extracting morum from the land used by the Company for wind farm purposes located at Satara. The liability comprises a royalty payment of Rs.2,338,168 and a penalty of Rs.12,525,900. The Company has already paid an amount of Rs.10,006,168 out of imposed penalty of Rs.12,525,900 and of Rs.2,338,168 towards the royalty imposed. In an appeal filed before the Divisional Commissioner of Pune the matter was decided in the favour of the Company and it was held that the excavation activities were not illegal and the matter was remanded back to the Collector for the limited purpose of calculating the exact amount of royalty and penalty payable.

   A criminal complaint has also been filed in the court of the Chief Judicial Magistrate, Satara in relation to the above mentioned matter under the Mines and Minerals Act, 1957. The matter is pending.

   The Company and SIL received a similar notice dated October 24, 2001 stating that the Company was carrying on mining activities in the wind farm situated in Shahjahanpur, District Ahmednagar, Maharashtra from the Tahasildar Parner, District Ahmednagar. An order dated November 6, 2001 was subsequently passed, imposing a liability of Rs.28,632,044 comprising royalty payment of Rs.534,044 and a penalty of Rs.28,098,000. Separate amounts of Rs.1,971,514, Rs.2,000,000 and Rs.8,590,000 have been deposited under protest towards the liability imposed by the order dated 6 November 2001. The Company has filed an appeal before the Aurangabad Bench of the High Court, Bombay praying for a stay against the recovery of the balance amount of Rs.16,070,530. SIL is also a petitioner in this matter. The Company has initially deposited Rs.7,500,000 against the interim order of the High Court. This appeal is pending.

3. In January 2000 the Group received a letter from the administrator in bankruptcy of Sudwind Energiesysteme GmbH relating to royalty payments in connection with the Technical Collaboration Agreement dated 30 September 1996 which the Group entered into with Sudwind Energiesysteme GmbH. The administrator in bankruptcy claimed that the Group owed royalty payments from sales of its 0.35 MW WTG models, which were designed and developed pursuant to the terms of the Technical Collaboration Agreement. The Group responded to the claims by explaining that the correct amount it owed was Deutsche Marks 234,000 (i.e., Euro 119,642 or Rs.6.92 million as of 31 March, 2007) and that Sudwind Energiesysteme GmbH also had obligations under the agreement that had not been complied with. On 1 March, 2000 the Group received a letter from the administrator in bankruptcy requesting a lump sum payment of Deutsche Marks 200,000) (i.e., Euro 102,258, or Rs.5.92 million as of 31 March 2007) as settlement of all the Group's outstanding obligations to agreeing to Sudwind Energiesysteme GmbH. The Group agreed to pay this amount, subject to compliance by Sudwind Energiesysteme GmbH with its outstanding obligations to it under the terms of the Technical Collaboration Agreement, including reimbursement of expenses the Group incurred to obtain the type certification for its 0.35 MW WTG models. As Sudwind Energiesysteme GmbH has not complied with these obligations, the Group has not yet paid the Deutsche Marks 200,000 (i.e., Euro 102,258 or Rs.5.92 million as of 31 March, 2007) to its administrator in

bankruptcy and the Group has not received any further correspondence relating to this issue. Sudwind Energiesysteme GmbH is a subsidiary of Nordex AG, one of the Group's key competitors.

4. The Company was associated with Sarjan Securities Private Limited ("Sarjan Securities") who in the past were called upon by regulatory authorities including SEBI and the Deputy Commissioner of Police, Economic Offences Wing, to provide information relating to certain transactions in the shares of Tata Finance Limited. Sarjan Securities has since ceased to be a part of the Promoter Group of the Company with effect from 30 March 2002. The Company has not received any correspondence, nor have any proceedings or investigations been initiated against the Company, its Directors or its Promoter Group in relation to the above.

5. AERT is currently disputing incentives payable to a former employee of AERT. In April 2001, AERT executed a master agreement with various employees which contained terms in relation to the payment of incentives to those employees for working on various projects and specified that such incentives would cease to be payable after the resignation of such employees. Mr. Cock van Driel, a former employee, who was a party to the master agreement, resigned from AERT but subsequently commenced action in the courts at Enschede, Netherlands (the "Dutch courts") for recovery of incentives which he claimed were payable after his resignation date. The Dutch courts passed an interim order in July 2006 in favour of the claimant and determined that, among other factors, an additional termination agreement signed between AERT and Mr. Cock van Driel enabled him to continue claiming incentives after his resignation. Consequently, this led to attachments in execution of AERT's bank account for which AERT was compelled to provide a bank guarantee of € 50,000 after AERT failed to lodge an appeal within the requisite time. In September 2007, AERT made representations to the Dutch courts raising issues of jurisdiction and also sought to appeal the decision in the Dutch courts which was unsuccessful, although the final order has not yet been passed. The claim amounts to an aggregate of approximately € 500,000. Although the claim has only been initiated against AERT, as a matter of Dutch law, the bank accounts and assets of AERT and of its direct and indirect shareholders (including AERH and the Issuer), are liable to be attached to satisfy such claims if the Dutch courts pass a final order against AERT. AERT have also initiated arbitration proceedings on the same matter in the courts of Mumbai, India. The service of the notice on Mr Driel has been proved before the Mumbai High Court and the matter is going to be listed for the appointment of arbitrator. Two similar cases with two other AERT former employees have been settled recently by the Company.

6. Insurance carriers for the Company's indirect subsidiary, SWECO, are defending two claims which have been filed against SWECO" in the United States. The first case is pending in state court and involves the death of a sub-contractor employee while installing a WTG on November 11, 2005. The second case is pending in federal court and involves personal injury to a sub-contractor employee while unloading wiWTG blades on February 23, 2007. The Company has been named as an additional defendant in this second lawsuit. These suits include claims of negligence, product liability, physical pain and medical expenses. SWECO presently cannot quantify or estimate the amount of any damages which SWECO may be required to pay, net of insurance coverage, if SWECO ultimately is found liable in these cases, but is disputing all claims made against it.

7. On November 13, 2006, Suzlon Energy A/S terminated a WTG supply contract with a Korean customer, Unison, as Unison did not proceed with the erection and installation of the WTGs as required under the supply contract. Suzlon Energy A/S claimed US$506,093.10 representing the outstanding 10 per cent of the contract value. On November 9, 2006 Unison terminated the supply contract and alleged that Suzlon Energy A/S was not in a position to terminate the supply contract. On August 25, 2007, Suzlon Energy A/S revoked the termination of the supply contract and claimed payment of US$781,949 towards the outstanding contract amount and the cost of service for one year less amounts due to reduced power curve. Unison has subsequently filed for arbitration in the Korean Commercial Arbitration Board. Unison is claiming a refund of the contract price, costs sustained and the loss of profits. The total claimed by Unison is US$17,960,240.

   A show cause notice has been issued by the Additional Director General, DGCEI, Kolkata to Electrosteel Casting Ltd. and its non-executive director Mr. Pradeep Khaitan, who is also a director of our Company, in October 2006 for alleged contravention of certain excise laws.

GENERAL INFORMATION

1. The Company is incorporated in India under corporate identity number L40100GJ1995PLC025447. The Company's registered office is "Suzlon", 5, Shrimali Society, Near Shri Krishna Complex, Navrangpura, Ahmedabad - 380 009, India and its Corporate office is 5th Floor, Godrej Millenium, 9, Koregaon Park Road, Pune 411 001, India.
2. The Issue was authorised and approved by the Company's Board of Directors on October 23, 2007 and approved by the shareholders on December 6, 2007.
3. The Company has applied for and received in-principle approval to list the Equity Shares on the BSE and the NSE.
4. Copies of the Company's Memorandum and Articles of Association will be available for inspection during usual business hours on any weekday (except Saturdays and public holidays) at its Registered Office.
5. The Company has obtained all consents, approvals and authorisations required in connection with this Issue.
6. Except as disclosed in this Placement Document, there has been no significant change in the Group's financial position since September 30, 2007, the date of its last published financial results.
7. Except as disclosed in this Placement Document, there are no litigation or arbitration proceedings against or affecting the Group or the Group's assets or revenues, nor is the Group aware of any pending or threatened litigation or arbitration proceedings, which are or might be material in the context of this Issue of Equity Shares.
8. M/s. SNK & Co., Chartered Accountants, Pune and M/s. S.R. Batliboi & Co., Chartered Accountants, Pune ("Company Auditors") have audited and reviewed the Company's accounts for the periods ended, March 31, 2007, 2006 and 2005 and they have consented to the inclusion of their report in this Placement Document. The Company Auditors have reviewed the Company's accounts for the half-year periods ended September 30, 2006 and 2007 and they have consented to the inclusion of their report in this Placement Document.
9. Susat & Partner OHG Wirtschaftsprüfungsgesellschaft ("Susat") have audited REpower's accounts for the period ended December 31, 2005. Susat have consented to the inclusion of their report in this Placement Document. KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft ("KPMG Deutsche") have audited REpower's accounts for the period ended December 31, 2006. KPMG Deutsche have consented to the inclusion of their report in this Placement Document.
10. The Company confirms that it is in compliance with the minimum public shareholding requirements as required under the terms of the listing agreements with the Stock Exchanges.
11. The Floor Price for the Issue of Equity Shares is Rs.1,913 per Equity Share.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND IFRS

1. The Company's financial statements have been prepared in accordance with the requirements of Indian GAAP, which differs in various aspects from International Financial Reporting Standards (IFRS). Given below is a general summary of significant differences between Indian GAAP and IFRS as applicable to the Company.
2. This is not an exhaustive list of differences between Indian GAAP and IFRS; rather, it indicates only those key differences which are considered to be more relevant to the financial position and results of operations of the Company.
3. IFRS and Indian GAAP considered for preparation of this Statement are those which are applicable as on November 30, 2007. No attempt has been made to identify the impact of amendments/ pronouncements which have been issued but would become applicable on a future date, e.g., Accounting Standards 30 and 31 on Financial Instruments issued under Indian GAAP or revision of IAS 23 under IFRS have not been considered in this Statement. Also, no attempt has been made to identify differences which would be arising as a result of changes expected in future periods.
4. This Statement has been prepared on the assumption that the company applies IFRS on continuing basis and therefore, the Impact of IFRS 1 regarding First Time Adoption of IFRS has not been considered.
5. This Statement does not cover all differences regarding presentation, classification and disclosure requirements applicable under Indian GAAP and IFRS.
6. No numerical reconciliation of the financial position and results of operations under Indian GAAP and under IFRS have been included in the Placement Memorandum. In absence of such reconciliation, we are not in a position to stated as to how the financial position and the results of operations would be impacted when computed under IFRS.

Subject	Indian GAAP	IFRS
Contents of Financial Statements	As per the requirements of Schedule VI to the Indian Companies Act, 1956 ("Companies Act") and Accounting Standards issued by the Institute of Chartered Accountants of India and notified under the Companies Act, 1956, the financial statements comprise of: (a) Balance sheet; (b) Profit & Loss Account; (c) Cash flow statement (mandatory only for companies which are not SMCs); (d) Notes to financial statements, including summary of accounting policies and necessary explanatory notes thereon.	As per IAS 1, Financial Statements comprise of: (a) Balance sheet; (b) Income statement; (c) Cash flow statement; (d) Statement of changes in equity; (e) Notes including summary of accounting policies and explanatory notes.
Balance Sheet	Accounting standards do not prescribe any particular format of balance sheet. However, the Companies Act and some other relevant statutes prescribe the form and content of balance sheet. For companies, schedule VI lays down a specific format of balance sheet specifying the order in which various items are presented on its face as well as in schedules. The format of balance sheet given in Schedule VI is neither based on current and non-current classification nor in order of liquidity.	There is no prescribed format. Certain minimum items must be presented on the face of the balance sheet and certain items should be presented either on face or in notes. An entity shall present current and non-current assets and current and non-current liabilities, as separate classifications on the face of its balance sheet except when a presentation based on liquidity provides more relevant and reliable information.

Subject	Indian GAAP	IFRS
Income Statement	Unlike balance sheet, there is no standard format prescribed for the Income Statement. However, Schedule VI to the Companies Act prescribes various requirements for presentation of an Income Statement (known as "Profit and Loss Account"). As per these requirements, an entity presents an analysis of expense by their nature in P&L A/c. Profit or loss attributable to minority interests is disclosed as deduction from the profit or loss for the period as an item of expense or income.	There is no prescribed format. However, certain items are prescribed as a minimum disclosure on the face of the Income statement. An analysis of expenses is presented using a classification based on either the nature of expenses or their function within the entity, either on the face of the Income Statement or in notes. Profit or loss attributable to minority interests and equity holders of the parent are disclosed on the face of the income statement as allocations of profit or loss for the period.
Statement of Recognised Income and Expenses (SORIE)/ Statement of Changes in Equity (SOCIE)	SOCIE/SORIE is not applicable under Indian GAAP. All items are recognised in the income statement in accordance with AS 5, unless required otherwise by any accounting standard. Considering these requirements, credits for certain items are directly taken to reserves and surplus, e.g., revaluation of fixed assets. The transitional provisions of certain standards require first time adjustment and their consequential tax effect to be made directly into reserves and surplus. Schedule is given for equity and reserves and surplus showing opening, closing position as on the balance sheet date and movements alongwith other disclosures prescribed by Schedule VI of the Companies Act, 1956. The information relating to appropriation of profit is presented on the face of the Income Statement.	SOCIE/ SORIE is presented as a primary statement in the financial statements. An entity can present SOCIE showing either: (i) all changes in equity, or (ii) changes in equity other than those arising from transactions with equity holders acting in their capacity as equity holders. If the entity adopts option (ii), the Statement is called as SORIE. In such a case, other changes in equity are shown in the notes.
Extraordinary items	Extraordinary items are defined as events or transactions that are clearly distinct from the ordinary activities of the entity and are not expected to recur frequently and regularly. Extraordinary items are included in determination of net profit or loss for the period and disclosed separately in the profit and loss account. The nature and amount of each extra ordinary item is separately disclosed so that its impact on current profit or loss is clearly perceived.	Presentation of items of income or expense as extraordinary is specifically prohibited.

Subject	Indian GAAP	IFRS
Disclosure of judgements, etc.	At present, there is no such disclosure requirement.	IAS 1 requires disclosure of critical judgements that management has made in the process of applying accounting policies and key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.
Disclosures regarding capital	At present, there is no such disclosure requirement.	IAS 1 requires disclosure of information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.
Changes in accounting policies	AS 5 does not specifically provide whether a change in an accounting policy should be retrospective or prospective. It also does not specify the manner of adjustment of the effect of a change in an accounting policy. It merely requires separate disclosure of the impact of and the adjustments resulting from, the change in accounting policy, where ascertainable.	A change in an accounting policy should be applied retrospectively by restating comparatives and prior year opening retained earnings. Disclosures are required of the reasons for and the effect of the change, etc.
Errors/ prior period items	AS 5 covers only items of income and expenses under the definition of prior period items. Balance sheet misclassifications, which do not have an income statement impact, are not included in the definition of an error. Material prior period items are included in determination of profit or loss for the period in which the error is discovered and are reported as a prior period adjustment in current year's profit and loss account.	The definition of prior period items is much broader under IAS 8 as compared to AS 5 since IAS 8 covers all items in the financial statements. Material prior period errors are corrected retrospectively by restating the comparative amounts for prior periods presented in which the error occurred or if the error occurred before the earliest period presented, by restating the opening balances of assets, liabilities and equity for the earliest period presented.
Cash Flow Statement Definition of cash and cash equivalents	Similar to IFRS except that there is no specific guidance on treatment of bank overdrafts. As per the practice followed, these are generally considered to be part of financing activities.	Cash comprises of not only cash on hand but also demand deposits. Cash equivalents are short term highly liquid investments that are readily convertible into cash without any significant risk of change in value. Bank overdrafts that are repayable on demand and that form an integral part of an entity's cash management are included in cash equivalents.
Interest and dividend	In case of non-financial entities, interest and dividends paid are required to be classified as financing activities. Interest and dividends received are required to be classified as investing activities.	For non-financial entities, interest and dividend paid should be disclosed as operating or financing cash flow. Interest and dividend received are disclosed either as operating or as investing cash flows.

Subject	Indian GAAP	IFRS
Accounting for Fixed Assets and Depreciation	Indian GAAP recommends but does not mandate component accounting. It merely recognises the said approach in one paragraph by stating that accounting for a tangible fixed asset may be improved if total cost thereof is allocated to its various parts. Apart from this, no guidance is available on application of this approach. Costs incurred for replacement of parts is capitalised only if it increases the future benefits from the asset beyond its previously assessed standard performance. Fixed assets are depreciated over their estimated useful lives and rates of depreciation prescribed in Schedule XIV to the Companies Act are treated as minimum rates of depreciation.	IAS 16 mandates component accounting. Under component accounting approach, each major part of an item of property plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. As a corollary, cost of replacing such parts is capitalised, if recognition criteria are met with consequent derecognition of carrying amount of the replaced part. Costs incurred for replacement of a part of an item of fixed asset are capitalised if recognition criteria are met with consequent derecognition of carrying amount of the replaced part. Fixed assets are depreciated over their estimated useful lives and there are no minimum rates of depreciation. Each major part of an item of fixed with a cost that is significant in relation to the total cost of the item is depreciated separately.
	Change in depreciation method is treated as change in accounting policy. AS 6 requires retrospective recomputation of depreciation and any excess/deficit on such recomputation is required to be adjusted in the period in which the change is effected. Under AS 6 (1994), annual review of useful life and residual value is not obligatory as it simply provides that useful life of an asset may be reviewed periodically.	Change in depreciation method is treated as change in accounting estimate and applied prospectively. IAS 16 requires that the residual value and useful life of an asset be reviewed at least at each financial year-end and if expectations differ from previous estimates, the change(s) should be accounted for as a change in an accounting estimate.
Revaluation of fixed assets	Revaluation is of fixed assets permitted. On revaluation, an entire class of assets is revalued, or selection of assets is made on a systematic basis. Regular updation of revaluation is not required. Depreciation on revaluation portion can be recouped out of revaluation reserve.	Revaluation of fixed assets is more systematic since IAS 16 requires an entity to choose either the cost model or the revaluation model as its accounting policy and to apply that policy to an entire class of assets. It also requires that revaluations should be updated with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Depreciation on revaluation portion cannot be recouped out of revaluation reserve and will have to be charged to the P&L account.

Subject	Indian GAAP	IFRS
Impairment of assets	An entity is required to assess whether there is any indication that an asset is impaired at each balance sheet date. If yes, impairment loss (if any) is provided to the extent the carrying amount of assets exceeds their recoverable amount. Recoverable amount is the higher of an asset's net selling price (fair value less cost to sell) or its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. An impairment loss recognised for an asset in prior accounting periods should be reversed if there has been a change in the estimates of cash inflows, cash outflows or discount rates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset should be increased to its recoverable amount. An impairment loss recognised for goodwill should not be reversed in a subsequent period unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.	Similar to Indian GAAP except that an impairment loss recognised for goodwill shall not be reversed in a subsequent period.
Investments	Investments are classified as long-term or current, based on the management's intention at the time of purchase. Long term investments are carried at cost less provision for other than temporary diminution in value. Current investments are carried at the lower of cost or fair value.	Investments are classified into held-for-trading, held-to-maturity or available-for-sale categories. Investments acquired principally for the purpose of generating profits from short-term price fluctuations or dealers' margin are classified as being held-for-trading. Such investments are measured at fair value and consequent gain or loss is recognised in the profit or loss for the period. Held-to-maturity investments are investments with fixed or determinable payments and fixed maturity, together with entity's positive intent and ability to hold until maturity. These investments are recognised at amortised cost using the effective interest rate method.

Subject	Indian GAAP	IFRS
		Available-for-sale investments are those investments that are either designated as such or do not qualify as held-for-trading or held-to-maturity investments. Such investments are measured at fair value, with movements in fair value reflected in equity.
Post employment defined benefit plans such as pension, gratuity	Discount rate to be used for determining defined benefit obligation is by reference to market yields at the balance sheet date on government bonds of a currency and term consistent with the currency and term of the post-employment benefit obligations. Actuarial gain or loss should be recognised immediately in profit and loss account.	Discount rate to be used for determining defined benefit obligation is by reference to market yields at the balance sheet date on high quality corporate bonds (or, in countries where there is no deep market in such bonds, government bonds) of a currency and term consistent with the currency and term of the post-employment benefit obligations. IAS 19 provides the following options to recognise actuarial gains and losses: ● all actuarial gains and losses can be recognised immediately in the P&L. ● all actuarial gains and losses can be recognised immediately in SORIE. ● actuarial gains and losses below the 10 per cent corridor need not be recognised and above the 10 per cent corridor can be deferred over the remaining service period of employees or on accelerated basis. Entity should select any of the above methods as its accounting policy and apply the same policy for recognition of actuarial gains and losses on consistent basis.
Employee share-based payment	As per the Guidance Note issued by the ICAI as well as SEBI Guidelines on the subject, share-based payments granted to employees can be accounted for either as per intrinsic value method or as per the fair value method. When the intrinsic method is applied, fair value related disclosures are required to be made in the notes to accounts.	Amount to be recorded is measured at fair value of shares or share options granted.

Subject	Indian GAAP	IFRS
Consolidated Financial Statements	AS 21 does not specify entities that are required to present consolidated financial statements. The accounting standard is required to be followed if consolidated financial statements are presented. SEBI requires all listed entities to present consolidated financial statements. Control exists when (a) parent owns, directly or indirectly through subsidiaries, more than one half of an entity's voting power or (b) it controls composition of an entity's board of directors so as to obtain economic benefits from its activities. The existence of currently exercisable potential voting rights is not taken into consideration.	Consolidated Financial Statements are required for all entities unless specific exemptions in IAS 27 apply. Control is based on power to govern the financial and operating policies. Control is presumed to exist when parent owns, directly or indirectly though subsidiaries, more than one half of an entity's voting power, unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Control also exists when the parent owns half or less of the voting power but has legal or contractual rights to control, or de facto control (rare circumstances). The existence of currently exercisable potential voting rights is also taken into consideration.
Special Purpose Entities (SPE)	No guidance on Special purpose entities (SPEs).	Special purpose entities (SPEs) controlled by an entity are also consolidated
Method of consolidation	Goodwill/capital reserve arising on consolidation is calculated based on carrying amounts of assets and liabilities. Goodwill is tested for impairment whenever an indication of impairment exists at the CGU level. Though amortization of goodwill arising on consolidation is not mandatory, it can be amortised on a systematic basis over its useful life. If the cost to the parent of its investment in a subsidiary is less than the parent's portion of equity of the subsidiary, at the date on which investment in the subsidiary is made, then the difference should be treated as a capital reserve in the consolidated financial statements. Similar to IFRS except that if it is impracticable to use uniform accounting policies, this fact and the line items and amounts to which different accounting policies have been applied are disclosed. Minority interests are presented in the consolidated balance sheet separately from liabilities and equity. No deferred tax adjustment is required. Deferred taxes presented in the CFS are a simple aggregation of the deferred taxes recognised by the group entities.	Goodwill/ negative goodwill is calculated based on fair values of assets and liabilities. Goodwill is tested for impairment annually or more frequently at either CGU level / group of CGUs as applicable if there are indicators of impairment. Goodwill is not amortised. If the parent's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised exceeds the cost, the parent shall (i) reassess the identification and measurement of the assets, liabilities and contingent liabilities and the measurement of the cost; and (ii) recognise immediately in profit or loss any excess remaining after that reassessment. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Minority interests are presented in the consolidated balance sheet within equity, separately from the parent's shareholders equity. Deferred tax adjustment are required, e.g., for unrealised profits eliminated on consolidation.

Subject	Indian GAAP	IFRS
Accounting for investments in subsidiaries in separate financial statements	Investments in subsidiaries are accounted at cost less provision for other than temporary diminution in value of Investment.	Investments in subsidiaries are accounted either at cost less impairment loss or as available for sale investments as described in IAS 39.
Exclusion of subsidiaries from consolidation	Subsidiary is excluded from consolidation if it was acquired with the intent to dispose of within the near future (twelve months) or if it operates under severe long-term restrictions which significantly impair its ability to transfer funds to the parent.	Subsidiaries are excluded from consolidation if on acquisition it meets the criteria to be classified as held for sale in accordance with IFRS 5.
Reporting dates	The difference between the reporting date of the subsidiary and that of the parent shall be no more than six months.	The difference between the reporting date of the subsidiary and that of the parent shall be no more than three months.
Accounting for associates	Equity method is required to be applied only if the entity prepares CFS. Where the reporting entity is not a parent, but has associates, it need not apply equity method to its associates.	Where the reporting entity is not a parent, but has associates, it will need to apply equity method to its associates in its own financial statements.
Identification of goodwill	Goodwill or capital reserves within the investment amount are required to be separately identified.	Goodwill or capital reserves within the investment amount are not required to be separately identified
Reporting dates	There is no limit of three months for difference between the reporting dates.	Difference between the reporting date of the associate and that of the investor shall be no more than three months.
Accounting for investments in associates in separate financial statements	In separate financial statements: at cost less provision for other than temporary diminution in value of Investment.	In separate financial statements: at cost less impairment loss or as available for sale investments in accordance with IAS 39.
Definition of joint venture	Similar to IFRS. However, sometimes though a contractual arrangement may suggest a joint venture, the investee is accounted as a subsidiary if the investors share in the investee's equity is greater than 50 per cent.	A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity, which is subject to a joint control. As per IAS 31, the existence of a contractual arrangement distinguishes interests that involve joint control from investments in associates in which the investor has significant influence. Activities that have no contractual arrangement to establish joint control are not joint ventures for the purposes of this Standard.

Subject	Indian GAAP	IFRS
Accounting for jointly controlled entities	In consolidated financials, proportionate consolidation is used. In separate financial statements: at cost less provision for other than temporary diminution in value of Investment.	IAS 31 prescribes proportionate consolidation method for recognising interest in a jointly controlled entity in CFS. It, however, also allows the use of equity method of accounting as an alternate to proportionate consolidation. However, proportionate method of accounting is more recommended. In separate financial statements: at cost less impairment loss or as available for sale investments in accordance with IAS 39.
Provisions	Similar to IFRS, except that discounting is not permitted.	Provisions relating to present obligations arising from past events are recognised if outflow of resources embodying economic benefits is probable and amount can be reliably estimated. Provisions are discounted to their present value where the effect of time value of money is material.
Contingent gains	Contingent gains are neither recognised nor disclosed.	Contingent assets are disclosed in financial statements where an inflow of economic benefits is probable.
Restructuring provision	Restructuring provision should be made based on legal obligation.	Restructuring provision should be made based on constructive obligation.
Deferred income taxes	Deferred tax is accounted using the income statement approach or the timing differences approach. Timing differences are differences between the taxable income and accounting income for a period that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. However, deferred tax assets in situations of brought forward losses or unabsorbed depreciation are recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which the deferred tax assets can be realised.	IAS 12 is based on the balance sheet approach or the temporary differences approach. Temporary differences are differences between the tax bases of assets or liabilities and their book values that will result in taxable or tax deductible amounts in future years. There are certain items which are temporary differences under IFRS but do not give rise to timing difference under Indian GAAP. For example a) Revaluation of fixed assets b) Business combinations c) Consolidation adjustments d) Undistributed profits e) Foreign currency translation adjustment Deferred tax assets are recognised only to the extent it is probable that taxable profits will be available against which the deferred tax asset can be utilised. Where an entity has a history of tax losses, the entity recognises deferred tax asset only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available.

Subject	Indian GAAP	IFRS
Recognition of deferred tax on investment made in subsidiaries, branches, associates and joint ventures (undistributed profits)	No deferred tax is recognised.	An entity should recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, except to the extent that the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not reverse in the foreseeable future.
Fringe benefits tax	Disclosed as separate item after 'profit before tax' on the face of income statement.	Included as part of expenses in determination of profit before tax.
Proposed Dividends	Proposed dividends are recognised as liability in the period to which they relate, even-though the same are declared after the balance sheet date.	Proposed dividends which are declared after balance sheet date are not recognised as liability in the financial statements. These are recognised in the period in which declared.
Effects of Changes in Foreign Exchange Rates	AS 11 is based on the integral and non-integral foreign operations approach, i.e., the approach which was followed in the earlier IAS 21 (revised 1993). There is no specific guidance on the issue if an entity adopts to publish its financial statements in other currencies. One view could be that the currency used for presentation of financial statements would be treated as reporting currency and all other currencies would be treated as foreign currencies and recording of transactions as well as recognition of gain/ loss would follow accordingly.	Current IAS 21 is based on the 'Functional Currency' approach as against the integral and non-integral approach. Functional currency is defined as the currency of the primary economic environment in which the entity operates. On an overall basis, both approaches give similar results except in some cases where functional currency and presentation currency are different. If the financial statements are presented in any other currency other than functional currency, the assets/liabilities are translated at closing rate and income/ expenses at an average rate. The resultant exchange gain/ loss is recognised in SOCIE.
Borrowing costs	The entity should capitalise borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset.	The benchmark treatment prescribed in IAS 23 is that all borrowing costs should be recognised as an expense in the period in which they are incurred. As an allowed alternative to this, the entity, however, has an option to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

Subject	Indian GAAP	IFRS
Derivatives	Presently, no specific standard on financial instruments containing comprehensive guidance on accounting for derivatives is applicable. AS 11 deals with accounting for foreign currency transactions in the nature of forward exchange contracts. It requires gain or loss arising on forward exchange contracts intended for trading or speculation purposes to be measured based on the forward rate available at the reporting date which is recognised immediately in the profit and loss account. With regard to Equity Index and Equity Stock Futures and Options, the Guidance Note issued by the ICAI requires a provision to be created in respect of loss on open futures contracts at the reporting date whereas gain, if any, is ignored. As per the Guidance Note, gains on such contracts are recognised only on actual settlement.	IAS 39 deals with accounting for derivatives in a comprehensive manner. As per IAS 39, derivatives are initially recognised at fair value. After initial recognition, an entity shall measure derivatives at their fair values, without any deduction for transaction costs. Changes in fair value are recognised in income statement unless derivative satisfies hedge criteria. Embedded derivatives need to be separated and fair valued.
Hedging	At present, no specific standard dealing with hedge accounting in comprehensive manner is applicable. Presently, AS 11 deals with forward exchange contracts entered into for hedging foreign currency risk of foreign currency assets and liabilities. AS 11 does not lay down any specific criteria for determining hedges accounting; rather, the treatment is based on the purpose for which such contracts are entered into. AS 11 does not classify hedging relationships into any particular categories. As per 11, the premium or discount arising at the inception of a forward exchange contract entered into for hedging purposes should be amortised as expense or income over the life of the contract. Exchange differences on such a contract should be recognised in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract should be recognised as income or as expense for the period.	IAS 39 deals with the requirements concerning hedge accounting in a comprehensive manner. It defines the terms such as hedged item, hedging instruments. It also lays down strict documentation and hedge effectiveness criteria which need to be satisfied for application of hedge accounting. As per IAS 39, hedging relations are of three types, viz., fair value hedge, cash flow hedge and hedge of net investment in a foreign operation. Accounting for hedged item and hedging instrument depends upon type of hedging relationship between hedged item and hedging instrument.

Subject	Indian GAAP	IFRS
Classification of financial instrument between liability and equity	Classification is based on legal form rather than substance. All preference shares are disclosed separately as share capital under shareholders funds.	Capital instruments are classified depending on substance of issuer's contractual obligation as either equity or liability. Mandatory redeemable preference shares are classified as liabilities.
Compound financial instruments	No split accounting is done. Financial instrument is classified as either liability or equity, depending on primary nature of instrument. A convertible debenture would be treated as a liability and a convertible preference share would be treated as equity.	Compound financial instruments are subjected to split accounting whereby liability and equity components are recorded separately.
Financial liabilities	Liabilities are normally carried at amount received. Interest expense on liabilities is recognised on time-proportion basis as per the rates mentioned in the loan agreement.	Financial liability is classified into either of two categories (a) financial liability at fair value through P&L; or (b) residual category. All derivatives that are liabilities (except qualifying hedging instruments) are trading liabilities. Other trading liabilities may include a short position in securities. Initial measurement of financial liabilities is at cost, being the fair value of a consideration received, less transaction costs. Financial liabilities at fair value through profit or loss (including trading) liabilities are measured at fair value and change in fair value is recognised in the income statement for the period. All other financial liabilities are carried at amortised cost using effective interest rate.
Intangible Assets	After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses. Revaluation of intangible assets is not permitted. There is no concept of intangible assets with indefinite useful life. There is a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. All assets are amortised over their respective useful life.	An entity shall choose either the cost model or the revaluation model as its accounting policy. If an intangible asset is accounted for using the revaluation model, all the other assets in its class shall also be accounted for using the same model, unless there is no active market for those assets. An entity shall assess whether the useful life of an intangible asset is finite or indefinite. An intangible asset shall be regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Assets with finite useful life are amortised over their respective useful lives. There is no rebuttable presumption regarding maximum useful life of an asset.

Subject	Indian GAAP	IFRS
Business Combinations	There is no comprehensive standard dealing with all business combinations. AS 14 applies only to amalgamation. AS 21 applies to accounting for investments in subsidiaries. AS 10 applies where a demerged division is acquired on a lump-sum basis by another entity. There is uniformity in the treatment prescribed these Standards. AS 14 recognises both purchase method and pooling of interest method with regard to accounting for amalgamation. There are five conditions which need to be fulfilled for application of the pooling method. Acquisition accounting under AS 21 is done on book value basis. Acquisition accounting under AS 10 is done on fair value basis. AS 14 recognises both fair value accounting and book value accounting in relation to purchase method. No specific guidance is available for recognition of unrecognised intangible assets/ contingent liabilities and accounting for asset held for sale. Acquisition accounting in all cases is based on form. Legal acquirer is treated as acquirer and legal acquiree is treated as acquiree for legal as well as accounting purposes. Except AS 14, no guidance on accounting for contingent consideration. Goodwill has different treatment under different standards. AS 14 requires goodwill arising on amalgamation to be amortised over 5 years. There is no such requirement under AS 21 for goodwill arising on consolidation.	IFRS 3 applies to most business combination. Use of pooling of interest is prohibited. The acquirer shall, at the acquisition date, allocate the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values at that date, except for non-current assets (or disposal groups) that are classified as held for sale which shall be recognised at fair value less costs to sell. It is irrelevant if the acquiree had recorded those assets/ liabilities. Acquisition accounting is based on substance. Accordingly, in case of reverse acquisition, legal acquirer is treated as acquiree and legal acquiree is treated as acquirer for IFRS 3 purposes. IFRS 3 deals with the accounting for contingent consideration in a comprehensive manner. Goodwill is not amortised; rather, tested for impairment in all cases.

FINANCIAL STATEMENTS

INDEX TO THE FINANCIAL STATEMENTS

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES

Auditors´ Report

To

The Board of Directors of Suzlon Energy Limited

1. We SNK & Co. Chartered Accountants (´SNK´) and S.R. Batliboi & Co, Chartered Accountants, (´SRB´) have audited the attached consolidated balance sheet of Suzlon Energy Limited (´SEL´) and its subsidiaries (together referred to as ´the Group´, as described in Schedule O, Note 5) as at March 31, 2005 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of SEL´s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not jointly audit the financial statements of the following companies, whose total revenues and assets to the extent they are included in the consolidated financial statements of the Group are as given below:

Name of the Company	**Extent of share in consolidated revenues (%)**	**Extent of share in consolidated assets (%)**
Suzlon Windfarm Services Limited	1.14	4.35
Suzlon Green Power Limited	0.45	1.10
Suzlon Generators Private Limited	0.00	0.70
Suzlon Structures Private Limited	0.00	3.49

These financial statements have been audited solely by SNK and have been accepted without verification by SRB and hence our joint audit opinion insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of SNK.

4. We did not audit the financial statements of the following companies, whose total revenues and assets to the extent they are included in the consolidated financial statements of the Group are as given below:

Name of the Company	**Extent of share in consolidated revenues (%)**	**Extent of share in consolidated assets (%)**
Suzlon Wind Energy Corporation, USA (´SWECO´) (See Note 1 below)	0.21	0.00
Suzlon Energy A/S, Denmark (See Note 1 below) [´Suzlon Denmark´]	0.01	3.82
Suzlon Energy Australia, Pty Limited (See Note I below)	0.00	0.00
AE Rotor Holdings BV, Netherlands (See Note 2 below) ['AERH']	0.00	1.03
Suzlon Energy GmbH ['Suzlon GmbH']	0.00	0.62

Notes:

1. Up to February 28, 2005, SWECO and Suzlon Energy Australia Pty Limited were direct subsidiaries of SEL. With effect from March 1, 2005, SWECO and Suzlon Energy Australia Pty Limited are direct subsidiaries of Suzlon Denmark. The financial statements of Suzlon Denmark included in the consolidated financial statements of SEL, are the consolidated financial statements and include the financial statements of SWECO (consolidated) and Suzlon Energy Australia Pty Limited with effect from March 1, 2005.
2. The financial statements of AERH include the standalone financial statements of AERH and its subsidiaries AE Rotor Techniek BV and Suzlon Energy BV.

These financial statements have been prepared under the relevant applicable Generally Accepted Accounting Principles (´GAAP') of the Country where the subsidiary is registered. Adjustments have been made to realign the accounting policies of these subsidiaries to those of SEL, which have been reviewed by us jointly for the year ended March 31, 2005.

Further, where the reporting dates of the respective subsidiary is not the same as that of SEL, adjustments have been made for the effect of significant transactions or other events that have occurred between the reporting date of the subsidiary and the date of SEL´s financial statements. These significant transactions have been examined and reported upon by the respective auditors and have been relied upon by us.

5. We report that the consolidated financial statements have been prepared by SEL´s management in accordance with the requirements of Accounting Standard-21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate financial statements of SEL and its subsidiaries.

6. In our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India;

   a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2005;

   b) in the case of the Consolidated Profit and Loss Account of the profit of the Group for the year ended on that date;

   c) in the case of the Consolidated Cash Flow Statement of the cash flows of the Group for the year then ended on that date.

SNK & Co.
Chartered Accountants

per Jasmin B. Shah
Partner
Membership No:46238

Pune
June 24, 2005

S. R. BATLIBOI & Co.
Chartered Accountants

per Arvind Sethi
Partner
Membership No:89802

Pune
June 24, 2005

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES

Consolidated Balance Sheet as at March 31, 2005

All amounts in millions of Rupees unless otherwise stated

Particulars	Schedule	As at 31 March 2004	As at 31 March 2005
I. SOURCES OF FUNDS			
1. Shareholders´ Funds			
(a) Share Capital	A	393.48	2,019.23
(b) Share Application Money of Subsidiary Company Pending Allotment		-	0.50
(c) Reserves and Surplus	B	3,490.32	7,023.59
		3,883.80	9,043.32
Preference Shares issued by Subsidiary Company (See Schedule O, Note 6 (c))		30.00	2.97
Minority Interest		-	64.48
2. Loan Funds			
(a) Secured Loans	C	1,878.55	3,567.18
(b) Unsecured Loans	D	505.08	390.93
		2,383.63	3,958.11
Total		**6,297.43**	**13,068.88**
II. APPLICATION OF FUNDS			
1. Fixed Assets	E		
(a) Gross Block		1,912.22	3,596.88
(b) Less - Depreciation		315.03	807.68
(c) Net Block		1,597.19	2,789.20
Capital work in progress		124.27	289.40
		1,721.46	3,078.60
2. Investments	F	142.74	77.62
3. Deferred Tax Asset (Net) (See Schedule O Note 7)		105.29	241.06
4. Current Assets, Loans and Advances	G		
(a) Inventories		2,211.17	5,755.68
(b) Sundry Debtors		3,442.80	6,928.89
(c) Cash and Bank Balances		680.64	1,544.64
(d) Loans and Advances		1,784.56	3,247.31
		8,119.17	17,476.52
Less: Current Liabilities and Provisions	H		
(a) Current Liabilities		2,989.76	5,979.97
(b) Provisions		803.57	1,829.03
		3,793.33	7,809.00
Net Current Assets		4,325.83	9,667.52
5. Miscellaneous Expenditure (to the extent not written off or adjusted)	I	2.10	4.09
Total		**6,297.43**	**13,068.88**
Significant Accounting Policies and Notes to the Consolidated Financial Statements	O		

As per our report of even date

For and on behalf of the Board of Directors

For **SNK & Co.**
Chartered Accountants

For **S. R. BATLIBOI & Co.**
Chartered Accountants

Tulsi R. Tanti
Chairman & Managing Director

Jasmin B. Shah
Partner
M.No. 46238

Arvind Sethi
Partner
M.No. 89802

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Place: Pune
Date: June 24, 2005

Place: Pune
Date: June 24, 2005

Place: Mumbai
Date: June 24, 2005

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES

Consolidated Profit and Loss Account for the year ended March 31, 2005

All amounts in millions of Rupees unless otherwise stated

Particulars	Schedule	As at 31 March 2004	As at 31 March 2005
INCOME			
Sales and Service Income		8,574.99	19,424.82
Other Income	J	173.63	234.38
TOTAL		**8,748.62**	**19,659.20**
EXPENDITURE			
Cost of Goods Sold	K	5,541.37	11,376.78
Operating and other Expenses	L	1,313.04	2,737.77
Employees´ Remuneration and Benefits	M	269.37	617.79
Financial Charges	N	275.63	458.25
Depreciation		136.12	493.25
Preliminary Expenditure Written Off		0.87	1.81
		7,536.40	15,685.65
Profit before Tax, Minority Interest and Exceptional Items		1,212.22	3,973.55
Add: Exceptional items (See Schedule O, Note 6 (g))		266.93	-
Profit before Tax and Minority Interest		1,479.15	3,973.55
Current Tax		131.74	489.09
Earlier Years´ Tax		(7.78)	0.63
Deferred Tax		(94.05)	(167.41)
		29.91	322.31
Profit before Minority Interest		1,449.24	3,651.24
Add: Share of loss of minority		-	2.11
Profit after Minority Interest		1,449.24	3,653.35
Add: Transferred to Goodwill		4.00	-
Profit for the year		1,453.24	3,653.35
Balance brought forward		2,109.37	2,781.83
Amount Available for Appropriation		3,562.61	6,435.18
Interim Dividend on Equity Shares		73.04	231.84
Proposed Dividend on Equity Shares		170.44	115.92
Dividend on Preference Shares		4.80	19.62
Tax on Dividends		32.50	51.22
Transfer to General Reserve		500.00	1,000.00
		780.78	1,418.60
B**alance Carried to Balance Sheet**		2,781.83	5,016.58
Basic and Diluted Earnings Per Share (Before Exceptional Items)		5.38	14.34
Basic and Diluted Earnings Per Share (After Exceptional Items) (Face Value of Rs.10/- each, See Schedule O, Note 10)		6.60	14.34
Significant Accounting Policies and Notes to the Consolidated Financial Statements	O		

As per our report of even date

For and on behalf of the Board of Directors

For **SNK & Co.**
Chartered Accountants

Jasmin B. Shah
Partner
M.No. 46238

Place: Pune
Date: June 24, 2005

For **S. R. BATLIBOI & Co.**
Chartered Accountants

Arvind Sethi
Partner
M.No. 89802

Place: Pune
Date: June 24, 2005

Tulsi R. Tanti
Chairman & Managing Director

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Place: Mumbai
Date: June 24, 2005

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES

Cash Flow Statement for the year ended March 31, 2005

All amounts in millions of Rupees unless otherwise stated

Particulars		1 April 2003 to 31 March 2004	1 April 2004 to 31 March 2005
A.	**Cash flow from operating activities**		
	Profit before taxation and exceptional items	1,212.22	3,973.55
	Exceptional Items	266.93	-
	Adjustments for:		
	Depreciation	136.12	493.25
	Loss on sale of fixed assets	6.56	4.78
	(Profit)/Loss on sale of investments	(5.36)	0.08
	Interest Income	(138.55)	(181.01)
	Dividend Income	(3.38)	(3.42)
	Interest Expense	215.53	352.49
	Provision for bad and doubtful debts and advances	44.10	93.30
	Bad debts written off	3.93	-
	Adjustments on consolidation	-	68.11
	Preliminary expenses incurred	(0.65)	-
	Preliminary expenses written off	0.87	1.81
	Provision for guarantees and warranties	407.85	1,029.14
	Wealth Tax	0.15	0.14
	Operating profit before working capital changes	2,146.32	5,832.22
	Movements in working capital:		
	Decrease/(Increase) in sundry debtors	(1,623.61)	(3,540.87)
	Decrease/(Increase) in loans and advances	(419.08)	(127.39)
	Decrease/(Increase) in inventories	(863.61)	(3,414.15)
	(Decrease)/Increase in current liabilities and provisions	997.74	2,847.13
	Cash generated from operations	237.77	1,596.94
	Direct taxes paid (net of refunds)	(119.46)	(415.52)
	Net cash from operating activities	118.31	1,181.42
B.	**Cash flow from investing activities**		
	Purchase of fixed assets	(914.35)	(1,520.76)
	Proceeds from sale of fixed assets	2.45	99.07
	Preoperative expenses incurred	-	(4.77)
	Purchase of investments	(113.25)	(49.87)
	Purchase consideration paid for acqusition of a subsidiary	-	(98.10)
	Deposits with other companies	(181.38)	(1,356.17)
	Sale of investments	12.45	15.96
	Interest received	104.99	209.44
	Dividends received	3.38	3.42
	Net cash used in investing activities	(1,085.71)	(2,701.78)

Particulars	1 April 2003 to 31 March 2004	1 April 2004 to 31 March 2005
C. Cash flow from financing activities		
Proceeds from issuance of share capital	150.00	2,000.00
Share Issue expenses	-	(75.73)
Share application money	-	0.50
Redemption of preference share capital	(10.25)	-
Proceeds from long term borrowings	1,528.65	3,416.33
Repayment of long term borrowings	(212.35)	(2,144.08)
Interest Paid	(212.83)	(347.59)
Dividends Paid	(154.91)	(465.06)
Net cash from financing activities	1,088.31	2,384.37
Net Increase in cash and cash equivalents (A+B+C)	120.91	864.00
Cash and cash equivalents at the beginning of the year	559.73	680.64
Cash and cash equivalents at the end of the year	680.64	1,544.64
Components of cash and cash equivalents as at Cash and cheques on hand With scheduled banks	1.60	6.39
- on current account	181.32	195.53
- on deposit account	439.88	804.44
With non-scheduled banks	57.84	538.28

Notes:

1) Purchase of fixed assets include payments for items in capital work in progress and advances for purchase of fixed assets.

2) Previous years figures have been regrouped/reclassified wherever necessary to confirm to current years presentation.

As per our report of even date

For **SNK & Co.**
Chartered Accountants

Jasmin B. Shah
Partner
M.No. 46238

Place: Pune
Date: June 24, 2005

For **S. R. BATLIBOI & Co.**
Chartered Accountants

Arvind Sethi
Partner
M.No. 89802

Place: Pune
Date: June 24, 2005

For and on behalf of the Board of Directors

Tulsi R. Tanti
Chairman & Managing Director

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Place: Mumbai
Date: June 24, 2005

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES

Schedules Annexed to and Forming Part of the Consolidated Balance Sheet

	As at 31 March 2004	As at 31 March 2005
SCHEDULE - A: SHARE CAPITAL		
Authorised		
101,000,000 (30,000,000) Equity Shares of Rs.10 each	300.00	1,010.00
11,500,000 (2,000,000) Preference Shares of Rs.100 each	200.00	1,150.00
	500.00	2,160.00
Issued, Subscribed		
Equity		
86,922,900 (24,347,800) Equity Shares of Rs.10 each fully paid up (of the above Equity Shares 78,009,500 (20,060,900) shares were allotted as fully paid Bonus Shares by utilisation of Rs.190.36 (190.36) millions from General Reserve, Rs.10.25 millions (10.25 millions) from Capital Redemption Reserve and Rs.579.49 (Nil) millions from Securities Premium Account)	243.48	869.23
Preference		
1,500,000 (1,500,000) 10% Cumulative Redeemable Preference Shares of Rs.100 each fully paid up [See Schedule O, Note 6 (b)(i)]	150.00	150.00
10,000,000 (Nil) 0.01% Cumulative Redeemable Preference Shares of Rs.100 each fully paid up [See Schedule O, Note 6 (b)(ii)]	-	1,000.00
	393.48	2,019.23
SCHEDULE - B: RESERVES AND SURPLUS		
Capital Redemption Reserve		
Transfer from General Reserve as on 1 April 2003	10.25	-
Less: Capitalisation by way of Issue of Bonus Shares	10.25	-
	-	-
Securities Premium Account		
As per last Balance Sheet	-	-
Add: Addition during the year	-	953.74
Less: Capitalisation by way of Issue of Bonus Shares	-	579.49
Less: Share Issue Expenses	-	75.73
	-	298.52
General Reserve		
As per last Balance Sheet	330.23	708.49
Add : Transfer from consolidated Profit and Loss Account	500.00	1,000.00
	830.23	1,708.49
Less: Transfer to Capital Redemption Reserve	10.25	-
Less: Capitalisation by way of Issue of Bonus Shares	111.49	-
	708.49	1,708.49
Profit and Loss Account	2,781.83	5,016.58
	3,490.32	7,023.59

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES

Schedules Annexed to and Forming Part of the Consolidated Balance Sheet

	As at 31 March 2004	As at 31 March 2005
SCHEDULE - C: SECURED LOANS		
Term Loans		
From Banks and Financial Institutions [See Schedule O Note 6 (d)(i)]	759.97	811.43
From Others [See Schedule O Note 6 (d)(ii)]	250.00	531.23
	1,009.97	1,342.66
Working Capital Facilities from Banks and Financial Institutions		
Rupee Loans [See Schedule O Note 6 (d)(iii)]	863.05	2,080.28
Foreign Currency Loans [See Schedule O Note 6 (d)(iii)]	0.77	133.04
	863.82	2,213.32
Vehicle Loans (Secured against hypothecation of vehicles)	4.76	11.20
	1,878.55	3,567.18
SCHEDULE - D: UNSECURED LOANS		
Long Term		
From other than banks	215.72	390.93
Due within one year Rs.83.70 millions (Rs.43.56 millions)		
Short Term		
From Banks	75.00	-
From Others	214.36	-
	505.08	390.93

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES

Schedules Annexed to and Forming Part of the Consolidated Balance Sheet

SCHEDULE - E: Fixed Assets

Rupees in Millions

	Gross Block				Depreciation				Net Block	
Assets	**As at 1 April 2004**	**Additions**	**Deductions/ Adjustments**	**As at 31 March 2005**	**As at 1 April 2004**	**For the Year**	**Deductions/ Adjustments**	**As at 31 March 2005**	**As at 31 March 2005**	**As at 31 March 2004**
Goodwill on Consolidation	10.95	1.77	-	12.72	1.10	1.27	-	2.37	10.35	9.85
Freehold Land	47.44	80.36	-	127.80	-	-	-	-	127.80	47.44
Leasehold Land	10.93	0.86	-	11.79	0.12	0.67	(0.04)	0.83	10.96	10.81
Building - Factory and Office	680.24	310.41	13.36	977.29	53.83	64.33	(11.88)	130.04	847.25	626.41
Plant and Machinery	821.44	1,008.07	40.41	1,789.10	151.03	300.91	12.61	439.33	1,349.77	670.41
Wind Research and Measuring Equipment	62.66	25.40	8.32	79.74	12.52	44.10	7.88	48.74	31.00	50.14
Computer and Office Equipments	106.00	163.33	0.24	269.09	42.47	41.61	(5.84)	89.92	179.17	63.53
Furniture and Fixtures	67.12	48.55	0.06	115.61	24.20	17.91	(2.76)	44.87	70.74	42.92
Vehicles - Motor Cars and Trucks	50.70	25.10	17.80	58.00	19.95	10.99	4.34	26.60	31.40	30.75
Intangible Assets	-	-	-							
- Design and Drawings	54.74	57.93	22.57	90.10	9.81	6.28	4.24	11.85	78.25	44.93
- Software	-	65.64	-	65.64	-	13.13	-	13.13	52.51	-
Total	**1,912.22**	**1,787.42**	**102.76**	**3,596.88**	**315.03**	**501.20**	**8.55**	**807.68**	**2,789.20**	**1,597.19**
Capital Work-in-Progress									289.40	124.27
Total	**1,912.22**	**1,787.42**	**102.76**	**3,596.88**	**315.03**	**501.20**	**8.55**	**807.68**	**3,078.60**	**1,721.46**
Previous Year	1,108.36	817.52	13.66	1,912.22	183.57	136.12	4.66	315.03	1,597.19	924.78

Notes:

1. Out of the depreciation charge for the year amounting to Rs.501.20 (Rs.136.12) millions, approximately Rs.7.95 (Rs.Nil) millions has been capitalised as part of self manufactured assets. The depreciation charge in the profit and loss account amounting to Rs.493.25 (Rs.136.12) millions is the net off amount capitalised.
2. Balances of buildings include Rs.10.79 (Rs.Nil) millions for which the transfer of property in the name of the Company is pending.
3. An amount of Rs.2.21 millions (Rs.1.18 millions) towards change in rupee liability consequent to the realignment of rupee value in terms of foreign currency values has been adjusted to the cost of fixed assets/capital work-in-progress, as required by Schedule VI to the Companies Act, 1956.
4. Depreciation cost amounting to Rs.0.66 Millions (Rs.Nil) being preoperative in nature has been added to preoperative expenses and capitalised to the operational assets.

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES

Schedules Annexed to and Forming Part of the Consolidated Balance Sheet

	As at 31 March 2004	As at 31 March 2005
SCHEDULE - F : INVESTMENTS		
Long Term Investments (At cost)		
Unquoted		
(i) Government and Other Securities (Non-Trade)		
Security deposited with Government Departments	0.11	0.31
(ii) Trade Investments		
Nil (93,000) 13% Cumulative Redeemable Preference Shares of Rs.100 each of Suzlon Windfarm Services Ltd.	9.30	-
Nil (9,00,000) 10% Cumulative Redeemable Preference Shares of Rs.100 each of Suzlon Windfarm Services Ltd.	90.00	-
65,000 (65,000) 13%Cumulative Redeemable Preference Shares of Rs.100 each of Suzlon Developers Ltd.	6.50	6.50
99,999 (99,999) 13% Cumulative Redeemable Preference Shares of Rs.100 each of Sarjan Realities Ltd.	10.00	10.00
500,000 (Nil) 10% Cumulative Redeemable Preference Shares of Rs.100 each of Suzlon Developers Limited	-	50.00
	115.80	66.50
(iii) Other than Trade Investments		
202,900 (202,900) Equity Shares of Rs.10 each of Suzlon Hotels Ltd.	2.03	2.03
87,000 (87,000) 13% Cumulative Redeemable Preference Shares of Rs.100 each of Suzlon Hotels Ltd.	8.70	8.70
Nil (484) 11.70% Secured Redeemable Non-Convertible Regular Return Bonds of Rs.5,000 each of Krishna Bhagya Jala Nigam Ltd.	2.42	-
Nil (100) 11% Bonds of series 2003A of Rs.100,000 each of Maharashtra Krishna Valley Development Corporation.	10.00	-
7,550 (5,050) Equity Shares of Saraswat Co-op. Bank Ltd. of Rs.10 each fully paid.	0.05	0.08
	23.20	10.81
Total - Unquoted	**139.11**	**77.62**
Quoted		
Fully Paid Equity Shares		
Nil (1,755,600) Shares of Rs.10 each of SNS Textiles Limited.	26.35	-
Nil (20,000) Shares of Rs.10 each of IDBI Bank Ltd.	0.40	-
Nil (2,500) Shares of Rs.10 each of Elbee Sevices Ltd.	0.67	-
Nil (300) Shares of Rs.10 each of GTL Ltd.	0.43	-
Nil (3,500) Shares of Rs.10 each of Vakrangi Software Ltd.	1.49	-
Nil (5000) Shares of Rs.10 each of Integrated Hitech Ltd.	0.22	-
	29.56	-
Partly Paid Equity Shares		
Nil (1,300) Equity Shares of Rs.10, Rs.5 paid up each of SNS Textiles Limited.	0.01	-
Total-Quoted	**29.57**	**-**
Total Investments	**168.68**	**77.62**
Less: Provision for Diminution in Investments.	25.94	-
	142.74	77.62
Aggregate cost of unquoted investments	139.11	77.62
Aggregate cost of quoted investments	3.63	-
	142.74	77.62
Aggregate market value of quoted investments	3.67	-

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES

Schedules Annexed to and Forming Part of the Consolidated Balance Sheet

	As at 31 March 2004	As at 31 March 2005
SCHEDULE - G: CURRENT ASSETS, LOANS AND ADVANCES		
Current Assets		
Inventories		
Raw Materials [Including Goods-in-transit Rs.1,075.52 millions (Rs.528.40 millions)]	1,703.66	4,591.32
Semi Finished Goods and Work-in-Progress	303.68	1,028.67
Finished Goods	192.96	31.00
Land and Land Lease Rights	10.87	104.69
	2,211.17	5,755.68
Sundry Debtors (Unsecured)		
Outstanding for a period exceeding six months		
- Considered Good (See Schedule O, Note 6 (h))	1,595.80	1,086.15
- Considered Doubtful	4.10	103.88
	1,599.90	1,190.03
Others, Considered Good	1,847.00	5,842.74
	3,446.90	7,032.77
Less: Provision for doubtful debts	4.10	103.88
	3,442.80	6,928.89
Cash and Bank Balances		
Cash on hand	1.60	6.39
Balances with Scheduled Banks		
- in Current Accounts	181.32	195.53
- in Term Deposit Accounts	439.88	804.44
	621.20	999.97
Balances with Non Scheduled Banks in Current Accounts	57.84	538.28
	680.64	1,544.64
Loans and Advances (Unsecured and considered good, except otherwise stated)		
Deposits		
- With Customers as Security Deposit	488.55	325.77
- Others	33.48	78.98
Advance Income Tax	14.02	7.41
Advances recoverable in cash or in kind or for value to be received*		
- Considered Good	1,248.51	2,835.15
- Considered Doubtful	40.00	33.51
	1,824.56	3,280.82
Less: Provision for doubtful loans and advances	40.00	33.51
	1,784.56	3,247.31
* Advances include (a) Rs.4.25 millions (Rs.3.61 millions) towards Share Application Money pending allotment and (b) Inter Corporate Deposits of Rs.1,886.35 millions (Rs.530.17 millions)		
	8,119.17	**17,476.52**

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES

Schedules Annexed to and Forming Part of the Consolidated Balance Sheet

	As at 31 March 2004	As at 31 March 2005
SCHEDULE - H: CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors	2,505.82	4,591.25
Acceptances	106.86	614.55
Other Current Liabilities	176.85	379.66
Interest accrued but not due	2.70	7.60
Advances from Customers	197.53	386.91
	2,989.76	**5,979.97**
Provisions		
For Wealth Tax	0.15	0.14
For Income tax (net)	3.05	70.78
Gratuity, Superannuation and Leave Encashment	1.93	10.04
Generation Guarantee, LD and O & M Warranty	600.07	1,596.16
For Dividend	175.24	131.00
For Tax on Dividend	23.13	20.91
	803.57	1,829.03
	3,793.33	**7,809.00**
SCHEDULE - I MISCELLANEOUS EXPENDITURE (To the extent not adjusted or written off)		
Preliminary Expenses		
Opening Balance	2.32	2.11
Addition during the year	0.65	3.79
Less: Written off during the year	0.87	1.81
	2.10	**4.09**

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES

Schedules annexed to and forming part of the Consolidated Profit and Loss Account

	2003-04	2004-05
SCHEDULE - J: OTHER INCOME		
Interest Received		
From Banks	18.39	35.41
From Others	120.16	145.60
Dividends	3.38	3.42
Profit on sale of Investments, net	5.36	-
Excess Provisions written back	-	3.00
Sales of Sales Tax Entitlement	22.13	29.91
Infrastructure Development Income	-	1.02
Miscellaneous Income	4.21	16.02
	173.63	**234.38**
SCHEDULE - K: COST OF GOODS SOLD		
Consumption of Raw Materials:		
Opening Stock	770.22	1,703.66
Add: Purchases	5,764.33	14,760.63
	6,534.55	16,464.29
Less: Closing Stock	1,703.66	4,591.32
	4,830.89	11,872.97
Trading Purchases	640.65	160.66
	5,471.54	**12,033.63**
(Increase)/Decrease in Stocks		
Stock in Trade (Opening Balance)		
Semi Finished Goods and Work-in-Progress	82.16	303.68
Finished Goods	492.53	192.96
Land and Land Lease Rights	2.65	10.87
	577.34	**507.51**
Stock in Trade (Closing Balance)		
Semi Finished Goods and Work-in-Progress	303.68	1,028.67
Finished Goods	192.96	31.00
Land and Land Lease Rights	10.87	104.69
	507.51	1,164.36
(Increase)/Decrease in Stocks	69.83	(656.85)
	5,541.37	**11,376.78**

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES

Schedules annexed to and forming part of the Consolidated Profit and Loss Account

	2003-04	2004-05
SCHEDULE - L : OPERATING AND OTHER EXPENSES		
Stores and Spares	34.91	70.13
Power and Fuel	6.44	12.53
Factory Expenses	18.05	25.76
Repairs and Maintenance		
Plant and Machinery	5.20	4.54
Building	3.08	14.70
Others	1.15	17.21
WTG O & M and Modification Charges	51.48	103.07
Other Manufacturing and Operating Expenses	0.97	3.88
Operating Lease Charges	0.95	-
Quality Assurance Expenses	15.59	86.02
R & D, Certification and Product Development	54.22	33.99
Rent	15.45	49.81
Rates and Taxes	2.56	6.57
Provision for Maintenance Warranty and Guarantee Expenses	407.85	1,029.14
Insurance	15.69	31.10
Advertisement and Sales Promotion	56.10	60.95
Infrastructure Development Expenses	17.37	146.32
Freight Outward and Packing Expenses	148.46	245.93
Sales Commission	92.88	97.78
Travelling, Conveyance and Vehicle Expenses	87.97	160.21
Communication Expenses	17.14	26.57
Auditors´ Remuneration	1.28	12.59
Consultancy Charges	50.54	78.65
Charity and Donations	15.91	51.73
Other Selling and Administrative Expenses	143.28	233.94
Exchange Differences, net	(6.07)	36.49
Bad debts written off	3.93	-
Provision for doubtful debts and advances	44.10	93.30
Loss on sale of Investment	-	0.08
Loss on Assets Sold/Discarded, net	6.56	4.78
	1,313.04	**2,737.77**
SCHEDULE - M: EMPLOYEES´ REMUNERATION AND BENEFITS		
Salaries, Wages, Allowances and Bonus	**248.55**	**550.79**
Contribution to Provident and Other Funds	10.53	22.35
Staff Welfare Expenses	10.29	44.65
	269.37	**617.79**
SCHEDULE - N: FINANCIAL CHARGES		
Interest		
Fixed Loans	95.46	120.17
Others	120.07	232.32
Bank Charges	60.10	105.76
	275.63	**458.25**

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES

SCHEDULE O: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF SUZLON FOR THE FINANCIAL YEAR ENDED 31 MARCH 2005

(All amounts in Millions of Rupees unless otherwise stated)

1. Basis Of Preparation Of Consolidated Financial Statements

The accompanying consolidated financial statements are prepared under the historical cost convention, on an accrual basis of accounting in conformity with accounting principles generally accepted in India, to reflect the financial position of the Company and its subsidiaries.

2. Principles Of Consolidation

The consolidated financial statements relate to Suzlon Energy Limited ('the Company') and its subsidiaries (together referred to as 'Suzlon'). The consolidated financial statements have been prepared on the following basis:

a) The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra group balances and intra group transactions. The unrealised profits or losses resulting from the intra group transactions have been eliminated as per Accounting Standard 21 - Consolidated Financial Statements issued by the Institute of Chartered Accountants of India ('ICAI').

b) The excess of the cost to the Company of its investment in the subsidiaries over the Company's portion of equity on the acquisition date is recognised in the financial statements as Goodwill. The Company's portion of the equity in the subsidiaries at the date of acquisition is determined after realigning the material accounting policies of the subsidiaries to that of the parent and adjusting the charge/(reversal) on account of realignment to the accumulated reserves and surplus of the subsidiaries at the date of acquisition.

c) The Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and necessary adjustments required for deviations, if any, are made in the consolidated financial statements and are presented in the same manner as the Company's standalone financial statements.

3. Significant Accounting Policies

a) Use of Estimates

The presentation of Financial Statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that may affect the reported amount of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimated.

b) Revenue Recognition

Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the goods are transferred to the customer, as per the terms of the respective sales order.

Power Generation Income

Power Generation Income is recognised on the basis of electrical units generated, net of wheeling and transmission loss, as applicable, as shown in the Power Generation Reports issued by the concerned authorities.

Sales Tax Entitlement

Revenues on account of sale of Sales Tax Entitlement Certificates are recognised as per the terms of agreement/arrangement with the concerned parties.

Service and Maintenance Income

Revenue from annual service and maintenance contracts is recognised on the proportionate basis for the period for which the service is provided net of taxes.

Lease Rental Income

Lease rental income is recognised on accrual basis taking into consideration the data and facts available upon which the computation of lease rent depends.

Interest

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. In case of interest charged to customers, interest is accounted for on availability of documentary evidence that the customer has accepted the liability.

Dividend

Dividend income from investments is recognised when the right to receive payment is established.

c) Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use. Own manufactured assets are capitalised inclusive of all direct costs and attributable overheads. Capital Work in Progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertaking, pre-operative expenses are capitalised upon the commencement of commercial production.

The carrying amount of the assets belonging to each cash generating unit (´CGU´) are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying amounts exceed the recoverable amount of the assets' CGU, assets are written down to their recoverable amount. Further, assets held for disposal are stated at the lower of the net book value or the estimated net realisable value.

d) Intangible Assets

Research and Development Costs

Development cost incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Any expenditure carried forward is amortised over the period of expected future sales from the related project, not exceeding five years.

The carrying value of development costs is reviewed for impairment annually when the asset is not in use, and otherwise when events and changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets are recorded at the consideration paid for their acquisition. Cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

e) Depreciation/Amortisation

Depreciation/Amortisation is provided on the written down value method (´WDV´) unless otherwise mentioned, pro-rata to the period of use of assets and is based on management's estimate, , of useful lives of the fixed assets or at rates specified in Schedule XIV to the Companies Act 1956 ('the Act'), whichever is higher:

Type of asset	Rate
Goodwill	Amortised on a straight line basis over a period of ten years
Leasehold land	Amortised over the period of lease
Office building	5%
Factory building	10%
Plant and machinery	
- Single Shift	13.91%
- Double Shift	20.87%
- Triple Shift	27.82%
Wind Mills	15.33%
Moulds	13.91% or Useful life based on usage
Patterns	30% or Useful life based on usage
Wind research and measuring Equipment	50%
Computers and software	40%
Office equipment	13.91%
Furniture and fixture	18.10%
Motor car and Others	25.89%
Trailers	30%
Intangible Assets	Amortised on a straight line basis over a period of five years

f) *Inventories*

Inventories of raw materials, semi-finished goods, work in progress and finished goods are valued at the lower of cost and estimated net realisable value. Cost is determined on a first-in-first-out basis.

The cost of work-in-progress, semi-finished goods and finished goods includes the cost of material, labour and manufacturing overheads.

Inventories of traded goods are stated at the lower of the cost and net realisable value.

Stock of land and land lease rights is valued at lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is determined by management using technical estimates.

g) *Investments*

Long Term Investments are carried at cost. However, provision is made to recognise a decline, other than temporary, in the value of long term investments.

Current investments are carried at lower of cost and fair value, determined on an individual basis.

h) *Foreign currency transactions*

Transactions in foreign currencies are normally recorded at the average exchange rate prevailing in the month during which the transaction occurred. Outstanding balances of foreign currency monetary items are reported using the closing rate.

Non-monetary items carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rate that existed when the values were determined.

Exchange differences arising as a result of the above are recognised as income or expense in the Profit and Loss Account, except in case of liabilities incurred for acquiring imported fixed assets, where the differences are adjusted to the carrying amount of such fixed assets in compliance with the Schedule VI of the Act.

In case of forward contracts, the difference between the forward rate and the exchange rate, being the premium or discount, at the inception of a forward exchange contract is recognised as income or expense over the life of the contract. Exchange differences on such contracts are recognised in the profit and loss account in the reporting period in which the rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

The financial statements of integral foreign operations are translated as if the transactions of the foreign operations have been those of the Company itself. In case of the Foreign Subsidiaries, revenue items are consolidated at the average rate prevailing during the year. All the monetary assets and liabilities are converted at the rates prevailing at the end of the year. Non- monetary items like Fixed Assets and Inventories, are converted at the average rate prevailing in the month during which the transaction occurred.

i) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

j) Retirement and other employee benefits

Defined Contributions to provident fund and family pension fund are charged to the Profit and Loss Account on accrual basis and paid to the relevant authorities.

Liabilities with regard to gratuity, where applicable, are determined under Group Gratuity Scheme with Life Insurance Corporation of India (LIC) and the provision required is determined as per actuarial valuation carried out by LIC, as at the balance sheet date.

Contributions to Superannuation fund with LIC through its employees' trust are charged to the profit and loss account on an accrual basis.

The provision in the books for leave lying to the credit of employees, subject to the maximum period of leave, are made on the basis of actuarial valuation as at the balance sheet date.

k) Provisions, Contingent Liabilities and Contingent Assets

A provision is recognised when there is a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent Liabilities are disclosed by way of notes to the accounts. Contingent assets are not recognised.

l) Income Tax

Tax expense for a year comprises of current tax and deferred tax. Current tax is measured after taking into consideration deductions and exemptions admissible under the provisions of applicable laws.

Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets arising on account of unabsorbed depreciation or losses under tax laws are recognised only when there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Deferred tax resulting from timing differences which originate during the tax holiday period but reverse after tax holiday period is recognised in the year in which the timing differences originate using the tax rates and laws enacted or substantively enacted by the balance sheet date.

m) *Lease Assets*

Operating Leases

Assets acquired as leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals are charged off to the Profit and Loss Account as incurred.

Initial direct costs in respect of assets given on lease are expensed off in the year in which such costs are incurred.

n) *Earnings Per Share*

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for any bonus shares issued during the year and also after the balance sheet date but before the date the financial statements are approved by the Board of Directors.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

The number of equity shares and potentially dilutive equity shares are adjusted for bonus shares as appropriate.

4. Changes In Accounting Policies/Estimates

(i) During the current year, the Company has changed its basis for providing for the power generation guarantee from the erstwhile fixed amount per WTG per year to an amount considering various technical factors like wind velocity, grid availability, plant load factor, load shedding, historical data etc. Due to this change in the basis of making the estimate, the Provision for Generation Guarantee expenses for the year is higher by Rs.147.44 Millions and the profit before tax for the year is lower by the same amount.

(ii) During the current period, the Company has reassessed the estimated useful lives of certain fixed assets like moulds and patterns as well as the obsolescence rate of certain fixed assets due to rapid changes in technology. This reassessment has been factored in changes in the depreciation rates, done through a process of re-estimating the economic useful life of these assets. Due to this change the depreciation for the year is higher by Rs.114.10 Millions and the profit for the year before tax is lower by the same amount.

5. The list of Subsidiary Companies which are included in the consolidation and the Company's effective holdings therein are as under:

Name of the Subsidiary	Country of Incorporation	Effective Ownership in Subsidiaries	
		2003-04	2004-05
AE Rotor Holding BV	Netherlands	100%	100%
AE Rotor Techniek BV	Netherlands	100%	100%
Suzlon Energy BV	Netherlands	100%	100%
Suzlon Energy A/S	Denmark	Nil	100%
Suzlon Wind Energy Corporation	USA	100%	100%
Cannon Ball Wind Energy Park	USA	100%	100%
Suzlon Energy Australia Pty. Ltd.	Australia	100%	100%
Suzlon Energy GmbH	Germany	100%	100%
Suzlon Windfarm Services Ltd	India	Nil	100%
Suzlon Green Power Limited	India	100%	100%
Suzlon Generators Pvt. Ltd.	India	Nil	74.91%
Suzlon Structures Pvt. Ltd.	India	Nil	75%

6. Other Notes

a) Share issue expenses include expenditure on issue of equity and preference shares amounting to Rs.75.73 (Rs.Nil) Millions.

b) Terms of redemption/conversion of preference shares of the Company.

(i) 1,500,000, 10% Cumulative Redeemable Preference shares of Rs.100/- each fully paid are redeemable at par after one year from 10 March 2004, which is the date of allotment, at the option of the company or the preference shareholders as the case may be.

(ii) 10,000,000 Cumulative Redeemable Preference Shares of Rs.100/- each fully paid up carry dividend 0.01% p.a. till March, 2007 and 4% p.a. thereafter till the date of redemption i.e. 1 January 2012. These shares will be either compulsorily redeemed at par if an Initial Public Offering of the Company occurs before December 31, 2005 or shall be converted into equity shares of the Company at the option of the preference shareholders after December 31, 2005 but before December 31, 2006 at Rs.525/- per equity share or after December 31, 2006 but before 1 January 2012, at Rs.260/- per equity share.

c) 29,700 8% Cumulative Redeemable Preference Shares of Rs.100/-each fully paid of Suzlon Structures Private Limited ("SSPL") are redeemable at par after one year from 29 March 2005, which is the date of allotment, at the option of the company or of the preference shareholders as the case may be. This portion represents the holding by the external shareholders of SSPL only, other than the Holding Company.

d) The details of security for the Secured Loans in Consolidated Financial Statements are as follows: -

(i) Term Loans from Banks and Financial Institutions

- Rs.153.76 Millions (Rs.607.29 Millions) secured by a first charge on certain immovable and/or movable fixed assets, second charge on current assets and/or personal guarantees of directors in certain cases.
- Rs.174.14 Millions (Rs.Nil) secured by way of charge on certain WTG's and land appurtenant thereto and personnel guarantee of director.
- Rs.82.62 Millions (Rs.152.67 Millions) secured by way of hypothecation of certain Windfarm Projects and Mortgage of Land.
- Rs.14.86 Millions (Rs.Nil) secured by charge on certain WTG's and Land and Personal Guarantee of Director.
- Rs.67.17 Millions (Rs.Nil) secured by way of hypothecation of stock and debtors and on specific receivables.
- Rs.281.34 Millions (Rs.Nil) secured by way of First Charge on certain immovable and movable Fixed Assets, second charge on current assets and personal guarantee of directors.
- Rs.37.54 Millions (Rs.Nil) secured by way of hypothecation of certain windfarm projects and mortgage of land.

(ii) Term Loans from Others:

Secured by a first charge on certain immovable and movable fixed assets, specific security deposits, book-debts, second charge on current assets and personal guarantees of directors in certain cases.

(iii) Working Capital Facilities from Banks and Financial Institutions.

Rupee Loans

- Rs.2028.50 Millions (Rs.863.05 Millions) secured by hypothecation of inventories, book-debts and other current assets of the Company, both present and future, first charge on certain immovable fixed assets, second charge on all other immovable fixed assets and personal guarantees of directors in certain cases.

- Rs.51.78 Millions (Rs.Nil) secured by way of hypothecation of inventories, book debts and other current assets of the Company, both present and future, second charge on all other immovable fixed assets and personal guarantee of Director.

Foreign Currency Loans

- Rs.130.93 Millions (Rs.Nil) secured by hypothecation of inventories, book-debts and other current assets of the Company, both present and future, first charge on certain immovable fixed assets, second charge on all other immovable fixed assets and personal guarantees of directors in certain cases
- Rs.0.29 Millions (Rs.0.77 Millions) is secured by way of pledge of Certificate of deposits.
- Rs.1.82 Millions (Rs.Nil) is secured by way of mortgage of office building at Pipestone, USA.

Further out of the above, term Loans from banks and financial institutions amounting to Rs.624.10 Millions (Rs.607.29 Millions) and working capital facilities from banks and financial institutions amounting to Rs.2211.21 Millions (Rs.863.05 Millions) are secured by personal guarantee of directors.

e) During the year the company has retired and disposed off certain fixed assets at various locations. In compliance with Accounting Standard - 10 "Accounting for Fixed Assets", issued by the ICAI, these assets have been eliminated from the consolidated financial statements. Consequently there is a reduction in the gross block as at 31 March 2005 by Rs.48.73 Millions and the corresponding accumulated depreciation as at the same date by Rs.48.19 Millions pertaining to these assets.

f) The Company had granted loans aggregating Rs.1,364.14 Millions to Suzlon Developers Private Limited and aggregating Rs.1,101.20 Millions to Sarjan Realities Private Limited for which the Company had not obtained prior approval of the Central Government as required by section 295(1) of the Act. However, these loans have been repaid in full as on 31 March 2005.

g) Exceptional Items in the previous year ended 31 March 2004 aggregating to Rs.266.93 Millions pertain to Rs.122.52 Millions representing write back of unclaimed creditors and Rs.144.41 Millions representing write back of provision for plant load factor no longer required.

h) Balances of Sundry Debtors include Rs.224.83 Millions (Rs.405.46 Millions), which are contractually payable beyond a period of six months from the date of sale.

i) Operating Leases

Premises

The Company has taken certain premises under cancellable operating leases. The total rental expense under cancellable operating leases during the period was Rs.17.26 Millions (Rs.7.95 Millions).

The Company has also taken furnished/non-furnished offices and certain other premises under non-cancellable operating lease agreement ranging for a period of one to five years. The lease rental charge during the year is Rs.17.67 Millions (Rs.Nil) and maximum obligation on long - term non-cancellable operating lease payable as per the rentals stated in respective agreement are as follows:

Obligation on non-cancellable operating leases	**Amount (Rs. Millions)**
Not later than one year	31.78
Later than one year and not later than five years	30.21
Later than five years	Nil

j) Provisions for Warranties and Guarantees

In pursuance of Accounting Standard-29 (´AS-29´) "Provisions, Contingent Liabilities and Contingent Assets" issued by the ICAI, the provisions required have been incorporated in the books of accounts in the following manner: -

Particulars	Generation Guarantee	Warranty for Operation & Maintenance	Guarantee for Plant Load Factor	Provision for Liquidated Damages
Opening Balance	179.42	410.65	10.00	0.00
Additions net of utilisation	400.37	566.04	(7.00)	39.68
Reversal	0.00	0.00	3.00	0.00
Closing Balance	579.79	976.69	0.00	39.68

The provision for Warranty for Operation and Maintenance (´O&M´) represents the expected liability on account of field failure of parts of WTG and expected expenditure of servicing the WTG´s over the period of free O&M, which varies according to the terms of each sales order.

The provision for Generation Guarantee (´GG') represents the expected claims for generation shortfall expected in future over the life of the guarantee assured. The period of GG varies for each customer according to the terms of the contract. The key assumptions in arriving at the GG provision are wind velocity, plant load factor, grid availability, load shedding, historical data etc.

The Company does not have any obligation on account of Plant Load Factor liabilities and hence the balance amount outstanding has been reversed during the year.

Provision for Liquidated Damages (´LD´) represents the expected claims which the Company may need to pay for non fulfilment of certain commitments as per the terms of the sales order. These are determined on a case to case basis considering the dynamics of each individual sales order and the factors relevant to that sale.

7. Break up of the Deferred Tax Assets is given below

Rs. in Millions

Particulars		**Deferred Tax Asset /(Liability) as at 31 March 2004**	**Deferred Tax Asset /(Liability) as at 31 March 2005**
A.	**Deferred Tax Assets:**		
	Provision for generation guarantee, LD and O&M warranty	147.82	285.19
	Provision for Doubtful Debts	1.03	21.84
	Unabsorbed Losses	-	41.53
	Unabsorbed Depreciation	-	34.96
	Others	0.76	2.97
	(A)	149.61	386.49
B.	**Deferred Tax Liabilities:**		
	Depreciation	44.32	145.43
	(B)	44.32	145.43
	Deferred Tax Assets (Net) (A - B)	105.29	241.06

Note:

During the year the company acquired the entire share capital of Suzlon Windfarm Services Limited, whose balances since 1 April 2004, have been consolidated in the books of SEL. The deferred tax liability of Suzlon Windfarm Services Limited as at 31 March 2004 was Rs.31.65 Millions.

8. Estimated amount of contracts remaining to be executed on capital accounts and not provided for net of advances Rs.323.69 Millions (Rs.74.31 Millions).

9. **Managerial remuneration to Directors**

Rs. in Millions

Particulars	**2003-04**	**2004-05**
Salaries	8.04	8.56
Perquisites	1.23	5.97
Contribution to Superannuation Fund	1.25	1.78
Total	**10.52**	**16.31**

The directors are covered under the Company's scheme for gratuity along with the other employees of the Company. Proportionate amount of gratuity is not included in the aforementioned disclosure.

10. **Earnings per Share (EPS)**

Rs. In Millions

PARTICULARS		**1 April 2003 to 31 March 2004**	**1 April 2004 to 31 March 2005**
Basic Earnings per share (After Exceptional Items)			
Numerator for Basic EPS			
Net Profit after Tax and before exceptional items and Minority Interest		1,182.31	3,651.23
Add:			
Exceptional Items		266.93	-
Minority Interest		-	2.11
Transferred to Goodwill		4.00	-
Less:			
Preference Dividend and Dividend Tax		5.43	22.37
	(a)	1,447.81	3,629.06
Denominator for Basic EPS			
Weighted average number of equity shares (See Note a below)	(b)	219,130,200	253,005,661
Basic and Diluted Earning per share of face value of Rs.10/- each (After exceptional items) (See Note b below) (a/b *1,000,000)		6.60	14.34
Basic Earnings per share (Before Exceptional Items)			
Numerator for Basic EPS			
Numerator as per (a) above		1,447.81	3,629.06
Less:			
Exceptional Items		266.93	-
	(c)	1,180.88	3,629.06
Denominator for Basic EPS			
Weighted average number of equity shares as per (b) above (See Note a below)	(d)	219,130,200	253,005,661
Basic and Diluted Earning per share of face value of Rs.10/- each (Before exceptional items) (See Note b below) (c/d *1,000,000)		5.38	14.34

Notes:

a) Of the total equity capital of 86,922,900 equity shares, 57,948,600 equity shares are issued as bonus shares in the ratio of 2 equity shares for every 1 equity share held during the financial year 2004-05. After the balance sheet date on 16 June 2005, a further issue of 173,845,800 shares was made as bonus shares in the ratio of 2 equity shares for every 1 held. These, as per the requirements of Accounting Standard-20 ´Earnings per share (´AS-20´) issued by the ICAI, have been considered in the computation of weighted average number of shares for computation of EPS.

b) As per the requirement of Accounting Standard-20 ´Earnings per share´, issued by the ICAI, the corresponding figures relating to previous reporting period have been restated to give the effect of Bonus shares.

In respect of bonus shares on those equity shares which were issued during the year, the weight of the bonus shares has been considered as outstanding from the date the consideration for the shares on which bonus shares issued was received. Since, these equity shares were not existing during the previous year no effect of restatement has been given for the bonus shares on these equity shares in the corresponding number of shares of the previous year. The position taken by the Company has also been supported by an independent opinion of an expert.

c) As per the terms of agreement with the preference shareholders holding 10,000,000 redeemable preference shares of Rs.100 each (referred to in Schedule O, Note 3b), these preference shares, are to be compulsorily redeemed if an IPO occurs before December 31, 2005. Since, the Company is in the process of filing its Offer Document with the Securities and Exchange Board of India (´SEBI´), management considers it reasonably certain that the IPO will occur before December 31, 2005 and hence the redeemable preference shares will be redeemed in full. Accordingly, no dilutive effect of these preference shares has been considered.

In the event that the IPO does not occur before December 31, 2005, the preference shareholders will be entitled to convert the preference shares at certain specified prices in the future. If the most favourable conversion price to the preference shareholders is considered, the diluted EPS for the current year would be Rs.14.17 per share.

11. Contingent Liabilities.

Rs. in Millions

Particulars	**2003-04**	**2004-05**
Guarantees given on behalf of other companies in respect of loans granted to them by banks.	210.27	13.95
Counter guarantees given to the banks against guarantees issued by banks on Company's behalf.	-	19.32
Claims against the Company not acknowledged as debts	14.86	17.46
Bills discounted with banks	90.25	33.25
Uncalled liability on partly paid up shares	0.01	-
Disputed labour cost Liabilities	0.17	0.17
Disputed service tax Liabilities	-	8.76
Bonds/undertakings given by the Company under duty exemption scheme to customs authorities.	-	51.77

12. Related Party Disclosures

(A) Related Parties with whom transactions have taken place during the year

a) Associates:

Suzlon Developers Limited, Sarjan Realities Limited

b) Entities where Key Management Personnel (´KMP´)/Relatives of Key Management Personnel (´RKMP´) has significant influence

Suzlon Gujarat Windpark Limited, Sarjan Infrastructure Finance Limited, Suzlon Capital Limited, Sarjan Engitech Private Limited, SNS Textiles Limited, Suzlon Hotels Limited, Suzlon Power Infrastructure Private Limited.

c) Key Management Personnel

Tulsi R. Tanti, Vinod R. Tanti, Girish R. Tanti, Balrajsinh A. Parmar

d) Relatives of Key Management Personnel

Gita T. Tanti, Pranav T. Tanti, Nidhi Tanti, Sangita V. Tanti, Rajan V. Tanti, Jitendra R. Tanti, Rambhaben Ukabhai, Isha Tanti, Sheela B. Parmar, Ranjitsinh A. Parmar, Amarsinh A. Parmar, Kiritsinh A. Parmar.

e) Employee Funds:

Suzlon Energy Limited - Superannuation Fund.

Suzlon Energy Limited - Employees Group Gratuity Scheme.

Suzlon Windfarm Services Limited - Superannuation Fund.

Suzlon Windfarm Services Limited - Employees Group Gratuity Scheme.

Suzlon Green Power Limited - Superannuation Fund.

(B) Transactions between the Company and Related Parties and the status of outstanding balances as at 31 March 2005

All figures in Rs. Millions

Sr. No.	Particulars	Associate	Entities where KMP/RKMP has significant influence	KMP	RKMP	Employee Funds
	Transactions					
1	Purchase of fixed assets . .	0.38	-	-	-	-
		(5.00)	-	-	-	-
2	Sale of fixed assets	0.24	-	1.62	1.04	-
		-	-	-	-	-
3	Subscription to/purchase of preference shares	50.00	1.30	24.53	27.94	-
		-	(90.00)	-	-	-
4	Subscription to/purchase of equity shares.	-	-	15.44	39.66	-
		-	-	(2.09)	(7.60)	-
5	Sale of investments	-	12.42	-	-	-
		-	-	(7.07)	(3.74)	-
6	Loans/Deposit Given	4,445.74	0.30	-	-	-
		(1,828.03)	(141.50)	-	-	-
7	Sale of goods	361.17	-	-	-	-
		(0.10)	(301.52)	-	-	-
8	Purchase of goods and services	154.77	37.41	-	1.75	-
		(111.39)	(112.20)	-	-	-
9	Services rendered, Compensation and reimbursement	13.45	0.24	-	-	-
		-	-	-	-	-

All figures in Rs. Millions

Sr. No.	Particulars	Associate	Entities where KMP/RKMP has significant influence	KMP	RKMP	Employee Funds
10	Interest received	110.95	0.53	-	-	-
		(40.05)	(0.59)	-	-	-
11	Interest paid	-	-	-	-	-
		-	(1.09)	-	-	-
12	Dividend received/accrued	2.14	-	-	-	-
		(2.14)	(1.21)	-	-	-
13	Dividend Paid	-	0.16	-	-	-
		-	-	-	-	-
14	Rent received	0.52	-	-	-	-
		(1.53)	(0.02)	-	-	-
15	Rent/Hotel charges paid . .	-	4.09	0.06	-	-
		-	(2.39)	(0.06)	-	-
16	Managerial Remuneration .	-	-	16.31	-	-
		-	-	(10.52)	-	-
17	Contribution to various funds.	-	-	-	-	15.87
		-	-	-	-	(7.90)

All figures in Rs. Millions

Sr. No.	Particulars	Associate	Entities where KMP/RKMP has significant influence	KMP	RKMP	Employee Funds
	Outstanding Balances					
1	Investments	66.50	8.70	-	-	-
		(16.50)	(108.00)	-	-	-
2	Sundry Debtors	112.48	-	-	0.10	-
		-	-	-	-	-
3	Loans/Deposits outstanding	1,861.35	39.15	-	-	-
		(474.67)	(147.00)	-	-	-
4	Advances/Deposits to Supplier	-	17.29	-	-	-
		-	-	-	-	-
5	Sundry Creditors	1.98	1.78	-	-	4.49
		(5.98)	(0.24)	-	-	-
6	Corporate Guarantees	13.95	-	-	-	-
		(18.58)	(191.69)	-	-	-
7	Contribution payable to various Funds	-	-	-	-	0.16
		-	-	-	-	-

(C) Disclosure of significant transactions with Related Parties

All figures in Rs. Millions

Type of the Transaction	Type of relationship	Name of the entity/person	31 March 2004	31 March 2005
Purchase of Fixed Assets	Associate	Sarjan Realities Limited.	-	0.38
Sale of Fixed Assets	KMP	Girish R Tanti	-	1.62
	RKMP	R.A.Parmar	-	0.60
	RKMP	A.A. Parmar	-	0.44
Subscription to/purchase of preference shares	Associate	Suzlon Developers Limited	-	50.00
	Entities where KMP/RKMP has significant influence	Suzlon Windfarm Services Private Limited	90.00	-
Sale of investments	Entities where KMP/RKMP has significant influence	Sarjan Infrastructure Finance Limited	-	12.42
	KMP	Vinod Tanti	2.60	-
	KMP	Tulsi Tanti	3.44	-
	RKMP	Jitendra Tanti	2.70	-
Loan/Deposits given	Associate	Suzlon Developers Limited	897.10	2,064.14
	Associate	Sarjan Realities Limited	930.93	2,237.70
Sale of goods	Entities where KMP/RKMP has significant influence	Suzlon Windfarm Services Private Limited	300.80	-
	Associate	Suzlon Developers Limited	-	361.17
Services Rendered, Compensation and reimbursement	Associate	Suzlon Developers Limited	-	13.11
Purchase of goods and services	Entities where KMP/RKMP has significant influence	Suzlon Windfarm Services Private Limited	111.55	-
	Associate	Suzlon Developers Limited	111.39	154.38
Interest Received	Associate	Sarjan Realities Limited	31.66	78.07
	Associate	Suzlon Developers Limited	8.39	31.54
Interest Paid	Entities where KMP/RKMP has significant influence	Sarjan Infrastructure Finance Limited	1.09	-
Dividend Received/Accrued	Entities where KMP/RKMP has significant influence	Suzlon Windfarm Services Private Limited	1.21	-
	Associate	Suzlon Developers Limited	0.84	0.84
	Associate	Sarjan Realities Limited	1.30	1.30

All figures in Rs. Millions

Type of the Transaction	Type of relationship	Name of the entity/person	31 March 2004	31 March 2005
Dividend Paid	Entities where KMP/RKMP has significant influence	Suzlon Capital Limited	-	0.16
Rent Received	Associate	Suzlon Developers Limited	1.53	0.52
Rent/Hotel Charges paid	Entities where KMP/RKMP has significant influence	Suzlon Hotels Limited	2.39	1.69
	Entities where KMP/RKMP has significant influence	Sarjan Engitech Private Limited	-	2.40
Contribution to various funds	Employee Funds	Suzlon Energy Limited - Superannuation Fund	6.14	8.95
	Employee Funds	Suzlon Energy Limited- Employees Group Gratuity Scheme	1.38	4.49
	Employee Funds	Suzlon Wind Farm Services Limited - Superannuation Fund	-	1.12
	Employee Funds	Suzlon Wind Farm Services Limited-Employees Group Gratuity Scheme	-	0.85
	Employee Funds	Suzlon Green Power Limited - Superannuation Fund	0.38	0.46
Managerial Remuneration	KMP	Girish Tanti	2.42	3.91
	KMP	Tulsi Tanti	1.99	4.43
	KMP	Vinod Tanti	2.53	3.85
	KMP	Balrajsinh Parmar	3.58	4.12

13. Segment Reporting

Suzlon's operations primarily relate to manufacture and sale of WTG's and its parts. Others primarily consist of operation and maintenance revenue from the sale of WTG and power generation revenue from own installed WTG's.

A) PRIMARY BUSINESS SEGMENT:

All figures in Rs. Million

	2003-04				2004-05			
Particulars	**Sale of WTG**	**Others**	**Eliminations**	**Total**	**Sale of WTG**	**Others**	**Eliminations**	**Total**
Total External Sales	8,517.85	57.14	-	8,574.99	19,165.21	259.61	-	19,424.82
Add: Inter Segment Sales	-	-	-	-	23.49	249.87	(273.36)	-
Segment Revenue	8,517.85	57.14	-	8,574.99	19,188.70	509.48	(273.36)	19,424.82
Segment Results	1,305.25	9.83	-	1,315.08	4,135.45	63.78	-	4,199.23
Add/(Less) items to reconcile with profit as per Profit and Loss Account								
Add:								
Other Income				173.64				234.39
Less:								
Financial Charges				(275.64)				(458.25)
Preliminary Exp W/Off				(0.87)				(1.81)
Profit before tax and minority interest				1,212.22				3,973.55
Provision For								
Income Tax				123.97				489.72
Deferred Tax				(94.05)				(167.41)
Profit before Minority Interest				1,449.23				3,651.24
Add: Share of Loss of Minority in subsidiary				-				2.11
Profit after Minority Interest				1,449.23				3,653.35
Add: Pre-acquisition profit of subsidiary on additional investment				4.00				-
Profit for the year				1453.24				3,653.35
Segment Assets	8,503.21	347.75		8,850.96	16,676.76	1,180.18		17,856.94
Common Assets				1,239.77				3,020.94
Enterprise Assets				10,090.73				20,877.88
Segment Liabilities	3,777.45	12.83		3,790.28	7,553.46	184.78	-	7,738.24
Common Liabilities				2,416.67				4,096.33
Enterprise Liabilities				6,206.95				11,834.57
Capital Expenditure During The Year	917.84	-		917.84	1,434.65	513.15	-	1,947.80
Segment Depreciation	106.19	29.93		136.12	395.01	98.24		493.25
Non Cash Expenses Other Than Depreciation	0.74	0.13		0.87	1.45	0.36	-	1.81

B) GEOGRAPHICAL SEGMENT

	2003-04				2004-05			
Particulars	**India**	**USA**	**Others**	**Total**	**India**	**USA**	**Others**	**Total**
Segment Revenue	7,581.40	993.59	-	8,574.99	19,361.38	63.44	-	19,424.82
Segment Assets	7,640.28	993.17	217.51	8,850.96	16,753.76	504.20	598.98	17,856.94
Capital Expenditure incurred	901.75	7.07	9.02	917.84	1,893.50	9.28	45.02	1,947.80

14. All figures have been reported in Rupees Millions and have been rounded off to the nearest ten thousand rupees. Prior year amounts were audited by SNK & Co. Chartered Accountants only and have been reclassified wherever necessary to conform with current year's presentation. Figures in the brackets are in respect of the previous year.

Signature to Schedule 'A' to 'O'

As per our attached Report of even date.

For SNK & Co.
Chartered Accountants

Jasmin B. Shah
Partner
M.No. 46238

Place: Pune
Date: June 24, 2005

For S. R. BATLIBOI & Co.
Chartered Accountants

Arvind Sethi
Partner
M.No. 89802

Place: Pune
Date: June 24, 2005

For and on behalf of the Board of Directors

Tulsi R. Tanti
Chairman & Managing Director

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Place: Mumbai
Date: June 24, 2005

SNK & Co.
Chartered Accountants
111, Nalanda Enclave
Pritam Nagar Ellisbridge,
Ahmedabad - 380 006

S.R. BATLIBOI & Co.
Chartered Accountants
The Metropole, F-1, 1st Floor
Bund Garden Road
Pune - 411 001

Auditors´ Report

To

The Board of Directors of Suzlon Energy Limited

1. We SNK & Co. and S.R. Batliboi & Co, have audited the attached consolidated balance sheet* of Suzlon Energy Limited (´SEL´) and its subsidiaries (together referred to as ´the Group´, as described in Schedule P, Note 5) as at March 31, 2006 and also the consolidated profit and loss account* and the consolidated cash flow statement* for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of SEL´s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not jointly audit the financial statements of the following companies, whose total revenues and assets to the extent they are included in the consolidated financial statements of the Group are as given below:

Name of the Company	Extent of share in consolidated revenues (%)	Extent of share in consolidated assets (%)
Suzlon Windfarm Services Limited	0.71	3.06
Suzlon Towers And Structures Limited (formerly Suzlon Green Power Limited)	0.14	0.53
Suzlon Generators Private Limited	-	1.44
Suzlon Structures Private Limited	0.06	2.65
Suzlon Power Infrastructure Private Limited	0.02	0.86
Suzlon Gujarat Wind Park Limited	0.06	0.30
Suzlon Engitech Private Limited	-	0.17

These financial statements have been audited solely by SNK & Co., Chartered Accountants and have been accepted without verification by S.R. Batliboi & Co, Chartered Accountants and hence our joint audit opinion insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of SNK & Co., Chartered Accountants.

4. We did not audit the financial statements of the following companies, whose total revenues and assets to the extent they are included in the consolidated financial statements of the Group are as given below:

Name of the Company	Extent of share in consolidated revenues (%)	Extent of share in consolidated assets (%)
Suzlon Energy A/S, Denmark (See Note 1 below) ['Suzlon Denmark']	8.22	8.26
Suzlon Rotor Corporation	-	0.84
AE-Rotor Holdings B.V., Netherlands (See Note 2 below) ['AERH']	-	0.95
Suzlon Energy GmbH	-	0.47
Windpark Olsdorf WATT GmbH & Co KG	-	0.21
Suzlon Wind Park Management GmbH	-	-
SE Drive Techniek GmbH	-	0.04
Suzlon Windkraft GmbH	-	-
Suzlon Energy Tianjin Limited	-	0.51

Notes:

1. The financial statements of Suzlon Energy A/S, Denmark, include the financial statements of Suzlon Australia Pty Limited and the consolidated financial statements of Suzlon Wind Energy Corporation.
2. The financial statements of AERH include the standalone financial statements of AERH and its subsidiaries AE-Rotor Techniek B.V. and Suzlon Energy B.V.

These financial statements have been prepared under the relevant applicable Generally Accepted Accounting Principles (´GAAP´) of the Country where the subsidiary is registered. Adjustments have been made to realign the accounting policies of these subsidiaries to those of SEL, which have been reviewed by us jointly for the year ended March 31, 2006.

5. We report that the consolidated financial statements have been prepared by SEL´s management in accordance with the requirements of Accounting Standard-21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate financial statements of SEL and its subsidiaries.

6. In our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India;

   a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2006;

   b) in the case of the Consolidated Profit and Loss Account of the profit of the Group for the year ended on that date;

   c) in the case of the Consolidated Cash Flow Statement of the cash flows of the Group for the year then ended on that date.

SNK & Co.
Chartered Accountants
per Jasmin B. Shah
Partner
Membership No: 46238

Pune
May 15, 2006

S.R. BATLIBOI & Co.
Chartered Accountants
per Arvind Sethi
Partner
Membership No: 89802

Pune
May 15, 2006

Consolidated Balance Sheet as at March 31, 2006

All amounts in rupees million unless otherwise stated

Particulars	Schedule	As at March 31,		
		2005 Rs. Million	2006 Rs. Million	2006 $ Million
Sources of Funds				
Share Holders´ Funds				
Share Capital	A	2,019.23	3,025.31	68.02
Share Application Money of Subsidiary Company				
Pending Allotment		0.50	1.87	0.04
Employee Stock Options	B	-	103.64	2.33
Reserves and Surplus	C	7,023.59	24,217.12	544.45
		9,043.32	27,347.94	614.84
Preference Shares Issued by Subsidiary Company [See Schedule P, Note(6)(b)]		2.97	25.00	0.56
Minority Interest		64.48	74.69	1.68
Loan Funds				
Secured Loans	D	3,567.18	3,899.05	87.66
Unsecured Loans	E	390.93	608.10	13.67
		3,958.11	4,507.15	101.33
		13,068.88	**31,954.78**	**718.41**
Application of Funds				
Fixed Assets	F			
Gross Block		3,596.88	6,292.71	141.47
Less - Depreciation		807.68	1,535.65	34.52
Net Block		2,789.20	4,757.06	106.95
Capital work in progress		289.40	1,651.60	37.13
		3,078.59	**6,408.66**	**144.08**
Preoperative Expenses, pending allocation		-	16.66	0.38
Investments	G	77.62	76.10	1.71
Deferred Tax Asset (Net) [See Schedule P, Note 7]		241.06	817.59	18.38
Current Assets, Loans and Advances	H			
Inventories		5,755.68	13,310.27	299.24
Sundry Debtors		6,928.89	16,473.10	370.35
Cash and Bank Balances		1,544.64	5,514.82	123.98
Loans and Advances		3,247.31	6,407.20	144.05
		17,476.52	**41,705.39**	**937.62**

Particulars	Schedule	As at March 31,		
		2005 Rs. Million	2006 Rs. Million	2006 $ Million
Less: Current Liabilities and Provisions	I			
Current Liabilities		5,979.97	12,977.04	291.75
Provisions		1,829.03	4,101.07	92.20
		7,809.00	17,078.11	383.95
Net Current Assets		9,667.52	24,627.28	553.67
Miscellaneous Expenditure (To the extent not written off or adjusted)	J	4.09	8.49	0.19
		13,068.88	31,954.78	718.41
Significant accounting policies and notes to the consolidated financial statements	P			

For presentation purposes, the financial statements have been converted to United States dollars by dividing the financial statements elements, where relevant, by 43.10 for the year ended 31 March, 2007 and by 44.48 for the year ended 31 March, 2006.

The schedules referred to above and the notes to accounts form an integral part of the consolidated balance sheet

As per our report of even date

For SNK & Co.
Chartered Accountants

Jasmin B. Shah
Partner
M.No. 46238

Place: Pune
Date: May 15, 2006

For S. R. BATLIBOI & Co.
Chartered Accountants

Arvind Sethi
Partner
M.No. 89802

Place: Pune
Date: May 15, 2006

For and on behalf of the Board of Directors

Tulsi R. Tanti
Chairman & Managing Director

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Place: New Delhi
Date: May 15, 2006

Consolidated Profit and Loss Account for the year ended March 31, 2006

All amounts in rupees million unless otherwise stated

Particulars	Schedule	Year Ended 31 March		
		2005 Rs. Million	2006 Rs. Million	2006 $ Million
INCOME				
Sales and service income		19,424.82	38,410.30	863.54
Other income	K	234.38	556.48	12.51
		19,659.20	38,966.78	876.05
EXPENDITURE				
Cost of goods sold	L	11,376.78	23,090.74	519.13
Operating and other expenses	M	2,737.77	5,121.39	115.14
Employees´ remuneration and benefits	N	617.79	1,215.88	27.34
Financial charges	O	458.25	647.78	14.56
Depreciation	F	493.25	715.90	16.09
Preliminary expenditure written off	J	1.81	1.80	0.04
		15,685.65	30,793.49	692.30
PROFIT BEFORE TAX AND MINORITY INTEREST		**3,973.55**	**8,173.29**	**183.75**
Current tax		489.09	1,103.00	24.80
Earlier years´ tax		0.63	1.70	0.03
Fringe benefit tax		-	31.60	0.71
Deferred tax		(167.41)	(568.20)	(12.77)
		322.31	568.10	12.77
PROFIT BEFORE MINORITY INTEREST		**3,651.24**	**7,605.19**	**170.98**
Add/(Less): Share of loss/(profit) of Minority		2.11	(10.20)	(0.23)
NET PROFIT		**3,653.35**	**7,594.99**	**170.75**
Balance brought forward		2,781.83	5,016.58	112.78
PROFIT AVAILABLE FOR APPROPRIATIONS		**6,435.18**	**12,611.57**	**283.53**
Interim dividend on equity shares		231.84	718.80	16.16
Proposed dividend on equity shares		115.92	720.30	16.19
Dividend on preference shares		19.62	16.60	0.37
Tax on dividends		51.22	207.80	4.67
Transfer to general reserve		1,000.00	3,000.00	67.45
		1,418.60	4,663.50	104.84
Balance carried to the Balance Sheet		5,016.58	7,948.07	178.69
Earnings per share (in Rs.)				
Basic (Nominal Value of shares Rs.10 (Previous Year Rs.10)) [See Schedule P, Note 10]		14.34	27.73	0.62
Diluted (Nominal Value of shares Rs.10 (Previous Year Rs.10)) [See Schedule P, Note 10]		14.34	27.68	0.62
Significant accounting policies and notes to the consolidated financial statements	P			

For presentation purposes, the financial statements have been converted to United States dollars by dividing the financial statements elements, where relevant, by 43.10 for the year ended 31 March 2007 and by 44.48 for the year ended 31 March, 2006.

The schedules referred to above and the notes to accounts form an integral part of the consolidated balance sheet

As per our report of even date

For SNK & Co.
Chartered Accountants
Jasmin B. Shah
Partner
M.No. 46238
Place: Pune
Date: May 15, 2006

For S. R. BATLIBOI & Co.
Chartered Accountants
Arvind Sethi
Partner
M.No. 89802
Place: Pune
Date: May 15, 2006

For and on behalf of the Board of Directors

Tulsi R. Tanti
Chairman & Managing Director

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Place: New Delhi
Date: May 15, 2006

Consolidated Cash Flow statement for the year ended March 31, 2006

All amounts in rupees million unless otherwise stated

Particulars	Year Ended 31 March		
	2005 Rs. Million	2006 Rs. Million	2006 $ Million
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation and minority interest	3,973.55	8,173.29	183.75
Adjustments for:			
Depreciation	493.25	715.90	16.09
Loss on sale of investments	0.08	-	-
Loss on Sale/disposal of Assets	4.78	5.30	0.12
Preliminary expenses incurred	-	(6.20)	(0.14)
Preliminary expenses Written Off	1.81	1.80	0.04
Interest expenses	352.49	507.62	11.41
Interest income	(181.01)	(311.75)	(7.01)
Dividend income	(3.42)	(4.18)	(0.09)
Adjustments on consolidation	68.11	36.00	0.82
Provision (reversal) for doubtful debts/loans	93.30	(48.20)	(1.08)
Employee stock option scheme	-	103.64	2.33
Provision for Operation Maintenance and Warranty	578.40	857.70	19.28
Provision for power generation guarantee	450.74	1,065.14	23.95
Wealth tax	0.14	0.18	0.00
Operating Profit before Working Capital Changes	5,832.22	11,096.24	249.47
Movements in Working Capital:			
(Increase)/Decrease in loans and advances	(127.39)	(2,960.94)	(66.57)
(Increase)/Decrease in sundry debtors	(3,540.87)	(9,502.14)	(213.63)
(Increase)/Decrease in inventories	(3,414.15)	(7,543.50)	(169.59)
Increase/(Decrease) in current liabilities	2,847.13	6,677.70	150.13
Cash (used in)/generated from operations	1,596.94	(2,232.64)	(50.19)
Direct Taxes Paid (net of refunds)	(415.52)	(1,307.60)	(29.40)
Net cash (used in)/generated from operating activities	1,181.42	(3,540.24)	(79.59)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	(1,520.76)	(4,059.72)	(91.27)
Proceeds from sale of fixed assets	99.07	21.56	0.48
Purchase of Investments	(49.87)	(4.94)	(0.11)
Preoperative expenses incurred	(4.77)	(16.66)	(0.37)
Paid for Acquisition of Subsidiaries	(98.10)	(33.90)	(0.76)
Sale/Redemption of Investments	15.96	6.50	0.15
Inter-corporate deposits repaid/(granted)	(1,356.17)	31.80	0.71
Loans granted to/Repayments to Subsidiaries	-	-	-
Interest received	209.44	246.54	5.54
Dividends received	3.42	4.18	0.09
Net cash used in investing activities	(2,701.78)	(3,804.64)	(85.54)

Particulars	Year Ended 31 March		
	2005 Rs. Million	2006 Rs. Million	2006 $ Million
CASH FLOW FROM FINANCING ACTIVITIES			
Redemption of Preference share capital	-	(1,000.00)	(22.48)
Proceeds from issuance of share capital including premium	2,000.00	13,648.94	306.86
Share Application Money received	0.50	1.37	0.03
Share issue expenses	(75.73)	(406.70)	(9.14)
Proceeds from borrowings	3,416.33	5,783.85	130.03
Repayment of borrowings	(2,144.08)	(5,238.84)	(117.78)
Interest paid	(347.59)	(501.64)	(11.28)
Dividends paid	(411.67)	(849.86)	(19.11)
Tax on dividends paid	(53.40)	(122.06)	(2.74)
Net cash from financing activities	2,384.36	11,315.06	254.39
NET INCREASE IN CASH AND CASH EQUIVALENTS	864.00	3,970.18	89.26
Cash and cash equivalents at the beginning of the year	680.64	1,544.64	34.72
	1,544.64	5,514.82	123.98
Components of cash and cash equivalents			
Cash and cheques on hand	6.39	13.35	0.30
With banks			
in current account	195.53	327.04	7.35
in Term deposit accounts	804.44	3,895.27	87.57
With non-scheduled banks			
in current account	538.28	1,279.16	28.76
	1,544.64	**5,514.82**	**123.98**

Notes:

1. Purchase of fixed assets includes payments for items in capital work in progress and advance for purchase of fixed assets
2. Previous year´s figures have been regrouped/reclassified, wherever necessary.
   For presentation purposes, the financial statements have been converted to United States dollars by dividing the financial statements elements, where relevant, by 43.10 for the year ended 31 March, 2007 and by 44.48 for the year ended 31 March, 2006.

As per our report of even date

For and on behalf of the Board of Directors

For SNK & Co.
Chartered Accountants

Jasmin B. Shah
Partner
M.No. 46238

Place: Pune
Date: May 15, 2006

For S. R. BATLIBOI & Co.
Chartered Accountants

Arvind Sethi
Partner
M.No. 89802

Place: Pune
Date: May 15, 2006

Tulsi R. Tanti
Chairman & Managing Director

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Place: New Delhi
Date: May 15, 2006

Schedules to the Consolidated Balance Sheet for the year ended March 31, 2006

Particulars	As at March 31,		
	2005 Rs. Million	2006 Rs. Million	2006 $ Million
SCHEDULE - A: SHARE CAPITAL			
Authorised			
330,000,000 (101,000,000) equity shares of Rs 10/- each	1,010.00	3,300.00	74.19
11,500,000 (11,500,000) preference shares of Rs 100/- each	1,150.00	1,150.00	25.85
	2,160.00	4,450.00	100.04
Issued, subscribed			
Equity			
287,531,380 (86,922,900) equity shares of Rs 10/- each fully paid up	869.23	2,875.31	64.64
(Of the above equity shares, 251,855,300 (78,009,500) shares were allotted as fully paid bonus shares by utilisation of Rs. 1740.40 million (Rs.190.40 million) from general reserve, Rs. 10.25 million (10.25 million) from capital redemption reserve and Rs. 768.00 million (Rs.579.50 million) from securities premium account.)			
Preference			
1,500,000 (1,500,000) 10% cumulative redeemable preference shares of Rs. 100/- each fully paid up [See Schedule P, Note 6(a)(i)]	150.00	150.00	3.38
Nil (10,000,000) 0.01% redeemable cumulative preference shares of Rs. 100/- each fully paid up [See Schedule P, Note 6(a)(ii)]	1,000.00	-	
	2,019.23	**3,025.31**	**68.02**
SCHEDULE - B: EMPLOYEE STOCK OPTIONS			
Employee stock options outstanding	-	224.44	5.05
Less: Deferred employee compensation expense outstanding	-	120.80	2.72
	-	103.64	2.33

Schedules to the Consolidated Balance Sheet for the year ended March 31, 2006

Particulars	As at March 31,		
	2005 Rs. Million	2006 Rs. Million	2006 $ Million
SCHEDULE - C: RESERVES AND SURPLUS			
Capital Reserve on Consolidation	-	0.30	0.01
Securities Premium Account			
As per last balance sheet	-	298.51	6.71
Add: Addition during the year	953.74	13,381.34	300.84
Less: Capitalisation by way of issue of bonus shares	579.49	188.45	4.24
Less: Share issue expenses [Net of tax benefit Rs. 25.60 million (Rs.Nil)]	75.73	381.14	8.57
	298.52	13,110.26	294.74
General Reserve			
As per last Balance Sheet	708.49	1,708.49	38.41
Add: Transfer from consolidated profit and loss account	1,000.00	3,000.00	67.45
	1,708.49	4,708.49	105.86
Less: capitalisation by way of issue of bonus shares	-	1,550.00	34.85
	1,708.49	3,158.49	71.01
Profit and Loss Account	5,016.58	7,948.07	178.69
	7,023.59	**24,217.12**	**544.45**
SCHEDULE - D: SECURED LOANS			
Term Loans			
From bank and financial institutions [See Schedule P, Note 6 (c)(i)]	811.43	1,026.15	23.07
From others [See Schedule P, Note 6 (c)(ii)]	531.23	1,517.94	34.13
	1,342.66	2,544.09	57.20
Working Capital Facilities from Banks and Financial Institutions			
Rupee loans [See Schedule P, Note 6 (c)(iii)]	2,080.28	1,352.20	30.40
Foreign currency loans [See Schedule P, Note 6 (c)(iii)]	133.04	1.61	0.04
	2,213.32	1,353.81	30.44
Vehicle Loans	**11.20**	**1.15**	**0.02**
(secured against hypothecation of vehicles)	3,567.18	3,899.05	87.66
SCHEDULE - E: UNSECURED LOANS			
Long Term			
From other than banks	390.93	293.38	6.60
Short Term			
From other than banks	-	314.72	7.07
	390.93	**608.10**	**13.67**

Schedules to the Consolidated Balance Sheet

SCHEDULE - F: FIXED ASSETS

Assets

	Gross Block					Depreciation				Net Block	
	As at April 1, 2005 Rs. Million	Additions Rs. Million	Deductions Rs. Million	As at March 31, 2006 Rs. Million	As at April 1, 2005 Rs. Million	Additions Rs. Million	Deductions Rs. Million	As at March 31, 2006 Rs. Million	As at March 31, 2006 Rs. Million	As at March 31, 2005 Rs. Million	As at March 31, 2006 $ Million
Goodwill on consolidation	12.72	5.64	0.07	18.29	2.37	1.83	-	4.20	14.09	10.35	0.32
Freehold land	127.91	74.44	0.05	202.30	-	-	-	-	202.30	127.91	4.55
Leasehold land 3.35		11.87	139.04	-	150.91	0.83	0.88	-	1.71	149.20	11.04
Buildings - factory and office	977.31	813.86	0.32	1,790.85	130.03	94.64	0.04	224.63	1,566.22	847.28	35.21
Plant and machinery	1,788.91	1,114.69	5.82	2,897.78	439.03	432.21	1.56	869.68	2,028.10	1,349.88	45.60
Wind research and measuring equipment	79.74	62.30	9.36	132.68	48.95	32.15	8.19	72.91	59.77	30.79	1.34
Computers and office equipment	269.09	179.22	7.56	440.75	89.92	78.25	7.21	160.96	279.79	179.17	6.29
Furniture and fixtures	115.60	86.88	-	202.48	44.87	22.27	-	67.14	135.34	70.73	3.04
Vehicles	58.00	26.85	9.43	75.42	26.60	10.78	6.83	30.55	44.87	31.40	1.01
Intangible assets											
Designs & drawings	90.09	229.55	18.08	301.56	11.95	62.15	-	74.10	227.46	78.14	5.11
SAP software	65.64	14.05	-	79.69	13.13	16.64	-	29.77	49.92	52.51	1.12
	3,596.88	2,746.52	50.69	6,292.71	807.68	751.80	23.83	1,535.65	4,757.06	2,789.20	106.95
Capital Work-in-Progress	-	-	-	-	-	-	-	-	1,651.60	289.40	37.13
	3,596.89	2,746.52	50.69	6,292.71	807.68	751.80	23.83	1,535.65	6,408.66	3,078.60	144.08
Previous year	1,912.22	1,787.42	102.76	3,596.88	315.03	501.20	8.55	807.68	2,789.20		

Note:

Depreciation charge for the current year amounting to Rs.751.80 million (Rs.501.20 million), is including Rs.31.74 million (Rs.7.95 million) which has been capitalised as part of self manufactured assets and Rs. 4.16 million (Rs.0.71 million) capitalised to operational assets, being pre-operative in nature.The depreciation charged in the Profit and Loss Account amounting to Rs.715.92 million (Rs.493.25 million) is net of the amount capitalised.

Schedules to the Consolidated Balance Sheet

Particulars	As at March 31,		
	2005 Rs. Million	**2006 Rs. Million**	**2006 $ Million**
SCHEDULE - G: INVESTMENTS			
LONG TERM INVESTMENTS (at cost, fully paid)			
UNQUOTED			
(i) Government and Other Securities (Non Trade)	0.31	0.35	0.01
(ii) Trade Investments	66.50	60.00	1.35
(iii) Other than Trade Investments	10.81	15.75	0.35
	77.62	76.10	1.71
Aggregate cost of unquoted investments	77.62	76.10	1.71
SCHEDULE - H - CURRENT ASSETS, LOANS AND ADVANCES			
Current Assets			
Inventories			
Raw Materials (Including Goods-in-Transit Rs.1,813.40 million (Rs.1,075.50 million))	4,591.32	10,386.70	233.51
Semi-finished goods and work-in-progress	1,028.67	1,655.30	37.21
Finished goods	31.00	403.30	9.07
Land and land lease rights	104.69	394.13	8.86
Stores and spares	-	7.64	0.17
Projects work in progress	-	463.20	10.42
	5,755.68	**13,310.27**	**299.24**
Sundry Debtors			
(Unsecured)			
Outstanding for a period exceeding six months			
considered good (See Schedule P, Note 6(e))	1,086.15	2,052.91	46.15
considered doubtful	103.88	62.22	1.40
	1,190.03	2,115.13	47.55
Others, considered good	5,842.74	14,420.19	324.20
	7,032.77	16,535.32	371.75
Less: Provision for doubtful debts	103.88	62.22	1.40
	6,928.89	**16,473.10**	**370.35**

Particulars	As at March 31,		
	2005 Rs. Million	2006 Rs. Million	2006 $ Million
SCHEDULE - H - CURRENT ASSETS, LOANS AND ADVANCES (Cont.)			
Cash and bank balances			
Cash on hand	6.39	8.38	0.19
Cheques in transit	-	4.97	0.11
Balances with scheduled banks			
in current accounts	195.53	327.04	7.35
in term deposit accounts	804.44	3,895.27	87.57
	999.97	4,222.31	94.92
Balance with non-scheduled banks in current accounts	538.28	1,279.16	28.76
	1,544.64	**5,514.82**	**123.98**
Loans and advances			
(Unsecured and considered good, except otherwise stated)			
Deposits			
With customers as security deposit	325.77	259.44	5.83
Others	78.98	821.77	18.48
Advance income-tax	7.41	127.38	2.86
Advances recoverable in cash or in kind or for value to be received*			
considered good	2,835.15	5,198.60	116.88
considered doubtful	33.51	27.01	0.61
	3,280.82	6,434.21	144.66
Less: Provision for doubtful loans and advances	33.51	27.01	0.61
	3,247.31	6,407.20	144.05
	17,476.52	**41,705.39**	**937.62**

*Include (a) Rs.Nil**(Rs 4.30 million) towards share application money pending allotment and (b) Intercorporate deposits of Rs.1,854.50 million (Rs.1,886.40 million).

Schedules to the Consolidated Balance Sheet for the year ended March 31, 2006

Particulars	As at March 31,		
	2005 Rs. Million	**2006 Rs. Million**	**2006 $ Million**
SCHEDULE - I: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities			
Sundry creditors	4,591.25	7,027.03	157.98
Acceptances	614.55	225.85	5.08
Other current liabilities	379.66	2,176.96	48.94
Interest accrued but not due	7.60	13.60	0.31
Advances from customers	386.91	3,533.60	79.44
	5,979.97	**12,977.04**	**291.75**
Provisions			
Wealth tax	0.14	0.18	0.00
Income tax	70.78	17.99	0.40
Gratuity, superannuation and leave encashment	10.04	68.48	1.54
Generation guarantee, LD, operation, maintenance and warranty	1,596.16	3,170.83	71.29
Dividend	131.00	736.90	16.57
Tax on dividend	20.91	106.61	2.40
Fringe benefit tax	-	0.08	0.00
	1,829.03	4,101.07	92.20
	7,809.00	**17,078.11**	**383.95**
SCHEDULE - J: MISCELLANEOUS EXPENDITURE (To the extent not adjusted or written off)			
Preliminary Expenses			
Opening balance	2.11	4.09	0.09
Add: Addition during the year	3.79	6.20	0.14
Less: Written off during the Year	1.81	1.80	0.04
	4.09	**8.49**	**0.19**

Schedules annexed to and forming part of the Consolidated Profit and Loss Account

Particulars		Year Ended March 31		
		2005 Rs. Million	2006 Rs. Million	2006 $ Million
SCHEDULE- K: OTHER INCOME				
Interest Received				
From Banks		35.41	161.83	3.64
From Others		145.60	149.92	3.37
Dividends		3.42	4.18	0.10
Excess provision written back		3.00	-	-
Sale of Sales Tax Entitlement		29.91	-	-
Infrastructure Development Income		1.02	81.50	1.83
Miscellaneous Income		16.02	159.05	3.57
		234.38	556.48	12.51
SCHEDULE - L: COST OF GOODS SOLD				
Consumption of Raw Material:				
Opening Stock		1,703.66	4,591.32	103.22
Add: Purchases		14,760.63	29,282.10	658.32
		16,464.29	33,873.42	761.54
Less: Closing Stock		4,591.32	10,386.70	233.51
	(A)	**11,872.97**	**23,486.72**	**528.03**
Trading Purchases	**(B)**	**160.66**	**1,131.02**	**25.43**
(Increase)/Decrease in Stocks:				
Opening Balance:				
Semi Finished Goods and Work-in-Progress		303.68	1,028.67	23.13
Finished Goods		192.96	31.00	0.69
Land and Land Lease Rights		10.87	104.69	2.35
	(C)	**507.51**	**1,164.36**	**26.17**
Closing Balance:				
Semi Finished Goods and Work-in-Progress		1,028.67	1,655.30	37.21
Finished Goods		31.00	403.30	9.07
Land and Land Lease Rights		104.69	394.13	8.86
	(D)	**1,164.36**	**2,452.73**	**55.14**
(Increase)/Decrease in Stock	**(C)-(D)=(E)**	**(656.85)**	**(1,288.37)**	**(28.97)**
Less: Transfer to Designs and Drawings	**(F)**	**-**	**238.63**	**5.36**
	(A)+(B)+ (E)-(F)	**11,376.78**	**23,090.74**	**519.13**

Schedules annexed to and forming part of the Consolidated Profit and Loss Account

Particulars	Year Ended March 31		
	2005 Rs. Million	2006 Rs. Million	2006 $ Million
SCHEDULE - M: OPERATING & OTHER EXPENSES			
Stores and spares	70.13	177.79	4.00
Power and fuel	12.53	40.65	0.91
Factory expenses	25.76	167.03	3.76
Repairs and maintenance			
Plant and machinery	4.54	14.81	0.33
Building	14.70	19.25	0.43
Others	17.21	30.58	0.69
Design change and technological upgradation charges	32.80	51.61	1.16
Operation and maintenance charges	70.30	146.68	3.30
Other manufacturing and operating expenses	3.85	4.55	0.10
Insurance	31.10	59.64	1.34
Quality assurance expenses	86.02	165.60	3.72
R & D, certification and product development	33.99	17.73	0.40
Rent	49.81	91.48	2.06
Rates and taxes	6.57	51.22	1.15
Provision for operation,maintenance and warranty	578.44	857.70	19.28
Provision for power generation guarantee	450.70	1,065.14	23.95
Advertisement and sales promotion	60.95	155.36	3.49
Infrastructure development expenses	146.32	0.09	0.00
Freight outward and packing expenses	245.93	796.42	17.91
Sales commission	97.78	232.47	5.23
Travelling, conveyance and vehicle expenses	160.21	335.23	7.54
Communication expenses	26.57	55.48	1.25
Auditors´ remuneration	12.59	30.44	0.68
Consultancy charges	78.65	161.93	3.64
Charity and donations	51.73	21.15	0.47
Other selling and administrative expenses	233.94	327.61	7.37
Exchange differences, net	36.49	32.70	0.73
Provision for doubtful debts and advances	93.30	5.75	0.13
Loss on sale of investment	0.08	-	
Loss on assets sold/discarded, net	4.78	5.30	0.12
	2,737.77	**5,121.39**	**115.14**

Schedules annexed to and forming part of the Consolidated Profit and Loss Account

Particulars	Year Ended March 31		
	2005 Rs. Million	2006 Rs. Million	2006 $ Million
SCHEDULE - N: EMPLOYEES´ REMUNERATION AND BENEFITS			
Salaries, wages, allowances and bonus	550.79	1,126.03	25.32
Contribution to provident and other funds	22.35	36.42	0.82
Staff welfare expenses	44.65	53.43	1.20
	617.79	**1,215.88**	**27.34**
SCHEDULE - O: FINANCIAL CHARGES			
Interest			
Fixed loans	120.17	129.20	2.90
Others	232.32	378.42	8.51
Bank Charges	105.76	140.16	3.15
	458.25	**647.78**	**14.56**

SCHEDULE - P: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF SUZLON FOR THE FINANCIAL YEAR ENDED MARCH 31, 2006

(All amounts in Rupees Million unless otherwise stated)

1. **Basis Of Preparation Of Consolidated Financial Statements**

   The accompanying consolidated financial statements are prepared under the historical cost convention, on an accrual basis of accounting in conformity with accounting principles generally accepted in India, to reflect the financial position of the Company and its subsidiaries.

2. **Principles Of Consolidation**

   The consolidated financial statements relate to Suzlon Energy Limited ("the Company") and its subsidiaries (together referred to as "Suzlon" or "the Group"). The consolidated financial statements have been prepared on the following basis:

   a) The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra group balances and intra group transactions. The unrealised profits or losses resulting from the intra group transactions have been eliminated as per Accounting Standard 21 - Consolidated Financial Statements issued by the Institute of Chartered Accountants of India ("ICAI").

   b) The excess of the cost to the Company of its investment in the subsidiaries over the Company's portion of equity on the acquisition date is recognised in the financial statements as Goodwill. The Company's portion of the equity in the subsidiaries at the date of acquisition is determined after realigning the material accounting policies of the subsidiaries to that of the parent and adjusting the charge/(reversal) on account of realignment to the accumulated reserves and surplus of the subsidiaries at the date of acquisition.

   c) The Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and necessary adjustments required for deviations, if any, are made in the consolidated financial statements and are presented in the same manner as the Company's standalone financial statements.

3. **Significant Accounting Policies**

   a) Use of Estimates

   The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that may affect the reported amount of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimated.

   b) Revenue Recognition

   Sale of Goods

   Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the goods are transferred to the customer, as per the terms of the respective sales order.

   Power Generation Income

   Power Generation Income is recognised on the basis of electrical units generated, net of wheeling and transmission loss, as applicable, as shown in the Power Generation Reports issued by the concerned authorities.

   Sales Tax Entitlement

   Revenues on account of sale of Sales Tax Entitlement Certificates are recognised as per the terms of agreement/arrangement with the concerned parties.

Service and Maintenance Income

Revenue from annual service and maintenance contracts is recognised on the proportionate basis for the period for which the service is provided net of taxes.

Lease Rental Income

Lease rental income is recognised on accrual basis taking into consideration the data and facts available upon which the computation of lease rent depends.

Interest

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. In case of interest charged to customers, interest is accounted for on availability of documentary evidence that the customer has accepted the liability.

Dividend

Dividend income from investments is recognised when the right to receive payment is established.

c) Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use. Own manufactured assets are capitalised inclusive of all direct costs and attributable overheads. Capital Work in Progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertaking, pre-operative expenses are capitalised upon the commencement of commercial production.

The carrying amount of the assets belonging to each cash generating unit ("CGU") are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying amounts exceed the recoverable amount of the assets' CGU, assets are written down to their recoverable amount. Further, assets held for disposal are stated at the lower of the net book value or the estimated net realisable value.

d) Intangible Assets

Research and Development Costs

Development cost incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised over the period of expected future sales from the related project, not exceeding five years.

The carrying value of development costs is reviewed for impairment annually when the asset is not in use, and otherwise when events and changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets are recorded at the consideration paid for their acquisition. Cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

e) Depreciation/Amortisation

Depreciation/Amortisation is provided on the written down value method ("WDV") unless otherwise mentioned, pro-rata to the period of use of assets and is based on management's estimate, of useful lives of the fixed assets or at rates specified in Schedule XIV to the Companies Act 1956 ("the Act"), whichever is higher:

Type of asset	Rate
Goodwill	Amortised on a straight line basis over a period of ten years
Leasehold land	Amortised over the period of lease
Office building	5%
Factory building	10%
Plant and Machinery	
- Single Shift	13.91%
- Double Shift	20.87%
- Triple Shift	27.82%
Wind Turbine Generators	15.33%
Moulds	13.91% or useful life based on usage
Patterns	30% or useful life based on usage
Plugs for Moulds	50% or useful life based on usage
Wind research and measuring Equipment	50%
Computers and software	40%
Office equipment	13.91%
Furniture and fixture	18.10%
Motor car and others	25.89%
Trailers	30%
Intangible assets	Amortised on a straight line basis over a period of five years

f) Inventories

Inventories of raw materials including stores, spares and consumables, packing materials; semi-finished goods; work in progress and finished goods are valued at the lower of cost and estimated net realisable value. Cost is determined on weighted average basis.

The cost of work-in-progress, semi-finished goods and finished goods includes the cost of material, labour and manufacturing overheads.

Inventories of traded goods are stated at the lower of the cost and net realisable value.

Stock of land and land lease rights is valued at lower of cost and net realisable value. Cost is determined based on weighted average basis. Net realisable value is determined by the management using technical estimates.

g) Investments

Long Term Investments are carried at cost. However, provision is made to recognise a decline, other than temporary, in the value of long term investments.

Current investments are carried at the lower of cost and fair value, determined on an individual basis.

h) Foreign Currency Transactions

Transactions in foreign currencies are normally recorded at the average exchange rate prevailing in the month during which the transaction occurred. Outstanding balances of foreign currency monetary items are reported using the period end rates.

Non-monetary items carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rate that existed, when the values were determined.

Exchange differences arising as a result of the above are recognised as income or expense in the Profit and Loss Account, except in case of liabilities incurred for acquiring imported fixed assets, where the differences are adjusted to the carrying amount of such fixed assets in compliance with the Schedule VI of the Act.

In case of forward contracts, the difference between the forward rate and the exchange rate, being the premium or discount, at the inception of a forward exchange contract is recognised as income or expense over the life of the contract. Exchange differences on such contracts are recognised in the profit and loss account in the reporting period in which the rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

The financial statements of integral foreign operations are translated as if the transactions of the foreign operations have been those of the Company itself. In case of the Foreign Subsidiaries, revenue items are consolidated at the average rate prevailing during the year. All the monetary assets and liabilities are converted at the rates prevailing at the end of the year. Non-monetary items like Fixed Assets and Inventories, are converted at the average rate prevailing in the month during which the transaction occurred.

i) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

j) Retirement and other employee benefits

Defined Contributions to provident fund and family pension fund are charged to the Profit and Loss Account on accrual basis.

Liabilities with regard to gratuity, where applicable, are determined under Group Gratuity Scheme with Life Insurance Corporation of India (LIC) and the provision required is determined as per actuarial valuation carried out by LIC, as at the balance sheet date.

Contributions to Superannuation fund with LIC through its employees' trust are charged to the profit and loss account on an accrual basis.

The provision in the books for unutilised leave lying to the credit of employees, subject to the maximum period of leave, are made on the basis of actuarial valuation as at the balance sheet date.

k) Provisions, Contingent Liabilities and Contingent Assets

A provision is recognised when there is a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent Liabilities are disclosed by way of notes to the accounts.

Contingent assets are not recognised.

l) Income Tax

Tax expense for a year comprises of current tax, deferred tax and fringe benefit tax. Current tax is measured after taking into consideration, the deductions and exemptions admissible under the provisions of applicable laws.

Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are reassessed and recognised to the extent it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

Deferred tax resulting from timing differences which originate during the tax holiday period but are expected to reverse after tax holiday period is recognised in the year in which the timing differences originate using the tax rates and laws enacted or substantively enacted by the balance sheet date.

m) Lease Assets

Operating Leases

Assets acquired as leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals are charged off to the Profit and Loss Account as incurred.

Initial direct costs in respect of assets given on lease are expensed off in the year in which such costs are incurred.

n) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for any bonus shares issued during the year and also after the balance sheet date but before the date the financial statements are approved by the Board of Directors.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential Equity Shares.

The number of Equity Shares and potentially dilutive equity shares are adjusted for bonus shares as appropriate. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

o) Employee Stock Option

Stock options granted to employees under the Employees Stock Option Scheme are accounted as per the intrinsic value method permitted by the "Guidance Note On Share Based Payments" issued by the ICAI. Accordingly, the excess of the market price of the shares as on the date of the grant of options over the exercise price is recognised as deferred employee compensation and is charged to profit and loss account on straight-line basis over the vesting period.

The number of options expected to vest is based on the best available estimate and are revised, if necessary, if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

4. Changes in Accounting Policies

During the current year, Suzlon has changed the basis of valuation of inventories from first-in-first-out ('FIFO') to Weighted Average basis. As a result of this change, the value of the inventory as at March 31, 2006 is higher by Rs.26.70 Million and the profit before tax for the year is higher by a similar amount.

5. The list of Subsidiary Companies which are included in the consolidation and the Company's effective holdings therein are as under:

Name of the Subsidiary	Country of Incorporation	Effective Ownership in Subsidiaries	
		2004-05	2005-06
AE-Rotor Holding B.V.	Netherlands	100%	100%
AE-Rotor Techniek B.V.	Netherlands	100%	100%
Suzlon Energy B.V.	Netherlands	100%	100%
Suzlon Energy A/S	Denmark	100%	100%
Suzlon Wind Energy Corporation	USA	100%	100%
Cannon Ball Wind Energy Park I, LLC	USA	100%	100%
Suzlon Energy Australia Pty. Ltd.	Australia	100%	100%
Suzlon Energy GmbH	Germany	100%	100%
Suzlon Windfarm Services Ltd	India	100%	100%
Suzlon Towers & Structures Ltd. (formerly known as Suzlon Green Power Limited)	India	100%	100%
Suzlon Generators Pvt. Ltd.	India	74.91%	74.91%
Suzlon Structures Pvt. Ltd	India	75%	75%
Windpark Olsdorf WATT GmbH & Co KG	Germany	-	100%
Suzlon Windpark Management GmbH	Germany	-	100%
Suzlon Windkraft GmbH	Germany	-	100%
Suzlon Rotor Corporation	USA	-	100%
Suzlon Power Infrastructure Private Ltd.	India	-	100%
Suzlon Energy (Tianjin) Ltd	China	-	100%
SE Drive Technik GmbH	Germany	-	100%
Suzlon Gujarat Windpark Ltd.	India	-	100%
Suzlon Engitech Pvt. Ltd	India	-	100%

As the operations of Suzlon Energy Limited, Mauritius (a wholly owned subsidiary) were not material in the relation to the size of consolidated operations, the financial statements of the subsidiary did not form part of the consolidated financial statements.

6. **OTHER NOTES**

a) Terms of Redemption/Conversion of Preference Shares of the Company

(i) 1,500,000 10% Cumulative Redeemable Preference Shares of Rs.100/-each fully paid are redeemable at par after one year from March 10, 2004, which is the date of allotment, at the option of the Company or the preference shareholders, as the case may be.

(ii) During the year, the Company has redeemed the 10,000,000, 0.01% Cumulative Redeemable Preference Shares of Rs. 100/- out of the Initial Public Offer proceeds.

b) 29,700 and 220,300 8% Cumulative Redeemable Preference Shares of Rs.100/-each fully paid of Suzlon Structures Private Limited ('SSPL')are redeemable at par after one year from March 29, 2005 and June 28, 2005, being the respective dates of allotment, at the option of SSPL or of the Preference Shareholders as the case may be. This portion represents the holding by the external Shareholders of SSPL only, other than the Holding Company.

c) The details of security for the Secured Loans in Consolidated Financial Statements are as follows:

(i) Term Loans from Banks and Financial Institutions:

- Rs. 72.18 million (Rs. 14.86 million) secured by charge on certain WTG's , land and personal guarantee of directors.
- Rs. 57.49 million (Rs. 67.17 million) secured by way of hypothecation of stocks and debtors and on specific receivables.
- Rs. 285.42 million (Rs. Nil) secured by way of hypothecation of all plant and machinery and other fixed assets and second charge on all current assets.
- Rs. 312.12 million (Rs. 281.34 million) secured by way of First charge on certain immovable and movable Fixed Assets, second charge on Current Assets and personal guarantee of directors.
- Rs. 252.81 million (Rs. 153.76 million) secured by a first charge on certain immovable and movable fixed assets, second charge on current assets and personal guarantees of directors in certain cases.
- Rs. 46.14 million (Rs. 120.16 million) secured by way of hypothecation of certain wind farm projects and mortgage of land.
- Rs. 143.28 million (Rs. 174.14 million) secured by way of charge on certain WTG's and land appurtenant thereto and personnel guarantee of directors.

(ii) Term Loans from Others:

Secured by a first charge on certain immovable and movable fixed assets, specific security deposits, book debts, second charge on current assets and personal guarantees on directors in certain cases.

(iii) Working Capital Facilities from Banks and Financial Institutions

Rupee Loans

- Rs. 1,140.26 million (Rs. 2,028.50 million) secured by hypothecation of inventories, book-debts and other current assets, both present and future, first charge on certain immovable fixed assets, second charge on all other immovable fixed assets and personal guarantees of directors in certain cases.
- Rs. 58.72 million (Rs. Nil) secured by hypothecation of all current assets and second charge on Fixed Assets.
- Rs. 154.84 million (Rs. 51.78 million) secured by way of hypothecation of inventories, book debts and other current assets, both present and future, second charge on all other immovable fixed assets and personal guarantee of directors.

Foreign Currency Loans

- Rs. 1.59 million (Rs.1.82 million) is secured by way of mortgage of office building at Pipestone, USA.

Further out of the above, term loans from banks and financial institutions amounting to Rs. 535.70 million (Rs. 624.10 million) and Working Capital facilities from banks and financial institutions amounting to Rs. 1,195.10 million (Rs.2,211.21 million) are secured by personal guarantee of directors.

d) Sales do not include excise duty, service tax, sales tax or VAT charged.

e) Balances of Sundry Debtors include Rs 8.49 million (Rs 224.83 million), which are contractually payable beyond a period of six months from the date of sale.

f) Operating Leases

Premises

Suzlon has taken certain premises under cancellable operating leases. The total rental expense under cancellable operating leases during the period was Rs. 38.46 million (17.26 million).

The group have also taken furnished/non-furnished offices and certain other premises under non-cancellable operating lease agreement ranging for a period of one to five years. The lease rental charge during the year is Rs. 53.00 million (Rs. 17.67 million) and maximum obligation on long-term non-cancellable operating lease payable as per the rentals stated in respective agreement are as follows:

Obligation on non-cancellable operating leases	**Amount (Rs Million)**
Not later than one year	63.60
Later than one year and not later than five years	71.19
Later than five years	Nil

g) Employee Stock Option Scheme

Suzlon Energy Employee Stock Option Plan 2005 ("the 2005 Plan" or "the scheme"): The Company instituted the 2005 Plan for all eligible employees in pursuance of a special resolution approved by the share holders at the Extra-ordinary General meeting held on June 16, 2005('grant date'). The Scheme covers grant of options to specified permanent employees of the Company as well as its subsidiaries except subsidiaries in the United States of America.

Pursuant to the scheme, the Company has granted 921,000 options to eligible employees at an exercise price, which is 50% of the issue price determined in the Initial Public Offering ("IPO") of the Company in accordance with SEBI Guidelines i.e, Rs.510 per equity share. Under the terms of the scheme, 30% of the options will vest in the employees at the end of the first year, 30% at the end of the second year and the balance of 40% at the end of third year from the grant date in the following manner:

Date of Vesting	**Proportion of Vesting**
June 16, 2006	30%
June 16, 2007	30%
June 16, 2008	40%

The Employee Stock Options granted shall be capable of being exercised within a period of five years from the date of first vesting i.e. June 16, 2006. Once the options vest as per the Schedule above, they would be exercisable by the option holder and the shares arising on exercise of such options shall not be subject to any lock-in period. Further, in the case of termination of employment, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed as mentioned above, failing which they would stand cancelled.

During the year ended March 31, 2006, no eligible employees have exercised their options as the date of first vesting falls in the succeeding year. Further, 32,000 options were forfeited as certain employees resigned from the services of the Company. The movement in the stock options during the year was as per the table below:

Options Outstanding at the beginning of the year	Nil
Granted during the year	921,000
Forfeited during the year	32,000
Exercised during the year	Nil
Expired during the year	Nil
Options Outstanding at the end of the year	889,000
Exercisable at the end of the year	Nil

Fair Value of the Option

The Company has charged a sum of Rs.103.64 million (Rs.255 per option) being the intrinsic value of option under the 2005 Plan for the year ended March 31, 2006. Had the Company adopted the fair value method based on "Black-Scholes" Model for pricing and accounting the options, the cost of option would have been Rs.324.33 per option and accordingly, the profit after tax would have been lower by Rs.28.18 million. Consequently the diluted earnings per share after factoring the above impact of fair value would have been Rs. 27.69 per share instead of Rs.27.68 per share.

h) Provisions

In pursuance of Accounting Standard-29 ("AS-29") "Provisions, Contingent Liabilities and Contingent Assets" issued by the ICAI, the provisions required have been incorporated in the books of accounts in the following manner:

Particulars	**Generation Guarantee**	**Warranty for Operation and Maintenance**	**Provision for Liquidated Damages**
Opening Balance	579.79	976.69	39.68
Additions net of utilisation	834.75	752.30	0.00
(Reversal)	-	-	(12.38)
Closing Balance	1,414.54	1,728.99	27.30

The provision for operation, maintenance and warranty represents the expected liability on account of field failure of parts of WTG and expected expenditure of servicing the WTG´s over the period of free operation, maintenance and warranty, which varies according to the terms of each sales order.

The provision for Generation Guarantee ("GG") represents the expected outflow of resources against claims for generation shortfall expected in future over the life of the guarantee assured. The period of GG varies for each customer according to the terms of the contract. The key assumptions in arriving at the GG provision are wind velocity, plant load factor, grid availability, load shedding, historical data, wind variation factor etc.

Provision for Liquidated Damages ("LD") represents the expected claims which the Company may need to pay for non fulfilment of certain commitments as per the terms of the sales order. These are determined on a case to case basis considering the dynamics of each individual sales order and the factors relevant to that sale.

7. Break up of the accumulated Deferred Tax Asset, Net, is given below:

Particulars		**Deferred Tax Asset /(Liability) as at March 31, 2005**	**Deferred Tax Asset /(Liability) as at March 31, 2006**
A.	**Deferred Tax Assets:**		
	Provision for Generation Guarantee, LD and operation, maintenance and warranty	285.19	546.10
	Provision for Doubtful Debts	21.84	15.61
	Unabsorbed Losses	41.53	335.59
	Unabsorbed Depreciation	34.96	-
	Others	2.97	1.54
	Total	**386.49**	**898.85**
B.	**Deferred Tax Liability:**		
	Depreciation on Fixed Assets	145.43	105.46
	Total	**145.43**	**105.46**
C.	**Deferred Tax Asset (Net) (A - B)**	241.06	793.39
D.	Tax Effect of Share issue expenses eligible for income tax Deduction under section 35D, credited to securities premium account	-	24.20
E.	**Total**	**241.06**	**817.59**

Note:

During the year, the Company acquired the entire share capital of Suzlon Engitech Private Limited ("SEPL"), Suzlon Power Infrastructure Private Limited ("SPIPL") and Suzlon Gujarat Windpark Private Limited ("SGWPL"), whose balances since date of their acquisition have been consolidated in the books of Suzlon Energy Limited. The deferred tax assets (net) of SPIPL and SGWPL as at March 31, 2005 amounting to Rs.Nil and Rs.0.84 million respectively and the deferred tax assets (net) of SEPL as at June 30, 2005 amounting to Rs.0.59 million have been consolidated.

8. Estimated amount of contracts remaining to be executed on capital accounts and not provided for, net of advances. Rs 978.57 million (Rs.323.69 million).

9. **Managerial remuneration to Directors**

Particulars	**2004-05**	**2005-06**
Salaries	8.56	14.71
Perquisites	5.97	-
Contribution to Superannuation Fund	1.78	3.05
Sitting Fees	-	0.14
Total	**16.31**	**17.90**

The directors are covered under the Company's scheme for gratuity along with the other employees of the Company. The proportionate amount of gratuity is not included in the aforementioned disclosure, as the amount attributable to directors is not ascertainable.

10. **Earnings per Share (EPS)**

All amounts in Rs. Million except per share data

Particulars	**April 1, 2004 to March 31, 2005**	**April 1, 2005 to March 31, 2006**
Basic Earnings per share		
Net Profit	3,653.34	7594.99
Less: Preference Dividend and Tax thereon	32.40	18.96
Net Profit attributable to equity shareholders [Numerator for computation of basic and diluted EPS](a)	3,620.94	7576.03
Weighted average number of Equity Shares in calculating basic EPS [Denominator for computation of basic EPS] (b)	253,005,661	273,233,510
Add: Equity shares for no consideration arising on grant of stock options under ESOP 2005	-	430,697
Weighted average number of Equity Shares in calculating diluted EPS [Denominator for Diluted EPS](c)	253,005,661	273,664,207
Basic Earning per share of face value of Rs. 10/- each (a/b *10,000,000)	14.34	27.73
Diluted Earning per share of face value of Rs. 10/- each (a/c*10,000,000)	14.34	27.68

11. Contingent Liabilities

Particulars	2004-05	2005-06
Guarantees given on behalf of other companies in respect of loans granted to them by banks.	13.95	8.80
Counter guarantees given to the banks against guarantees issued by banks on Company's behalf.	19.32	2.50
Claims against the Company not acknowledged as debts	17.46	2.50
Bills discounted with banks	33.25	-
Disputed labour cost Liabilities	0.17	0.17
Disputed service tax Liabilities	8.76	8.76
Bonds/undertakings given by the Company under duty exemption scheme to customs authorities.	51.77	56.55

12. Derivative Instruments and Unhedged Foreign Currency Exposure

Particulars of Derivatives	Purpose
Forward contract outstanding as at Balance Sheet date	
Buy DKK 386,239.60	Hedge of forex DKK liabilities
Buy Euros 5,677,739.50	Hedge of forex Euro liabilities
Buy USD 68,348,272.54	Hedge of forex USD liabilities
Target redemption forward contract	
Euro 0.25 million/Euro 0.5 million per week for 18 weeks	Hedge forex Euro liabilities.
Range accrual Interest rate swap	
USD 2.0 million	Hedge against interest on forex loans.

Particulars of Unhedged foreign Currency Exposure as at the Consolidated Balance Sheet date

Particulars	Amount (Rs. In Million)
Creditors (including Goods in Transit Rs.1337.55 million)	2,434.62
Debtors	243.20
Loans Given	472.04
Loans Received	819.97
Bank balance in current accounts and term deposit accounts	44.48

13. Related Party Disclosures

(A) Related Parties with whom transactions have taken place during the year

a) Associates

Suzlon Infrastructure Ltd. (Formerly known as Suzlon Developers Ltd.), Sarjan Realities Limited.

b) Entities where Key Management Personnel

("KMP")/Relatives of Key Management Personnel ("RKMP") has significant influence Suzlon Capital Ltd., Suzlon Hotels Ltd., Sarjan Infrastructure Finance Ltd., Shubh Realty (South) Pvt. Ltd, Sugati Holdings Pvt. Ltd and Kush Synthetics Pvt. Ltd.

c) Key Management Personnel

Tulsi R. Tanti, Girish R. Tanti, Vinod R. Tanti and B.A. Parmar (See Note Below)

d) Relatives of Key Management Personnel

Gita T. Tanti, Rambhaben Ukabhai, Pranav T. Tanti, Nidhi T. Tanti, Vinod R. Tanti, Jitendra R. Tanti, Sangita V. Tanti, Lina J. Tanti, Esha G. Tanti, Sheela B. Parmar, Ranjitsinh A. Parmar, Amarsinh A. Parmar, Kiritsinh A. Parmar.

e) Employee Funds:

Suzlon Energy Limited - Superannuation Fund.

Suzlon Energy Limited - Employees Group Gratuity Scheme.

Suzlon Windfarm Services Limited - Superannuation Fund.

Suzlon Windfarm Services Limited - Employees Group Gratuity Scheme.

Suzlon Towers and Structures Limited (formerly Suzlon Green Power Limited) - Superannuation Fund.

Note: Vinod R.Tanti and B.A. Parmar have been directors of the Company till June 30, 2005, and have not been considered as key management personnel post June 30, 2005.

(B) Transactions between the Group and Related Parties and the status of outstanding balances as at March 31, 2006

Sr. No.	Particulars	Associate	Entities where KMP/RKMP has significant influence	KMP	RKMP	Employee Funds
	Transactions					
1	Purchase of fixed assets	3.10	-	-	-	-
		(0.38)	-	-	-	-
2	Sale of fixed assets	0.05	-	-	-	-
		(0.24)	-	(1.62)	(1.04)	-
3	Subscription to/purchase Of preference shares	-	-	-	-	-
		(50.00)	(1.30)	(24.53)	(27.94)	-
4	Subscription to/purchase Of equity shares	-	-	0.34	3.53	-
		-	-	(15.44)	(39.66)	-
5	Sale of investments	6.50	-	-	-	-
		-	(12.42)	-	-	-
6	Loans/Deposit Given	2,040.20	-	-	-	-
		(4,445.74)	(0.30)	-	-	-
7	Sale of goods	546.89	-	-	-	-
		(361.17)	-	-	-	-
8	Purchase of goods and	199.26	0.66	-	-	-
	Services	(154.77)	(37.41)	-	(1.75)	-
9	Services rendered, Compensation and reimbursement	-	-	-	-	-
		(13.45)	(0.24)	-	-	-

Sr. No.	Particulars	Associate	Entities where KMP/RKMP has significant influence	KMP	RKMP	Employee Funds
10	Interest received	107.70	-	-	-	-
		(110.95)	(0.53)	-	-	-
11	Dividend received/accrued	4.17	-	-	-	-
		(2.14)	-	-	-	-
12	Dividend Paid	-	89.01	75.89	442.00	-
		-	(42.07)	(42.74)	(245.52)	-
13	Rent received	-	-	-	-	-
		(0.52)	-	-	-	-
14	Rent/Hotel charges paid	-	0.32	0.06	-	-
		(4.09)	(0.06)	-	-	-
15	Managerial Remuneration	-	-	17.76	-	-
		-	-	(16.31)	-	-
16	Contribution to various funds	-	-	-	-	25.56
		-	-	-	-	(15.87)
	Outstanding Balances					
1	Investments	60.00	8.70	-	-	-
		(66.50)	(8.70)	-	-	-
2	Sundry Debtors	190.59	-	-	-	-
		(112.48)	-	-	(0.10)	-
3	Loans/Deposits outstanding	1,848.21	-	-	-	-
		(1,861.35)	(39.15)	-	-	-
4	Advances/Deposits to Supplier	0.07	-	-	-	-
		-	(17.29)	-	-	-
5	Sundry Creditors	80.85	0.06	-	-	-
		(1.98)	(1.78)	-	-	(4.49)
6	Corporate Guarantees	8.79	-	-	-	-
		(13.95)	-	-	-	-
7	Contribution payable to various Funds	-	-	-	-	-
		-	-	-	-	(0.16)

(C) Disclosure of significant transactions with Related Parties

Type of the Transaction	Type of relationship	Name of the entity/person	March 31 2005	March 31 2006
Purchase of Fixed Assets	Associate	Sarjan Realities Limited	0.38	3.10
Sale of Fixed Assets	KMP	Girish R Tanti	1.62	-
	RKMP	R.A.Parmar	0.60	-
	RKMP	A.A. Parmar	0.44	-
Subscription to/purchase of preference shares	Associate RKMP	Suzlon Infrastructure Limited	50.00	-
		Gita T Tanti	-	0.50
		Jitendra R. Tanti	-	0.20
		Leena J Tanti	-	0.50
		Pranav Tanti	-	0.50
		R.U. Tanti	-	0.50
		Sangita V Tanti	-	0.50
Sale of investments	Entities where KMP/RKMP has significant influence	Sarjan Infrastructure Finance Limited	12.42	-
	Associate	Suzlon Infrastructure Ltd.	6.50	
Loan/Deposits given	Associate	Suzlon Infrastructure Limited	2,064.14	-
	Associate	Sarjan Realities Limited	2,237.70	1,205.00
	Associate	Shubh Realities (South) P. Ltd.	-	702.20
Sale of goods	Associate	Sarjan Realities Limited	-	168.14
	Associate	Suzlon Infrastructure Limited	361.17	378.57
Services Rendered, Compensation and reimbursement	Associate	Suzlon Infrastructure Limited	13.11	-
Purchase of goods and services	Associate	Suzlon Infrastructure Limited	154.38	166.11
Interest Received	Associate	Sarjan Realities Limited	78.07	59.37
	Associate	Suzlon Infrastructure Limited	31.54	13.09
		Shubh Realities (South) P. Ltd.	-	34.82
Dividend Received/Accrued	Associate	Suzlon Infrastructure Limited	0.84	2.87
	Associate	Sarjan Realities Limited	1.30	1.30
Dividend Paid	Entities where KMP/RKMP has significant influence	Suzlon Capital Limited	0.16	-

Type of the Transaction	Type of relationship	Name of the entity/person	March 31 2005	March 31 2006
Rent Received	Associate	Suzlon Infrastructure Limited	0.52	-
Rent/Hotel Charges paid	Entities where KMP/RKMP has significant influence	Suzlon Hotels Limited	1.69	0.32
	Entities where KMP/RKMP has significant influence RKMP	Suzlon Engitech Private Limited	2.40	-
		Girish R. Tanti	0.06	-
Contribution to various funds Employee Funds	Employee Funds	Suzlon Energy Limited - Superannuation Fund	8.95	12.83
		Suzlon Energy Limited- Employees Group Gratuity Scheme	4.49	12.07
	Employee Funds	Suzlon Wind Farm Services Limited - Superannuation Fund	1.12	-
	Employee Funds	Suzlon Wind Farm Services Limited-Employees Group Gratuity Scheme	0.85	-
	Employee Funds	Suzlon Tower and Structure Limited - Superannuation Fund	0.46	0.18
	Employee Funds	Suzlon Power Infrastructure P. Ltd-Superannuation Fund	-	0.23
	Employee Funds	Suzlon Power Infrastructure P. Ltd- Employees Group Gratuity Scheme	-	0.26
Managerial Remuneration	KMP	Girish Tanti	3.91	4.08
	KMP	Tulsi Tanti	4.43	11.64
	KMP	Vinod Tanti	3.85	1.02
	KMP	Balrajsinh Parmar	4.12	1.02

14. Disclosure as required by Clause 32 of Listing Agreement with Stock Exchanges

	Name	Amount outstanding as at March 31, 2006	Maximum Amount outstanding during the year
Associates	Sarjan Realities Limited	1,124.21	1,145.40
	Suzlon Infrastructure Limited (formerly Suzlon Developers Limited)	-	750.00
Where control of KMP/ RKMP exists	Sarjan Infrastructures Finance Limited	21.80	49.31
	Shubh Realities (South) Private Limited	702.20	702.20

Note:

a) All the above balance of loans are excluding accrued interest aggregating Rs.14.13 million and are payable on demand.

b) No loans have been granted by Suzlon Energy Limited to any person, who has invested in the shares of Suzlon Energy Limited or any of its subsidiaries.

c) There are no balances outstanding from Companies under the same management, as per the provisions of Section 370 (1B) of the Companies Act, 1956.

15. Segment Reporting

Suzlon's operations primarily relate to manufacture and sale of WTG's and its parts. Others primarily consist of operation and maintenance revenue from the sale of WTG and power generation revenue from own installed WTG's.

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments. These are as set out in the note on significant accounting policies.

A) Primary Business Segment:

Particulars	2004-05				2005-06			
	Sale of WTG	Others	Eliminations	Total	Sale of WTG	Others	Eliminations	Total
Total External Sales	19,165.21	259.61	-	19,424.82	37,585.59	824.71	-	38,410.30
Add:Inter Segment Sales	23.49	249.87	(273.36)	-	23.66	82.83	(106.49)	-
Segment Revenue	19,188.70	509.48	(273.36)	19,424.82	37,609.25	907.54	(106.49)	38,410.30
Segment Results	4,135.45	63.78	-	4,199.23	7,815.38	557.51	(106.49)	8,266.40
Add/(Less) Items To Reconcile With Profit As Per Profit And Loss Account								
Add:								
Other Income	-	-	-	234.39	-	-	-	556.40
Less:								
Financial Charges	-	-	-	(458.25)	-	-	-	(647.79)
Preliminary Exp W/Off	-	-	-	(1.81)	-	-	-	(1.74)
Profit Before Tax, Minority Interest	-	-	-	3,973.55	-	-	-	8,173.27
Provision For								
-Income Tax	-	-	-	489.72	-	-	-	1,104.68
-Deferred Tax	-	-	-	(167.41)	-	-	-	(568.18)
-Fringe Benefit Tax	-	-	-	-	-	-	-	31.56
Total Tax	**-**	**-**	**-**	**322.31**	**-**	**-**	**-**	**568.07**
Profit Before Minority Interest	-	-	-	3,651.24	-	-	-	7,605.20
Add: Share Of Loss Of Minority In Subsidiary	-	-	-	2.11	-	-	-	(10.21)
Profit For The Year	-	-	-	3,653.35	-	-	-	7,594.99
Segment Assets	16,676.76	1,180.18	-	17,856.94	36,952.74	3,664.33	-	40,617.07
Common Assets	-	-	-	3,020.94	-	-	-	8,415.73
Enterprise Assets	-	-	-	20,877.88	-	-	-	49,032.80
Segment Liabilities	7,553.46	184.78	-	7,738.24	15,832.23	391.27	-	16,223.50
Common Liabilities	-	-	-	5,246.33	-	-	-	5,611.40
Enterprise Liabilities	-	-	-	12,984.57	-	-	-	21,834.90
Capital Expenditure During The Year	1,434.65	513.15	-	1,947.80	4,170.19	227.94	-	4,398.13
Segment Depreciation	395.01	98.24	-	493.25	623.82	92.14	-	715.96
Non Cash Expenses Other Than Depreciation	1.45	0.36	-	1.81	1.07	0.67	-	1.74

B) Geographical Segment

Particulars	2004-05				2005-06			
	India	USA	Others	Total	India	USA	Others	Total
Segment Revenue	19,361.38	63.43	-	19,424.81	35,304.68	3,105.62	-	38,410.30
Segment Assets	16,753.76	504.20	598.98	17,856.94	34,655.04	3,870.14	2,091.89	40,617.07
Capital Expenditure Incurred	1,893.50	9.28	45.02	1,947.80	3,696.99	21.85	679.29	4,398.13

16. All figures have been reported in Rupees Millions and have been rounded off to the nearest thousand. Prior year amounts have been reclassified wherever necessary to conform with current year's presentation. Figures in the brackets are in respect of the previous year.

Schedules 'A' to 'P'

As per our report of even date

For SNK & Co.
Chartered Accountants

Jasmin B. Shah
Partner
M.No. 46238

Place: Pune
Date: May 15, 2006

For S. R. BATLIBOI & Co.
Chartered Accountants

Arvind Sethi
Partner
M.No. 89802

Place: Pune
Date: May 15, 2006

For and on behalf of the Board of Directors

Tulsi R. Tanti
Chairman & Managing Director

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Place: New Delhi
Date: May 15, 2006

SNK & Co.
Chartered Accountants
E-2-B, The Fifth Avenue
Dhole Patil Road
Near Regency Hotel
Pune 411 001

S.R. BATLIBOI & Co.
Chartered Accountants
The Metropole
F-1, 1st Floor
Bund Garden Road
Pune 411 001

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES

Auditors´ Report

To

The Board of Directors of Suzlon Energy Limited

1. We SNK & Co. and S.R. Batliboi & Co, have audited the attached consolidated balance sheet of Suzlon Energy Limited (´SEL´) and its subsidiaries (together referred to as ´the Group´, as described in Schedule P, Note 5) as at March 31, 2007 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These Consolidated Financial Statements are the responsibility of SEL´s management. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not jointly audit the Financial Statements of the following companies, whose total revenues and assets to the extent they are included in the Consolidated Financial Statements of the Group are as given below:

   Companies audited solely by SNK & Co., Chartered Accountants

Name of the Company	**Extent of share in consolidated revenues**	**Extent of share in consolidated assets**
Suzlon Infrastructure Services Limited (formerly Suzlon Windfarm Services Limited)	0.51%	1.80%
Suzlon Towers and Structures Limited	6.98%	4.00%
Suzlon Gujarat Windpark Limited	0.55%	0.55%
Suzlon Generators Private Limited	0.01%	1.09%
Suzlon Structures Private Limited	0.07%	1.79%
Suzlon Power Infrastructure Private Limited	0.39%	0.56%

   These financial statements have been audited solely by SNK & Co., Chartered Accountants and have been accepted without verification by S.R. Batliboi & Co, Chartered Accountants and hence our joint audit opinion insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of SNK & Co., Chartered Accountants.

Companies audited solely by S. R. Batliboi & Co, Chartered Accountants

Name of the Company	Extent of share in consolidated revenues	Extent of share in consolidated assets
Suzlon Rotor Corporation	-	1.10%
Suzlon Wind Energy Corporation (See note below)	19.92%	7.93%
SE Forge Limited	-	0.31%
Suzlon Rotor International Limited	-	-
Suzlon Tower International Limited	-	-
Suzlon Wind International Limited	-	-

These financial statements have been audited solely by S. R. Batliboi & Co., Chartered Accountants and have been accepted without verification by SNK & Co, Chartered Accountants and hence our joint audit opinion insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of S. R. Batliboi & Co., Chartered Accountants.

5. We did not audit the financial statements of the following companies, whose total revenues and assets to the extent they are included in the consolidated financial statements of the Group are as given below:

Name of the Company	Extent of share in consolidated revenues	Extent of share in consolidated assets
AE-Rotor Holding B.V.	-	0.46%
AE-Rotor Technik B.V.	-	0.23%
Suzlon Energy B.V.	-	0.33%
Eve Holding NV	-	15.70%
Hansen Transmission International NV	23.24%	15.95%
Suzlon Energy A/S, Denmark	0.72%	0.94%
Suzlon Energy Australia Pty. Ltd.	0.18%	0.88%
Suzlon Energy GmbH	-	0.50%
Windpark Olsdorf Watt Gmbh & Co KG	0.03%	0.10%
Suzlon Windkraft GmbH	-	0.10%
S E Drive Technik GmbH	-	5.97%
Suzlon Windpark Management GmbH	-	0.00%
Suzlon Energy (Tianjin) Limited	3.76%	4.15%
Suzlon Energy Limited, Mauritius	-	0.18%
Suzlon Wind Energy Limited, U.K.	-	0.02%
Suzlon Windenergie GmbH, Germany	-	0.01%
Suzlon Energy Italy Srl	0.55%	0.58%
Suzlon Energy Portugal Energia Elocia Unipessoal Lda	-	0.85%
Suzlon Energia Eolica do Brasil Ltda	-	0.12%
Suzlon Energy Korea Co, Limited	-	-
Suzlon Wind Energy A/S	-	0.06%
Suzlon Engitech Private Limited	-	0.02%

These financial statements have been prepared under the relevant applicable Generally Accepted Accounting

Principles (´GAAP´) of the Country where the subsidiary is registered. Adjustments have been made to realign the accounting policies of these subsidiaries to those of SEL, which have been reviewed by us jointly for the year ended March 31, 2007.

6. We report that the Consolidated Financial Statements have been prepared by SEL´s management in accordance with the requirements of Accounting Standard-21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate financial statements of SEL and its subsidiaries.

7. In our opinion and to the best of our information and according to the explanations given to us, the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India;

   (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2007;

   (b) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date;

   (c) in the case of the Consolidated Cash Flow Statement of the cash flows of the Group for the year then ended on that date.

SNK & Co.
Chartered Accountants
per Jasmin B. Shah
Partner
Membership No: 46238

Mumbai
May 14, 2007

S.R. BATLIBOI & Co.
Chartered Accountants
per Arvind Sethi
Partner
Membership No: 89802

Mumbai
May 14, 2007

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES
Consolidated Balance Sheet as at March 31, 2007*
All amounts in rupees million unless otherwise stated

Particulars	Schedule	As at March 31, 2006 Rs. Million	As at March 31, 2007 Rs. Million	As at March 31, 2007 $ Million
I. Sources of Funds				
1. Share Holders´ Funds				
(a) Share Capital	A	3,025.31	2,877.65	66.77
(b) Share Application Money Pending Allotment		1.87	0.15	
(c) Employee Stock Options	B	103.64	117.11	2.72
(d) Management Option Certificates issued by Subsidiary Company [See Schedule P, Note(6)(b)]			890.03	20.65
(e) Reserves and Surplus	C	24,217.12	31,225.94	724.50
		27,347.94	35,110.88	814.64
2. Preference Shares Issued by Subsidiary Company *[See Schedule P, Note(6)(d)]*		25.00	25.00	0.58
3. Minority Interest		74.69	141.12	3.27
4. Loan Funds				
(a) Secured Loans	D	3,899.05	19,844.25	460.42
(b) Unsecured Loans	E	608.10	31,776.03	737.27
		4,507.15	51,620.28	1,197.69
5. Deferred Tax Liability (Net)		-	176.78	4.10
Total		31,954.78	87,074.06	2,020.28
II. Application of Funds				
1. Fixed Assets	F			
Gross Block		6,288.52	43,210.76	1,002.57
Less - Accumulated Depreciation		1,531.45	7,015.82	162.78
Net Block		4,757.07	36,194.94	839.79
Capital work in progress		1,651.60	4,498.17	104.37
		6,408.67	40,693.11	944.16
2. Preoperative Expenses, pending allocation		**16.66**	**38.64**	**0.90**
3. Investments	G	76.10	155.66	3.61
4. Deferred Tax Asset (Net)		817.59	-	-
5. Current Assets, Loans and Advances	H			
(a) Inventories		13,801.99	31,362.98	727.68
(b) Sundry Debtors		16,473.10	25,704.02	596.38
(c) Cash and Bank Balances		5,514.82	15,382.95	356.91
(d) Loans and Advances		5,897.22	12,075.50	280.17
		41,687.13	84,525.45	1,961.15
Less : Current Liabilities and Provisions	I			
(a) Current Liabilities		12,977.04	33,340.00	773.55
(b) Provisions		4,082.82	4,998.80	115.98
		17,059.86	38,338.80	889.53
Net Current Assets		24,627.27	46,186.65	1,071.62
6. Miscellaneous Expenditure (To the extent not written off or adjusted)	J	8.49	-	-
Total		**31,954.78**	**87,074.06**	**2,020.28**
Significant Accounting Policies and Notes to the Consolidated Financial Statements P				

For presentation purposes, the financial statements have been converted to United States dollars by dividing the financial statements elements, where relevant by 43.10 for the year ended 31 March 2007 and by 44.48 for the year ended 31 March 2006.

The schedules referred to above and the notes to accounts form an integral part of the consolidated balance sheet.

As per our report of even date

For SNK & Co.
Chartered Accountants

per **Jasmin B. Shah**
Partner
M.No. 46238

Mumbai
Date: May 14, 2007

For S. R. BATLIBOI & Co.
Chartered Accountants

per **Arvind Sethi**
Partner
M.No. 89802

Mumbai
Date: May 14, 2007

For and on behalf of the Board of Directors

Tulsi R. Tanti
Chairman & Managing Director

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Mumbai
Date: May 14, 2007

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES
Consolidated Profit and Loss Account for the year ended March 31, 2007
All amounts in rupees million unless otherwise stated

Particulars	Schedule	As at March 31,		
		2006 Rs. Million	2007 Rs. Million	2007 $ Million
Income				
Sales and Service Income		38,410.30	79,857.30	1,852.84
Other Income	K	744.64	965.00	22.39
		39,154.94	80,822.30	1,875.23
Expenditure				
Cost of Goods Sold	L	23,278.90	48,113.65	1,116.33
Operating and other Expenses	M	5,121.39	12,031.55	279.15
Employees´ Remuneration and Benefits	N	1,215.88	6,495.90	150.72
Financial Charges	O	647.78	2,763.44	64.12
Depreciation	F	715.90	1,717.98	39.86
Preliminary Expenditure Written Off	J	1.80	17.14	0.40
		30,981.65	71,139.66	1,650.57
Profit Before Tax and Minority Interest		8,173.29	9,682.64	224.66
Current Tax		1,103.00	1,747.81	40.55
Less: MAT Credit Entitlement		-	(512.32)	(11.89)
Earlier Year - Current Tax		1.70	(111.83)	(2.59)
Deferred Tax		(568.20)	(125.70)	(2.92)
Fringe Benefit Tax		31.60	36.64	0.85
		568.10	1,034.60	24.00
Profit before Minority Interest		7,605.19	8,648.04	200.65
Add/(Less): Share of loss/(profit) of Minority		(10.20)	(7.72)	(0.18)
Net Profit		7,594.99	8,640.32	200.47
Balance brought forward		5,016.58	7,948.07	184.41
Profit Available for Appropriations		12,611.57	16,588.39	384.88
Interim Dividend on Equity Shares		718.80	1,442.20	33.46
Proposed Dividend on Equity Shares		720.30	3.21	0.07
Dividend on Preference Shares		16.60	17.00	0.39
Tax on Dividends		207.80	211.40	4.90
Transfer to General Reserve		3,000.00	3,284.20	76.20
		4,663.50	4,958.01	115.04
Balance Carried to Balance Sheet		7,948.07	11,630.38	269.85
Earnings Per Share (in Rs.)				
Basic (Nominal Value of shares Rs.10 (Previous Year Rs.10) [See Schedule P, Note(9)]		27.73	29.96	0.70
Diluted (Nominal Value of shares Rs.10 (Previous Year Rs.10) [See Schedule P, Note(9)]		27.68	29.91	0.69
Significant Accounting Policies and Notes to the Consolidated Financial Statements	P			

For presentation purposes, the financial statements have been converted to United States dollars by dividing the financial statements elements, where relevant by 43.10 for the year ended 31 March 2007 and by 44.48 for the year ended 31 March 2006.

The schedules referred to above and the notes to accounts form an integral part of the Consolidated Profit and Loss Account.

As per our report of even date		For and on behalf of the Board of Directors	
For SNK & Co. **Chartered Accountants**	**For S. R. BATLIBOI & Co.** **Chartered Accountants**	**Tulsi R. Tanti** **Chairman & Managing Director**	
per **Jasmin B. Shah** Partner M.No. 46238	per **Arvind Sethi** Partner M.No. 89802	**Hemal A. Kanuga** Company Secretary	**Girish R. Tanti** Director
Mumbai Date: May 14, 2007	Mumbai Date: May 14, 2007	Mumbai Date: May 14, 2007	

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES
Consolidated Cash Flow Statement for the year ended March 31, 2007
All amounts in rupees million unless otherwise stated

Particulars	April 1, 2005 to March 31, 2006 Rs. Million	April 1, 2006 to March 31, 2007 Rs. Million	April 1, 2006 to March 31, 2007 $ Million
A. CASH FLOW FROM OPERATING ACTIVITIES			
Profit Before Tax	8,173.29	9,682.64	224.66
Adjustments for			
Depreciation	715.90	1,717.98	39.86
Loss/(Profit) on sale of Investments	-	(76.47)	(1.77)
Loss on Sale/disposal of Assets	5.30	15.76	0.37
Preliminary Expenses incurred	(6.20)	(8.65)	(0.20)
Preliminary Expenses Written Off	1.80	17.14	0.40
Interest Expenses	507.62	2,522.60	58.53
Interest Income	(311.75)	(491.80)	(11.41)
Dividend Income	(4.18)	(6.26)	(0.15)
Provision (reversal) for Doubtful Debts/Loans	(48.20)	39.76	0.92
Employee stock option scheme	103.64	73.00	1.69
Adjustments for consolidation	36.00	80.32	1.86
Provision for operation maintenance and warranty	857.70	859.07	19.93
Provision for performance guarantee	1,065.14	1,026.96	23.83
Wealth Tax	0.18	0.30	0.01
Operating Profit before Working Capital Changes	11,096.24	15,452.35	358.52
Movements in Working Capital:			
(Increase)/Decrease in loans and advances	(2,960.94)	(2,651.53)	(61.52)
(Increase)/Decrease in sundry debtors	(9,502.14)	(5,737.44)	(133.12)
(Increase)/Decrease in inventories	(8,035.22)	(14,393.78)	(333.96)
Increase/(Decrease) in current liabilities	7,169.42	15,451.14	358.50
Cash (used in)/generated from operations	(2,232.64)	8,120.74	188.42
Direct Taxes Paid (net of refunds)	(1,307.60)	(748.40)	(17.36)
Net cash (used in)/generated from operating activities	(3,540.24)	7,372.34	171.05
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	(4,059.72)	(10,195.85)	(236.56)
Proceeds from sale of fixed assets	21.56	80.12	1.86
Paid for Acquisition of Subsidiaries	(33.90)	(25,026.37)	(580.66)
Purchase of Investments	(4.94)	(154.78)	(3.59)
Sale/Redemption of Investments	6.50	151.66	3.52
Inter-corporate deposits repaid/(granted)	31.80	(2,583.63)	(59.95)
Preoperative expenses incurred	(16.66)	(21.98)	(0.51)
Interest received	246.54	545.51	12.66
Dividends received	4.18	6.26	0.15
Net Cash Flow from Investing Activities	(3,804.64)	(37,199.06)	(863.09)

Particulars	April 1, 2005 to March 31, 2006 Rs. Million	April 1, 2006 to March 31, 2007 Rs. Million	April 1, 2006 to March 31, 2007 $ Million
C. CASH FLOW FROM FINANCING ACTIVITIES			
Redemption of Preference share capital	(1,000.00)	(150.00)	(3.48)
Proceeds from issuance of share capital including premium	13,648.94	-	-
Issuance of share capital under Employee Stock Option Scheme	-	59.53	1.38
Share Application Money received	1.37	(1.72)	(0.04)
Share issue expenses	(406.70)	-	-
Issuance of Management Profit certificates	-	890.03	20.65
Proceeds from borrowings	5,783.85	61,773.41	1,433.26
Repayment of borrowings	(5,238.84)	(17,862.43)	(414.44)
Interest paid	(501.64)	(2,508.94)	(58.21)
Dividends paid	(849.86)	(2,190.24)	(50.82)
Tax on dividends paid	(122.06)	(314.79)	(7.30)
Net cash from financing activities	11,315.06	39,694.85	920.99
Net increase in cash and cash equivalents (A + B + C)	3,970.18	9,868.13	228.96
Cash and cash equivalents at the beginning of the year	1,544.64	5,514.82	127.95
Cash and cash equivalents at the end of the year	5,514.82	15,382.95	356.91
Components of cash and cash equivalents	**As at March 31, 2006**	**As at March 31, 2007**	**As at June 26, 2002**
Cash and cheques on hand	13.35	706.49	16.39
With banks			
- in current account	327.04	861.82	20.00
- in Term deposit accounts	3,895.27	2,857.77	66.31
With non-scheduled banks - on current account	1,279.16	10,956.87	254.22
	5,514.82	15,382.95	356.91

Notes:

1. Purchase of fixed assets includes payments for items in capital work in progress and advance for purchase of fixed assets.
2. Previous year´s figures have been regrouped/reclassified, wherever necessary.

   For presentation purposes, the financial statements have been converted to United States dollars by dividing the financial statements elements, where relevant by 43.10 for the year ended 31 March 2007 and by 44.48 for the year ended 31 March 2006.

As per our report of even date

For and on behalf of the Board of Directors

For SNK & Co.
Chartered Accountants

per **Jasmin B. Shah**
Partner
M.No. 46238

Mumbai
Date: May 14, 2007

For S. R. BATLIBOI & Co.
Chartered Accountants

per **Arvind Sethi**
Partner
M.No. 89802

Mumbai
Date: May 14, 2007

Tulsi R. Tanti
Chairman & Managing Director

Hemal A. Kanuga
Company Secretary

Girish R. Tanti
Director

Mumbai
Date: May 14, 2007

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES
Schedules annexed to and forming part of the Consolidated Balance Sheet
All amounts in rupees million unless otherwise stated

Particulars	As at March 31, 2006 Rs. Million	2007 Rs. Million	2007 $ Million
Schedule - A: Share Capital			
Authorised			
430,000,000 (330,000,000) Equity Shares of Rs.10/- each	3,300.00	4,300.00	99.77
1,500,000 (11,500,000) Preference Shares of Rs.100/- each	1,150.00	150.00	3.48
	4,450.00	4,450.00	103.25
Issued, Subscribed			
Equity			
287,764,780 (287,531,380) Equity Shares of Rs.10 each fully paid [Of the above Equity Shares, 251,855,300 (251,855,300) shares were allotted as fully paid Bonus Shares by utilisation of Rs.1,740.40 million (Rs.1,740.40 million) from General Reserve, Rs.10.25 million (Rs.10.25 million) from Capital Redemption Reserve and Rs.768.00 million (Rs.768.00 million) from Securities Premium Account.]	2,875.31	2,877.65	66.77
Preference			
NIL (1,500,000) 10% Cumulative Redeemable Preference Shares of Rs.100/- each fully paid up [See Schedule P, Note (6)(d)]	150.00	-	-
Total	3,025.31	2,877.65	66.77
Schedule - B: Employee Stock Options			
Employee Stock Options Outstanding	224.44	156.88	3.64
Less: Deferred Employee Compensation Expense Outstanding	120.80	39.77	0.92
	103.64	117.11	2.72
Schedule - C: Reserves and Surplus			
Capital Reserve on Consolidation	0.30	0.30	0.01
Securities Premium Account			
As per last Balance Sheet	298.51	13,110.26	304.18
Add: Addition during the year	13,381.34	116.68	2.71
Less: Capitalisation by way of Issue of Bonus Shares	188.45	-	-
Less: Share Issue Expenses	381.14	-	-
	13,110.26	13,226.94	306.89
General Reserve			
As per last Balance Sheet	1,708.49	3,158.49	73.28
Add: Transfer from Consolidated Profit and Loss Account	3,000.00	3,284.20	76.20
Less: Adjustment for Employee Benefits provision [See Schedule P, Note(4)] [Net of Tax Benefit Rs. 3.10 million (Rs. NIL)]	-	29.19	0.68
Less: Capitalisation by way of Issue of Bonus Shares	1,550.00	-	-
Less: Transfer to Capital Redemption Reserve	-	150.00	3.48
	3,158.49	6,263.50	145.32

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES
Schedules annexed to and forming part of the Consolidated Balance Sheet

Particulars	As at March 31, 2006 Rs. Million	2007 Rs. Million	2007 $ Million
Foreign Currency Translation Reserve			
Exchange differences during the year on net investment in Non-integral operations	-	(45.18)	(1.05)
Capital Redemption Reserve	-	150.00	3.48
Profit and Loss Account	7,948.07	11,630.38	269.85
Total	24,217.12	31,225.94	724.50
Schedule - D: Secured Loans			
Term Loans			
From Bank and Financial Institutions *[See Schedule P, Note (6)(e)(i)]*	1,026.15	10,546.16	244.69
From Others *[See Schedule P, Note (6)(e)(ii)]*	1,517.94	1,215.49	28.20
	2,544.09	11,761.65	272.89
Working Capital Facilities from Banks and Financial Institutions [See Schedule P, Note 6(e)(iii)]	1,353.81	8,081.89	187.51
	1,353.81	8,081.89	187.51
Vehicle Loans [See Schedule P, Note 6(e)(iv)]	1.15	0.71	0.02
Total	3,899.05	19,844.25	460.42
Schedule - E: Unsecured Loans			
Long Term			
From banks	-	21,886.44	507.81
From other than banks	293.38	203.20	4.72
	293.38	22,089.64	512.53
Short Term			
From banks	-	9,666.39	224.28
From other than banks	314.72	20.00	0.46
	314.72	9,686.39	224.74
Total	**608.10**	**31,776.03**	**737.27**

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES
Schedules annexed to and forming part of the Consolidated Balance Sheet

Schedule - F: Fixed Assets

Assets	Gross Block					Depreciation						Net Block	
	As at April 1, 2006 Rs. Million	Additions Rs. Million	Acquisitions (See Note 2) Rs. Million	Deductions Rs. Million	As at March 31, 2007 Rs. Million	As at April 1, 2006 Rs. Million	For the Period Rs. Million	Acquisitions (See Note 2) Rs. Million	Deductions Rs. Million	As at March 31, 2007 Rs. Million	As at March 31, 2007 Rs. Million	As at March 31, 2006 Rs. Million	As at March 31, 2007 $ Million
Goodwill on Consolidation	14.09	17,629.15	-	-	17,643.24	-	-	-	-	-	17,643.24	14.09	409.36
Freehold Land	202.30	173.12	281.60	25.59	631.43	-	-	-	-	-	631.43	202.30	14.65
Leasehold Land	150.91	5.28	-	-	156.19	1.71	2.81	-	-	4.52	151.67	149.20	3.52
Building - Factory and Office	1,790.85	2,247.84	2,751.72	17.14	6,773.27	224.63	229.57	180.90	6.52	628.58	6,144.69	1,566.22	142.57
Plant and Machinery	2,897.78	4,186.20	8,019.28	139.48	14,963.78	869.68	1,078.15	3,102.12	84.99	4,964.96	9,998.82	2,028.10	231.99
Wind Research and Measuring Equipment	132.68	46.17	-	4.43	174.42	72.91	38.28	-	3.55	107.64	66.78	59.77	1.55
Computer and Office Equipments	440.75	518.23	823.43	3.33	1,779.08	160.96	222.96	485.59	1.73	867.78	911.30	279.79	21.14
Furniture and Fixtures	202.48	155.54	80.61	2.51	436.12	67.14	48.94	48.09	1.94	162.23	273.89	135.34	6.35
Vehicles - Motor Cars and Trucks	75.43	26.23	8.28	3.59	106.35	30.55	15.32	7.81	1.46	52.22	54.13	44.88	1.26
Intangible Assets	-	-	-	-									
- Design and Developments	301.56	96.53	-	-	398.09	74.10	30.72	-	-	104.82	293.27	227.46	6.80
- Software	79.69	69.10	-	-	148.79	29.77	93.30	-	-	123.07	25.72	49.92	0.60
Total	6,288.52	25,153.39	11,964.92	196.07	43,210.76	1,531.45	1,760.05	3,824.51	100.19	7,015.82	36,194.94	4,757.07	839.79
Capital Work-in-Progress											4,498.17	1,651.60	104.37
Total	6,288.52	25,153.39	11,964.92	196.07	43,210.76	1,531.45	1,760.05	3,824.51	100.19	7,015.82	40,693.11	6,408.67	944.16
Previous Year	3,596.89	2,746.52	-	54.89	6,288.52	807.68	751.80	-	28.03	1,531.45	4,757.07		

Notes:

1. Depreciation charge for the current period amounting to Rs.1,717.98 million (Rs.751.80 million) is including Rs.31.10 million (Rs.31.74 million) which has been capitalised as part of self manufactured assets and Rs.10.85 million (Rs.4.16 million) capitalised to operational assets, being preoperative in nature. The depreciation charged in the Profit and Loss Account amounting to Rs.1,717.98 million (Rs.715.90 million) is net of the amount capitalised.

2. Additions to gross block and depreciation charge for the current period include balances taken over on account of acquisition of Hansen Transmissions on May 9, 2006 which amounts to Rs.11,964.92. million and Rs.3,824.51 million respectively. Also see Schedule P, Note (6)(a).

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES
Schedules annexed to and forming part of the Consolidated Balance Sheet

Particulars	As at March 31,		
	2006	2007	2007
	Rs. Million	Rs. Million	$ Million
Schedule - G: Investments			
Long Term Investments (at cost, fully paid)			
(i) Government and Other Securities (Non Trade)	0.35	0.37	0.01
(ii) Trade Investments	60.00	0.03	-
(iii) Other than Trade Investments	15.75	155.26	3.60
Total Investments	76.10	155.66	3.61
Schedule - H: Current Assets, Loans and Advances			
Current Assets			
Inventories			
Raw Materials	10,430.31	16,933.14	392.88
Semi Finished Goods, Finished Goods and Work-in-Progress	2,969.95	14,227.95	330.11
Land and Land Lease Rights	394.09	164.39	3.81
Stores and Spares	7.64	37.50	0.87
	13,801.99	31,362.98	727.68
Sundry Debtors (Unsecured)			
Outstanding for a period exceeding six months			
- Considered Good *[See Schedule P, Note 6(g)]*	2,052.91	2,671.01	61.97
- Considered Doubtful	62.22	104.30	2.42
	2,115.13	2,775.31	64.39
Others, Considered Good	14,420.19	23,033.01	534.41
	16,535.32	25,808.32	598.80
Less : Provision for doubtful debts	62.22	104.30	2.42
	16,473.10	25,704.02	596.38
Cash and Bank Balances			
Cash on hand	8.38	9.38	0.22
Cheques on hand	4.97	697.11	16.17
Balances with Scheduled Banks	-		
- in Current Accounts	327.04	861.82	20.00
- in Term Deposit Accounts	3,895.27	2,857.77	66.31
	4,222.31	3,719.59	86.30
Balance with Non Scheduled Banks in Current Accounts	1,279.16	10,956.87	254.22
	5,514.82	15,382.95	356.91

Particulars	As at March 31, 2006 Rs. Million	2007 Rs. Million	2007 $ Million
Loans and Advances (Unsecured and considered good, except otherwise stated)			
Deposits			
- With Customers as Security Deposit	259.44	357.23	8.29
- Others	821.77	548.09	12.72
Advance Income Tax (Net)	109.13	821.52	19.06
Advances recoverable in cash or in kind or for value to be received*			
- Considered Good	4,706.88	10,348.66	240.11
- Considered Doubtful	27.01	27.01	0.63
	5,924.23	12,102.51	280.80
Less : Provision for doubtful loans and advances	27.01	27.01	0.63
	5,897.22	12,075.50	280.17
* Include (a) Rs.Nil**(Rs.Nil**) towards Share Application Money pending allotment and (b) Intercorporate Deposits of Rs.4,438.13 million (Rs.1,854.50 million)			
** Amount below Rs.0.01 million			
Total	**41,687.13**	**84,525.45**	**1,961.15**

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES
Schedules annexed to and forming part of the Consolidated Balance Sheet

Particulars	As at March 31,		
	2006	2007	2007
	Rs. Million	Rs. Million	$ Million
Schedule - I: Current Liabilities and Provisions			
Current Liabilities			
Sundry Creditors	7,027.03	15,686.98	363.97
Acceptances	225.85	342.04	7.94
Other Current Liabilities	2,176.96	6,097.82	141.48
Interest accrued but not due	13.60	27.26	0.63
Advances from Customers	3,533.60	11,185.90	259.53
	12,977.04	33,340.00	773.55
Provisions			
Gratuity, Superannuation and Leave Encashment	68.48	388.74	9.02
Generation Guarantee, LD, Operation, Maintenance and Warranty	3,170.83	4,597.77	106.68
Dividend	736.90	9.07	0.21
Tax on Dividend	106.61	3.22	0.07
	4,082.82	4,998.80	115.98
Total	17,059.86	38,338.80	889.53
Schedule - J: Miscellaneous Expenditure (To the extent not adjusted or written off)			
Preliminary Expenses	4.09	8.49	0.20
Add: Addition during the year	6.20	8.65	0.20
Less: Written off during the year	1.80	17.14	0.40
Total	**8.49**	**-**	**-**

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES
Schedules annexed to and forming part of the Consolidated Profit and Loss Account

Particulars	April 1, 2005 to March 31, 2006 Rs. Million	April 1, 2006 to March 31, 2007 Rs. Million	April 1, 2006 to March 31, 2007 $ Million
Schedule - K: Other Income			
Interest Received			
From Banks	161.83	178.66	4.15
From Others	149.92	313.14	7.27
Dividends	4.18	6.26	0.15
Infrastructure Development Income	269.66	134.53	3.12
Miscellaneous Income	159.05	332.41	7.71
Total	744.64	965.00	22.39
Schedule - L: Cost of Goods Sold			
Consumption of Raw Material:			
Opening Stock	4,591.32	10,430.31	242.00
Add: Purchases	31,556.20	65,644.78	1,523.08
	36,147.52	76,075.09	1,765.08
Less: Closing Stock	10,430.31	16,933.14	392.88
	25,717.21	59,141.95	1,372.20
(Increase)/Decrease in Stocks:			
Opening Balance:			
Semi Finished Goods, Finished Goods and Work-in-Progress	1,028.67	2,969.95	68.91
Land and Land Lease Rights	104.69	394.09	9.14
	1,164.36	3,364.04	78.05
Closing Balance:			
Semi Finished Goods, Finished Goods and Work-in-Progress	2969.95	14,227.95	330.11
Land and Land Lease Rights	394.09	164.39	3.81
	3,364.04	14,392.34	333.93
(Increase)/Decrease in Stock	(2,199.68)	(11,028.30)	(255.88)
Less: Tranfer to Designs and Drawings	238.63	-	-
Total	23,278.90	48,113.65	1,116.33
Schedule - M: Operating and other Expenses			
Stores and Spares	177.79	1,093.73	25.38
Power and Fuel	40.65	306.54	7.11
Factory Expenses	171.58	212.65	4.93
Repairs and Maintenance			
Plant and Machinery	14.81	13.59	0.32
Building	19.25	34.37	0.80
Others	30.58	94.12	2.18

Particulars	April 1, 2005 to March 31, 2006 Rs. Million	April 1, 2006 to March 31, 2007 Rs. Million	April 1, 2006 to March 31, 2007 $ Million
Design change and Technological Upgradation Charges	51.61	551.08	12.79
Operation and Maintenance Charges	146.68	183.07	4.25
Other Manufacturing and Operating Expenses	-	-	-
Insurance	59.64	194.61	4.52
Quality Assurance Expenses	165.6	147.84	3.43
R & D, Certification and Product Development	95.3	117.47	2.73
Rent	91.48	283.02	6.57
Rates and Taxes	51.22	87.57	2.03
Provision for Operation, Maintenance and Warranty	857.7	859.07	19.93
Provision For Power Generation Guarantee	1,065.14	1,026.96	23.83
Advertisement and Sales Promotion	155.36	390.03	9.05
Infrastructure Development Expenses	-	-	
Freight Outward and Packing Expenses	796.42	2,286.41	53.05
Sales Commission	232.47	238.23	5.53
Travelling, Conveyance and Vehicle Expenses	335.23	872.23	20.24
Communication Expenses	55.48	217.31	5.04
Auditors´ Remuneration	30.44	58.29	1.35
Consultancy Charges	161.93	760.97	17.66
Charity and Donations	21.15	167.60	3.89
Other Selling and Administrative Expenses	250.13	1,360.60	31.57
Exchange Differences, net	32.7	492.04	11.42
Provision for doubtful debts and advances	5.75	39.76	0.92
Bad Debts written off	-	3.10	0.07
Loss/(Profit) on sale of Investment	-	(76.47)	(1.77)
Loss on Assets Sold/Discarded, net	5.3	15.76	0.37
Total	**5,121.39**	**12,031.55**	**279.15**
Schedule - N: Employees´ Remuneration and Benefits			
Salaries, Wages, Allowances and Bonus	1,126.03	6,259.51	145.23
Contribution to Provident and Other Funds	36.42	78.53	1.82
Staff Welfare Expenses	53.43	157.86	3.66
Total	**1,215.88**	**6,495.90**	**150.72**
Schedule - O: Financial Charges			
Interest			
Fixed Loans	129.2	1,660.14	38.52
Others	378.42	862.46	20.01
Bank Charges	140.16	240.84	5.59
Total	**647.78**	**2,763.44**	**64.12**

SCHEDULE P: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF SUZLON ENERGY LIMITED AND ITS

SUBSIDIARIES FOR THE YEAR ENDED MARCH 31, 2007

All amounts in Rupees Million unless otherwise stated

1. Basis Of Preparation Of Consolidated Financial Statements

The accompanying consolidated financial statements are prepared under the historical cost convention, on an accrual basis of accounting in conformity with accounting principles generally accepted in India, to reflect the financial position of the Company and its subsidiaries.

2. Principles Of Consolidation

The Consolidated Financial Statements relate to Suzlon Energy Limited ('SEL' or 'the Company') and its subsidiaries (together referred to as 'Suzlon' or 'the Group'). The Consolidated Financial Statements have been prepared on the following basis:

a) The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra group balances and intra group transactions. The unrealised profits or losses resulting from the intra group transactions have been eliminated as per Accounting Standard 21 - Consolidated Financial Statements issued by the Institute of Chartered Accountants of India ('ICAI').

b) The excess of the cost to the Company of its investment in the subsidiaries over the Company's portion of equity on the acquisition date is recognised in the financial statements as Goodwill and is tested for impairment annually. The Company's portion of the equity in the subsidiaries at the date of acquisition is determined after realigning the material accounting policies of the subsidiaries to that of the parent and adjusting the charge/(reversal) on account of realignment to the accumulated reserves and surplus of the subsidiaries at the date of acquisition.

c) The Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and necessary adjustments required for deviations, if any, are made in the Consolidated Financial Statements and are presented in the same manner as the Company's standalone financial statements.

3. Significant Accounting Policies

a) Use of Estimates

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that may affect the reported amount of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimated.

b) Revenue Recognition

Sale of Goods

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the goods are transferred to the customer, as per the terms of the respective sales order.

Power Generation Income

Power Generation Income is recognised on the basis of electrical units generated, net of wheeling and transmission loss, as applicable, as shown in the Power Generation Reports issued by the concerned authorities.

Service and Maintenance Income

Revenue from annual service and maintenance contracts is recognised on the proportionate basis for the period for which the service is provided net of taxes.

Interest

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. In case of interest charged to customers, interest is accounted for on availability of documentary evidence that the customer has accepted the liability.

Dividend

Dividend income from investments is recognised when the right to receive payment is established.

c) Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use. Own manufactured assets are capitalised inclusive of all direct costs and attributable overheads. Capital Work in Progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertakings, pre-operative expenses are capitalised upon the commencement of commercial production.

The carrying amount of the assets belonging to each cash generating unit (´CGU´) are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying amounts exceed the recoverable amount of the assets' CGU, assets are written down to their recoverable amount. Further, assets held for disposal are stated at the lower of the net book value or the estimated net realisable value.

d) Intangible Assets

Research and Development Costs

Development cost incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised over the period of expected future sales from the related project, not exceeding five years.

The carrying value of development costs is reviewed for impairment annually when the asset is not in use, and otherwise when events and changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets are recorded at the consideration paid for their acquisition. Cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

e) Depreciation/Amortisation

Depreciation/Amortisation is provided on management's estimate of useful lives of the fixed assets or where applicable, at rates specified by respective statutes, whichever is higher.

f) Inventories

Inventories of raw materials including stores, spares and consumables, packing materials; semi-finished goods; work in progress and finished goods are valued at the lower of cost and estimated net realisable value. Cost is determined on weighted average basis.

The cost of work-in-progress, semi-finished goods and finished goods includes the cost of material, labour and manufacturing overheads.

Inventories of traded goods are stated at the lower of the cost or net realisable value.

Stock of land and land lease rights is valued at lower of cost and net realisable value. Cost is determined based on weighted average basis. Net realisable value is determined by the management using technical estimates.

g) ***Investments***

Long Term Investments are carried at cost. However, provision is made to recognise a decline, other than temporary, in the value of long term investments.

Current investments are carried at the lower of cost and fair value, determined on an individual basis.

h) ***Foreign Currency Transactions***

Transactions in foreign currencies are normally recorded at the average exchange rate prevailing in the month during which the transaction occurred. Outstanding balances of foreign currency monetary items are reported using the period end rates.

Non-monetary items carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rate that existed, when the values were determined.

Exchange differences arising as a result of the above are recognised as income or expense in the Profit and Loss Account, except in case of liabilities incurred for acquiring imported fixed assets, where the differences are adjusted to the carrying amount of such fixed assets in compliance with the Schedule VI of the Act.

In case of forward contracts, the difference between the forward rate and the exchange rate, being the premium or discount, at the inception of a forward exchange contract is recognised as income or expense over the life of the contract. Exchange differences on such contracts are recognised in the profit and loss account in the reporting period in which the rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

The financial statements of integral foreign operations are translated as if the transactions of the foreign operations have been those of the Company itself. In translating the financial statements of a non-integral foreign operation for incorporation in financial statements, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non-integral foreign operation are translated at the average exchange rate prevailing during the year; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

i) ***Borrowing Costs***

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

j) ***Retirement and other employee benefits***

Defined Contributions to Statutory Employee Funds are charged to the Profit and Loss Account on accrual basis.

Liabilities with regard to gratuity, where applicable, are determined under Group Gratuity Scheme with Life Insurance Corporation of India (LIC) and the provision required is determined as per actuarial valuation, as at the balance sheet date.

Contributions to Superannuation Fund with LIC through its employees' trust are charged to the profit and loss account on an accrual basis.

Short term compensated absences are provided based on estimates. Long term compensated absences are provided based on actuarial valuation as at the balance sheet date.

Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

k) ***Provisions, Contingent Liabilities and Contingent Assets***

A provision is recognised when there is a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent Liabilities are disclosed by way of notes to the accounts.

Contingent assets are not recognised.

l) ***Income Tax***

Tax expense for a year comprises of current tax, deferred tax and fringe benefit tax. Current tax is measured after taking into consideration, the deductions and exemptions admissible under the provisions of applicable laws.

Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are reassessed and recognised to the extent it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

Deferred tax resulting from timing differences which originate during the tax holiday period but are expected to reverse after tax holiday period is recognised in the year in which the timing differences originate using the tax rates and laws enacted or substantively enacted by the balance sheet date.

Minimum alternative tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay income tax higher than that computed under MAT, during the period under which MAT is permitted to be set off under the Indian Income Tax Act, 1961.

m) ***Lease Assets***

Operating Leases

Assets acquired as leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged off to the Profit and Loss Account as incurred.

Initial direct costs in respect of assets given on lease are expensed off in the year in which such costs are incurred.

n) ***Earnings Per Share***

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders (after deducting dividends and taxes thereon attributable to minority shareholders) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for any bonus shares issued during the year and also after the balance sheet date but before the date the financial statements are approved by the Board of Directors.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

The number of equity shares and potentially dilutive equity shares are adjusted for bonus shares as appropriate. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

o) Employee Stock Option

Stock options granted to employees under the Employees Stock Option Scheme are accounted as per the Intrinsic Value Method permitted by the "Guidance Note on Share Based Payments" issued by the ICAI. Accordingly, the excess of the market price of the shares as on the date of the grant of options over the exercise price is recognised as deferred employee compensation and is charged to profit and loss account on straight-line basis over the vesting period.

The number of options expected to vest is based on the best available estimate and are revised, if necessary, if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

4. Changes in accounting policies

Pursuant to the adoption of Accounting Standard 15 (Revised) Employee Benefits (AS-15), issued by the ICAI, the Company and its subsidiaries, wherever applicable, have changed the accounting policy for long term retention bonus paid to employees. This amount has been accounted for as a liability based on actuarial valuation using the projected unit credit method, as compared to the earlier method of accounting this cost as and when incurred. The transitional liability arising due to this change aggregating Rs. 29.19 Million net of tax Rs. 3.10 Million has been charged to general reserve as prescribed by AS 15.

5. The list of Subsidiary Companies which are included in the consolidation and the Company's effective holdings therein are as under:

Name of the Subsidiary	**Country of Incorporation**	**Effective Ownership in Subsidiaries as at March 31,**	
		2006	**2007**
AE-Rotor Holding B.V.	The Netherlands	100%	100%
AE-Rotor Techniek B.V.	The Netherlands	100%	100%
Suzlon Energy BV	The Netherlands	100%	100%
Suzlon Energy A/S, Denmark	Denmark	100%	100%
Suzlon Wind Energy Corporation	USA	100%	100%
Cannon Ball Wind Energy Park-1, LLC	USA	100%	100%
Suzlon Energy Australia Private Limited	Australia	100%	100%
Suzlon Energy GmbH	Germany	100%	100%
Windpark Olsdorf Watt Gmbh & Co KG	Germany	100%	100%
Suzlon Rotor Corporation	USA	100%	100%
Suzlon Windkraft GmbH	Germany	100%	100%
S E Drive Technik GmbH	Germany	100%	100%
Suzlon Windpark Management GmbH	Germany	100%	100%
Suzlon Energy (Tianjin) Limited	China	100%	100%
Suzlon Infrastructure Services Limited (formerly Suzlon Windfarm Services Limited)	India	100%	100%
Suzlon Towers and Structures Limited	India	100%	100%
Suzlon Generators Private Limited	India	74.91%	75%
Suzlon Structures Private Limited	India	75%	75%
Suzlon Gujarat Windpark Limited	India	100%	100%
Suzlon Power Infrastructure Private Limited	India	100%	100%

Name of the Subsidiary	Country of Incorporation	Effective Ownership in Subsidiaries as at March 31, 2006	2007
Suzlon Engitech Private Limited	India	100%	100%
SE Forge Limited	India	-	100%
Suzlon Towers International Limited	India	-	100%
Suzlon Rotor International Limited	India	-	100%
Suzlon Wind International Limited	India	-	100%
Eve Holding NV	Belgium	-	100%
Hansen Transmissions International NV	Belgium	-	100%
Hansen Transmissions Limited	United Kingdom	-	100%
Hansen Transmissions South Africa Private Limited	South Africa	-	100%
Hansen Transmissions Private Limited	Australia	-	100%
Hansen Transmissions Inc.	USA	-	100%
Hansen Transmissioes Mechanicas Ltda	Brazil	-	100%
Hansen Transmissions Tianjin Industrial Gearboc Co. Ltd	Peoples Republic of China	-	100%
Suzlon Energy Italy Srl	Italy	-	100%
Suzlon Energy Portugal Energia Elocia Unipessoal Lda	Portugal	-	100%
Suzlon Energia Elocia do Brazil Lda	Brazil	-	100%
Suzlon Energy Korea Co Ltd	Republic of South Korea	-	100%
Suzlon Wind Energy A/S	Denmark	-	100%
Suzlon Energy Limited, Mauritius	Mauritius	100%	100%
Suzlon Wind Energy Limited	United Kingdom	-	100%
Suzlon Windenergie GmbH	Germany	-	75%

6. OTHER NOTES

a) Suzlon Energy Limited ('SEL' or 'the Company') through its wholly owned subsidiary, AE-Rotor Holding B.V., the Netherlands ('AE-Rotor') has on May 9, 2006, purchased 100% of the share capital of Eve Holding NV, Belgium for a consideration of Rs. 25026.37 million. By virtue of the acquisition of Eve Holding by AE-Rotor, the Company has 100% ownership of Hansen Transmissions International NV, Belgium along with its subsidiaries (together referred as 'Hansen'), which are engaged in the business of design, development, manufacturing and supply of industrial and wind gear boxes and is the second largest wind energy gearbox manufacturer in the world. The consolidated financial statements for the year ended March 31, 2007, interalia include the financial figures of Eve Holding N.V., Belgium. Accordingly, the financial figures of the consolidated financial statements for the year ended March 31, 2007 are to that extent not comparable with the consolidated financial statements of March 31, 2006.

b) The management profit certificates ('MPC'), which are redeemable in nature and which carry certain rights of dividend, aggregating Rs.890.03 million pertain to MPC's issued by AE Rotor Holdings, to certain key management personnel.

c) On February 9, 2007, the Company made an offer to all the shareholders of REpower Systems AG, Germany ('REpower'), a company engaged in the business of design, development, manufacturing and supply of wind turbine generators and listed on Frankfurt Stock Exchange, to acquire the entire share capital in REpower ('the offer') and subsequently increased the consideration payable under the offer to Euro 150 per share ('revised offer'). The offer document on the aforesaid tender offer has been approved by the German Federal Financial Supervisory Authority (BaFin). The offer has been made through an overseas subsidiary Suzlon Windenergie Gmbh, jointly with Martifer SGPS, SA, Oliveira de Frades, Portugal, who hold 23.08 per cent of the current equity share capital of REpower. The offer made by the company competes with a public tender offer of Areva Group.

d) Terms of Redemption/Conversion of Preference Shares of the Company:

During the year, the company has redeemed 1,500,000, 10% Cumulative Redeemable Preference Shares of Rs.100/-each fully paid.

Further, 29,700 and 220,300 8% Cumulative Redeemable Preference Shares of Rs.100/-each fully paid of Suzlon Structures Private Limited ('SSPL')are redeemable at par after one year from March 29, 2005 and June 28, 2005, being the respective dates of allotment, at the option of SSPL or of the Preference Shareholders as the case may be. This portion represents the holding by the external shareholders of SSPL only, other than the Holding Company. The portion held by the Holding Company of SSPL, has been netted off on consolidation.

e) The details of security for the Secured Loans in Consolidated Financial Statements are as follows:

(i) Term Loans from Banks and Financial Institutions:

- Rs 104.78 million (Rs 72.18 million) secured by charge on certain WTG´s, land and personal guarantee of directors.
- Rs 24.15 million (Rs 57.49 million) secured by way of hypothecation of stocks, debtors and on specific receivables.
- Rs 643.80 million (Rs 285.42 million) secured by way of Mortgage of plant and machinery and other fixed assets & hypothecation on current assets.
- Rs 217.58 million (Nil) secured by hypothecation of plant and machinery and other fixed assets
- Rs 828.08 million (Rs NIL) secured by way of first charge on certain immovable and movable fixed assets & second charge on current assets.
- Rs NIL (Rs 564.93 million) secured by way of first charge on certain immovable and movable fixed assets and second charge on current assets and personal guarantees of directors in certain cases.
- Rs 601.08 million (NIL) secured by the whole of moveable property of the assets of the company and the receivables of the power generated from windmill.
- Rs 8,126.65 million (NIL) First rank Mortgage and Floating Charge on assets of the company
- Rs NIL (Rs 46.14 Million) secured by way of mortgage of certain windfarm projects and mortgage of land.

(ii) Term Loans from Others:

- Rs 862.50 million (Rs 1,150.00 million) secured by way of first charge on certain immovable properties.
- Rs 199.31 million (Rs 223.07 million) secured by way of first charge on certain immovable and movable fixed assets, second charge on current assets
- Rs 41.97 million (Rs. Nil) secured by charge on certain WTG´s & Land
- Rs 111.71 million (Rs 144.87 million) secured by way of first charge on certain immovable and movable fixed assets and personal guarantee of directors in certain cases.

(iii) Working Capital Facilities from Banks and Financial Institutions:

- Rs 7,516.72 million (Rs. 1,140.26 million) secured by hypothecation of inventories, book debts and other current assets, both present and future, first charge on certain immovable fixed assets.
- Rs 160.08 million (Rs. 154.84 million) secured by hypothecation of inventories, book debts and other current assets, both present and future, first charge on certain immovable fixed assets and personal guarantees of directors.

- Rs 405.09 million (Rs. 58.71 million) secured by First rank mortgage and floating charge on assets of the company.

(iv) Vehicle loan

- Rs. 0.71 million (Rs. 1.15 million) secured against vehicle under Hire Purchase contract.

f) Sales do not include excise duty service tax, sales tax or VAT charged.

g) Operating leases

Premises

Suzlon has taken certain premises on cancellable operating leases. The total rental expense under cancellable operating leases during the period was Rs 126.56 million (Rs 38.46 million).

The group has also taken furnished/unfurnished offices and certain other premises under non-cancellable operating lease agreement ranging for a period of one to six years. The lease rental charge during the year is Rs.156.56 million (Rs.53.00 million) and maximum obligation on long-term non-cancellable operating lease payable as per the rentals stated in respective agreement are as follows:

Obligation on non-cancellable operating leases	**Year ended March 31, 2006**	**Year ended March 31, 2007**
Not later than one year	63.60	102.71
Later than one year and not later than five years	71.19	177.60
Later than five years	Nil	49.46

h) Employee Stock Option Scheme

Suzlon Energy Employee Stock Option Plan 2005 (the '2005 Plan' or the 'Scheme')

The Company instituted the 2005 Plan for all eligible employees in pursuance of a special resolution approved by the shareholders at the extra-ordinary general meeting held on June 16, 2005 (grant date). The Scheme covers grant of options to specified permanent employees of the Company as well as its subsidiaries.

Pursuant to the scheme, the Company has granted 921,000 options to eligible employees at an exercise price, which is 50% of the issue price determined in the Initial Public Offering (IPO) of the Company in accordance with SEBI Guidelines i.e, Rs.510 per equity share. Under the terms of the scheme, 30% of the options will vest in the employees at the end of the first year, 30% at the end of the second year and the balance of 40% at the end of third year from the grant date in the following manner:

Date of Vesting	**Proportion of Vesting**
June 16, 2006	30%
June 16, 2007	30%
June 16, 2008	40%

The Employee Stock Options granted shall be capable of being exercised within a period of five years from the date of first vesting i.e June 16, 2006. Once the options vest as per the Schedule above, they would be exercisable by the option holder and the shares arising on exercise of such options shall not be subject to any lock-in period. Further, in the case of termination of employment, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed as mentioned above, failing which they would stand cancelled.

During the year ended March 31, 2007, vesting rights were exercised by employees for 233,400 shares. Further, 25,000 employee stock options were cancelled during the year as certain employees resigned from the services of the Company. The movement in the stock options during the year was as per the table below:

Options Outstanding at April 1, 2006	889,000
Granted during the year	Nil
Forfeited/Cancelled during the year	25,000
Exercised during the year	233,400
Expired during the year	Nil
Options Outstanding at the March 31, 2007	630,600
Exercisable at the end of the year (included in Options Outstanding at the March 31, 2007)	32,100

Fair Value of the Option

The Company has charged a sum of Rs.72.99 Million (Rs. 255 per option) being the intrinsic value of option under the 2005 Plan for the year ended March 31, 2007. Had the Company adopted the fair value method based on 'Black-Scholes' Model for pricing and accounting the options, the cost of options would have been Rs. 331.58 per option and accordingly, the profit after tax would have been lower by Rs.24.87 Million. Consequently the basic and diluted earnings per share after factoring the above impact of fair value would have been Rs. 36.74 per share and Rs. 36.69 per share instead of Rs. 36.83 per share and Rs. 36.77 per share respectively.

During the year ended March 31, 2007, the Company has issued and allotted 128,300 equity shares; 84,000 equity shares; 5,200 equity shares; 15,700 equity shares and 200 equity shares of Rs. 10 each at an exercise price of Rs. 255 per equity share on July 10, 2006, October 4, 2006, November 6, 2006, December 2, 2006 and January 10, 2007 respectively as per the terms of employee stock option plan. Consequent to this issue, the equity share capital of the Company has increased from 287,531,380 equity shares to 287,764,780 equity shares.

i) Post employment benefits

SEL and certain subsidiary companies have a defined benefit gratuity plan. Every employee of the company (in case of companies where gratuity plan is applicable) who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy

The following table summarises the components of net benefit expense recognized in the Profit and Loss Account.

Net employees benefit expense recognised in the Profit and Loss Account.

Particulars	**Year ended March 31, 2007**
Current service cost	12.83
Interest cost on benefit obligation	1.81
Expected return on plan assets	(1.98)
Net actuarial (gain) / loss recognised in the year	(1.77)
Past service cost	NIL
Net benefit expense	10.89

Details of defined benefit gratuity plan

Particulars	**Year ended March 31, 2007**
Defined benefit obligation	34.94
Fair value of plan assets	28.72
Present value of unfunded obligations	7.40
Less: Unrecognised past service cost	NIL
Plan liability	7.40

Changes in the present value of the defined benefit gratuity plan are as follows:

Particulars	**Year ended March 31, 2007**
Opening defined benefit obligation (April 1, 2006)	22.69
Interest cost	1.81
Current service cost	12.83
Benefits paid	(0.58)
Actuarial (gains) / losses on obligation	(1.81)
Closed defined benefit obligation	34.94

Further the principal assumptions with respect to discount rate, expected return on plan assets, salary escalation rate and attrition rate used in determining the defined benefit gratuity plan obligations differ from subsidiary to subsidiary.

The estimates of future salary increases take into account the inflation, seniority, promotion and other relevant factors.

In the current year the Company has done an early adoption of the Accounting Standard 15 (Revised 2005) which is mandatory from accounting periods starting from December 7, 2006. Accordingly the corresponding previous figures have not been disclosed.

j) **Provisions**

In pursuance of Accounting Standard-29 ('AS-29') "Provisions, Contingent Liabilities and Contingent Assets" issued by the ICAI, the provisions required have been incorporated in the books of accounts in the following manner: -

Particulars	**Performance Guarantee**	**Warranty for Operation & Maintenance**	**Provision for Liquidated Damages**
Opening Balance	1,414.50	1,728.99	27.30
	(579.79)	(976.69)	(39.68)
Additions due to acquisition	-	436.00	-
	(-)	(-)	(-)
Additions	1,026.96	1,520.59	363.10
	(1,065.14)	(1,179.94)	(-)
Utilisation	632.31	1,156.40	130.96
	(230.43)	(427.64)	(-)
Reversal	-	-	-
	(-)	(-)	(12.38)
Closing Balance	1,809.15	2,529.18	259.44
	(1,414.50)	(1,728.99)	(27.30)

The provision for Operation, Maintenance and Warranty ('O&M´) represents the expected liability on account of field failure of parts of WTG and expected expenditure of servicing the WTG´s over the period of free O&M, which varies according to the terms of each sales order.

The provision for Performance Guarantee (´PG') represents the expected outflow of resources against claims for Performance shortfall expected in future over the life of the guarantee assured. The period of PG varies for each customer according to the terms of the contract. The key assumptions in arriving at the PG provision are wind velocity, plant load factor, grid availability, load shedding, historical data, wind variation factor etc.

Provision for Liquidated Damages ('LD´) represents the expected claims which the Company may need to pay for non-fulfilment of certain commitments as per the terms of the sales order. These are determined on a case to case basis considering the dynamics of each individual sales order and the factors relevant to that sale.

The closing balance of the Provision for Operation, Maintenance and Warranty in the Balance Sheet represents the amount required for Operation, Maintenance and Warranty for the unexpired period on WTGs on the field under warranty. The charge to the Profit and Loss Account is the balancing figure. However, the break up of charge to profit and loss account on account of "Provision for Operation, Maintenance and Warranty" is as under:

a) Amount of Provision required for the WTGs sold during the year Rs. 1,520.59 million (Rs. 1,179.94 million)

b) Less: Utilisation against opening provision, booked by the subsidiary under various expenditure by nature Rs. 661.52 million (Rs. 322.24 million)

c) Charge to profit and loss account Rs. 859.07 million (Rs. 857.70 million)

k) The standalone profit and loss account includes a charge of Rs. 584.84 million (Rs. 209.08 million) on account of "Design change and technological upgradation charges" and Rs. 143.71 million (Rs. 117.28 million) on account of "Operation and maintenance charges" which have got eliminated on consolidation. However, the cost incurred by the subsidiary for rendering the services/affecting the sales have been booked under various expenditures by their nature.

7. Break up of the accumulated Deferred Tax Asset, Net, is given below

Particulars	**Deferred Tax asset/Liability as at March 31**	
	2006	**2007**
Deferred Tax Assets:		
Unabsorbed losses and depreciation	335.59	511.28
Employee benefits	-	84.91
Provision for performance guarantee, LD & operation, maintenance and warranty	546.10	953.90
Provision for doubtful debts	15.62	23.84
Others	1.54	33.27
(a)	898.85	1607.20
Deferred Tax Liability		
Difference in depreciation of fixed assets	105.46	1803.14
Others	-	0.55
(b)	105.46	1803.69
Deferred Tax Asset / (Liability) (Net)		
[(c)=(a)-(b)]	793.39	(196.49)
Tax effect of share issue expenses eligible for income tax deduction U/s 35D, credited to securities premium	24.20	19.70
Total	**817.59**	**(176.79)**

8. Estimated amount of contracts remaining to be executed on capital accounts and not provided for, net of advances. Rs. 11,930.90 million (Rs.978.57 million).

9. **Earnings per Share (EPS)**

All amounts in Rs. million except per share data

PARTICULARS	April 1, 2005 to March 31, 2006	April 1, 2006 to March 31, 2007
Basic Earnings per share		
Net Profit after Tax	7,594.99	8,640.32
Less: Dividend and tax thereon	18.96	23.03
Net Profit attributable to equity shareholders [Numerator for computation of basic and diluted EPS](a)	7,576.03	8,617.29
Weighted average number of equity shares in calculating basic EPS [Denominator for computation of basic EPS] (b)	273,233,510	287,672,694
Add: Equity shares for no consideration arising on grant of stock options under ESOP 2005	430,697	461,538
Weighted average number of equity shares in calculating diluted EPS [Denominator for computation of Diluted EPS] (c)	273,664,207	288,134,232
Basic earning per share of face value of Rs. 10/- each (a/b *10,000,000)	27.73	29.96
Diluted earning per share of face value of Rs. 10/- each (a/c *10,000,000)	27.68	29.91

10. Managerial remuneration to Directors

Particulars	Year ended March 31, 2006	Year ended March 31, 2007
(a) Salaries	14.71	13.50
(b) Contribution to Superannuation Fund	3.05	2.70
(c) Sitting Fees	0.14	0.42
Total	**17.90**	**16.62**

The directors are covered under the Company's scheme for gratuity along with the other employees of the Company. The proportionate amount of gratuity is not included in the aforementioned disclosure, as the amount attributable to directors is not ascertainable.

11. Contingent Liabilities

Particulars	As at March 31 2006	As at March 31 2007
Guarantees given on behalf of other companies in respect of loans granted to them by banks.	8.80	3.60
Claims against the company not acknowledged as debts	2.50	13.67
Disputed labour cost liabilities	0.17	3.18
Disputed service tax liabilities	8.76	17.51

12. Derivative Instruments and Unhedged Foreign Currency Exposure

Particulars of Derivatives	**Purpose**
Forward contract outstanding as at Balance Sheet date	
Buy Euro 38,619,539.40 (Euro 5,677,739.50)	Hedge of forex Euro liabilities
Buy GBP 51,965.70 (GBP Nil)	Hedge of forex GBP liabilities
Buy USD 311,404,323.70 (USD 68,348,272.54)	Hedge of forex USD liabilities
Sell DKK 10,928,005.57 (DKK Nil)	Hedge of forex DKK receivable
Sell USD 33,369,600 (USD Nil)	Hedge of forex USD receivable
Sell Euro 21,500,000 (Euro Nil)	Hedge of forex Euro receivable

Option contract outstanding as at Balance Sheet date

USD 10 million zero cost 1:2 forward put options outstanding

USD 16.50 million call spread options outstanding

Euro 12 million zero cost barrier call options outstanding

Target redemption forward contract

Euro NIL (0.25 million / Euro 0.50 million) per week for 18 weeks Hedge forex Euro liabilities)

Range accrual interest rate swap

USD Nil (2.00 million Hedge against interest on forex loans)

Particulars of Unhedged Foreign Currency Exposure as at the Balance Sheet date

Particulars	**Amount (Rs. In Million)**
Creditors (including Goods in transit Rs.1,939.18 million)	3,123.34
Debtors	2,011.38
Loans given	2,778.44
Loans received	1,927.25
Bank balance in current accounts and term deposit accounts	923.85

13. Related Party Disclosures

(A) Related Parties with whom transactions have taken place during the year

a) *Associates*

Aspen Infrastructures Limited (Formerly Suzlon Infrastructure Limited), Sarjan Realities Limited.

b) *Entities where Key Management Personnel ('KMP´)/ Relatives of Key Management Personnel ('RKMP´) have significant influence*

Tanti Holdings Limited (Formerly Suzlon Capital Limited), Sugati Beach Resort Limited (Formerly Suzlon Hotels Limited), Sarjan Infrastructure Finance Limited, Shubh Realty (South) Private Limited, Sugati Holdings Private Limited, Kush Synthetics Private Ltd, Synergy Global Private Limited, SE Energy Park Limited, Suruchi Holdings Private Limited, Sanman Holdings Private Limited, Samanvaya Holdings Private Limited, Vinod R. Tanti-HUF, Jitendra R. Tanti-HUF, Girish R. Tanti (HUF).

c) *Key Management Personnel*

Tulsi R. Tanti, Girish R. Tanti

d) *Relatives of Key Management Personnel*

Gita T. Tanti, Rambhaben Ukabhai, Pranav T. Tanti, Nidhi T. Tanti, Vinod R. Tanti, Jitendra R. Tanti, Sangita V. Tanti, Lina J. Tanti, , Esha G. Tanti, Trisha J Tanti.

e) *Employee Funds*

Suzlon Energy Limited - Superannuation Fund

Suzlon Energy Limited - Employees Group Gratuity Scheme

Suzlon Infrastructure Services Limited (formerly Suzlon Windfarm Services Limited) Superannuation Fund

Suzlon Infrastructure Services Limited (formerly Suzlon Windfarm Services Limited) - Employees Group Gratuity Scheme

Suzlon Towers & Structure Limited - Superannuation Fund

Suzlon Towers & Structure Limited - Employees Group Gratuity Scheme

Suzlon Power Infrastructure Private Limited - Superannuation Fund

Suzlon Power Infrastructure Private Limited - Employees Group Gratuity Scheme

Suzlon Generators Private Limited - Gratuity Fund

Suzlon Generators Private Limited - Superannuation Fund

(B) Transactions between the Group and Related Parties during the year and the status of outstanding balances as at March 31, 2007

Particulars	Associate	Entities where KMP/ RKMP has significant influence	KMP	RKMP	Employee Funds
Transactions					
Purchase of fixed assets	28.96	2.68	-	-	-
(including intangibles)	(3.10)	(-)	(-)	(-)	(-)
Sale of Fixed Assets	0.34	-	-	-	-
	(0.05)	(-)	(-)	(-)	(-)
Subscription to / purchase of equity shares	-	-	0.15	0.35	-
	(-)	(-)	(0.34)	(3.53)	(-)
Redemption of Preference Shares	-	43.58	13.10	82.50	-
	(-)	(-)	(-)	(-)	-
Sale of investments	-	22.03	-	48.70	-
	(6.50)	(-)	(-)	(-)	(-)
Sale of goods	1,080.46	28.18	142.47	142.47	-
	(546.89)	(-)	(-)	(-)	(-)
Purchase of goods and services	1,895.84	446.87	-	-	-
	(199.26)	(0.66)	(-)	(-)	(-)
Loans / Deposit Given	4,820.50	172.30	-	-	-
	(2,040.20)	(-)	(-)	(-)	(-)
Interest received / receivable	173.82	68.96	-	-	-
	(107.70)	(-)	(-)	(-)	(-)
Dividend received	6.30	-	-	-	-
	(4.17)	(-)	(-)	(-)	(-)
Dividend paid	-	599.91	191.88	726.95	-
	(-)	(89.01)	(75.89)	(442.00)	(-)

Particulars	Associate	Entities where KMP/ RKMP has significant influence	KMP	RKMP	Employee Funds
Rent received*	-	0.11	-	-	-
	(-)	(-)	(-)	(-)	(-)
Rent / Hotel charges paid	-	0.36	-	-	-
	(-)	(0.32)	(-)	(-)	(-)
Managerial Remuneration	-	-	16.20	-	-
	(-)	(-)	(17.76)	(-)	(-)
Contribution to various funds	-	-	-	-	39.54
	(-)	(-)	(-)	(-)	(25.56)

Note: Figures in brackets pertain to transactions for the year ended March 31, 2006

(B) Transactions between the Group and Related Parties during the year and the status of outstanding balances as at March 31, 2007

Sr. No.	Particulars	Associate	Entities where KMP/ RKMP has significant influence	KMP	RKMP	Employee Funds
	Outstanding Balances					
1	Investments	-	-	-	-	-
		(60.00)	(8.70)	(-)	(-)	(-)
2	Advances from Customers	-	-	7.50	7.50	-
		(-)	(-)	(-)	(-)	(-)
3	Sundry Debtors	2.09	-	-	-	-
		(190.59)	(-)	(-)	(-)	(-)
4	Loans/Deposits outstanding	3,682.78	757.20	-	-	-
		(1,848.21)	(-)	(-)	(-)	(-)
5	Advances/Deposits to Supplier	17.58	0.02	-	-	-
		(0.07)	(-)	(-)	(-)	(-)
6	Sundry Creditors	20.30	14.18	-	-	-
		(80.85)	(0.06)	(-)	(-)	(-)
7	Corporate Guarantees	3.04	-	-	-	-
		(8.79)	(-)	(-)	(-)	(-)

Note: Figures in brackets pertain to balances as on March 31, 2006

(C) Disclosure of significant transactions with Related Parties

Type of the Transaction	Type of relationship	Name of the entity/person	March 31, 2006	March 31, 2007
Purchase of Fixed Assets (including intangibles)	Associate	Aspen Infrastructures Limited (Formerly Suzlon Infrastructure Limited)	-	26.72
		Sarjan Realities Limited	3.10	2.24
	Entities where KMP/RKMP has significant influence	Shubh Realty (South) Private Limited	-	2.68
Sale of Fixed Assets	Associates	Aspen Infrastructures Limited (Formerly Suzlon Infrastructure Limited)	-	0.34
Subscription to/ purchase of preference shares	RKMP	Gita T Tanti	0.50	-
		Jitendra R. Tanti	0.20	-
		Leena J. Tanti	0.50	-
		Pranav Tanti	0.50	-
		R.V. Tanti	0.50	-
		Sangita V. Tanti	0.50	-
Subscription to/ purchase of equity shares	RKMP	Lina J. Tanti	-	0.08
	RKMP	Sangita V. Tanti	-	0.08
	RKMP	Gita T. Tanti	-	0.08
	KMP	Girish R. Tanti	-	0.08
	RKMP	Vinod R. Tanti	-	0.08
	KMP	Tulsi R. Tanti	-	0.08
Redemption of Preference Shares	Entities where KMP/RKMP has significant influence	Tanti Holdings Limited (Formerly Suzlon Capital Limited)	-	25.58
Sale of investments	Entities where KMP/RKMP has significant influence	Vinod R. Tanti	-	10.00
	Entities where KMP/RKMP has significant influence	Jitendra R Tanti	-	10.00
	RKMP	Rambhaben Ukabhai	-	22.90
	RKMP	Nidhi T Tanti	-	12.90
	RKMP	Trisha J Tanti	-	12.90
	Associate	Aspen Infrastructures Limited (Formerly Suzlon Infrastructure Limited)	6.50	-
Loan/Deposits given	Associate	Aspen Infrastructures Limited (Formerly Suzlon Infrastructure Limited)	-	3,525.50
	Associate	Sarjan Realities Limited	1,205.00	1,295.00
	Entities where KMP/RKMP has significant influence	Shubh Realty (South) Private Limited	702.20	150.00
Sale of goods	Associate	Aspen Infrastructures Limited (Formerly Suzlon Infrastructure Limited)	378.57	1,080.10
	Associate	Sarjan Realities Limited	168.14	0.35
Purchase of goods and service	Associate	Aspen Infrastructures Limited (Formerly Suzlon Infrastructure Limited)	166.11	1,879.20
	Entities where KMP/RKMP has significant influence	Kush Synthetic Pvt. Ltd.	17.86	403.87

Type of the Transaction	Type of relationship	Name of the entity/person	March 31, 2006	March 31, 2007
Interest Received	Associate	Sarjan Realities Limited	59.37	112.38
	Associate	Aspen Infrastructures Limited (Formerly Suzlon Infrastructure Limited)	13.09	61.43
	Entities where KMP/ RKMP has significant influence	Shubh Realty (South) Private Limited	34.82	67.65
Dividends Received	Associate	Aspen Infrastructures Limited (Formerly Suzlon Infrastructure Limited)	2.87	5.00
	Associate	Sarjan Realities Limited	1.30	1.30
Dividends Paid	KMP	Tulsi R. Tanti and Girish R. Tanti	75.89	191.88
	RKMP	Relatives of KMP	440.97	726.95
	Entities where KMP/ RKMP has significant influence	Tanti Holdings Limited (Formerly Suzlon Capital Limited), Sugati Holdings Private Limited	67.20	599.91
Rent Received	Entities where KMP/RKMP has significant influence	Synergy Global Private Limited	-	0.11
Rent/Hotel Charges paid	Entities where KMP/RKMP has significant influence	Sugati Beach Resort Limited (Formerly Suzlon Hotels Limited)	0.32	0.34
	Entities where KMP/RKMP has significant influence	Girish R. Tanti (HUF)	0.06	0.06
Managerial Remuneration	KMP	Tulsi Tanti	11.70	12.00
	KMP	Girish R. Tanti	4.10	4.20
	RKMP	Vinod R. Tanti	1.02	-
	KMP**	Balrajsinh Parmar	1.02	-
Contribution to various funds	Employee Funds	Suzlon Energy Limited - Superannuation Fund	12.83	28.78
	Employee Funds	Suzlon Energy Limited -Employees Group Gratuity Scheme	12.07	1.42
	Employee Funds	Suzlon Infrastructure Services Limited (formerly Suzlon Windfarm Services Limited)-Superannuation Fund	-	4.69

** Balrajsinh A. Parmar was director of the Company till June 2005, and hence is not considered as KMP post June 30, 2005*

14. Disclosure as required by Clause 32 of Listing Agreement with Stock Exchanges

	Name	Amount outstanding as at March 31, 2007	Maximum Amount outstanding during the year
Associates	Sarjan Realities Limited	1,529.21 (1,124.21)	1,529.21 (1,145.40)
	Aspen Infrastructures Limited (Formerly Suzlon Infrastructure Limited)	2,147.00 (-)	3,140.50 (750.00)
Where control of KMP/RKMP exists	Shubh Realty (South) Private Limited Previous Year Figures	757.20 (702.20)	782.20 (702.20)
	Suzlon Infrastructure Finance Limited	- (21.80)	22.10 (49.31)
	SE Energy Park Limited	- (-)	20.00 (-)

Note:

a) No loans have been granted by Suzlon Energy Limited to any person, who has invested in the shares of Suzlon Energy Limited or any of its subsidiaries.

b) There are no balances outstanding from Companies under the same management, as per the provisions of Section 370 (1B) of the Companies Act, 1956.

15. Segment Reporting

Suzlon's operations primarily relate to manufacture and sale of WTG's and Gear Box. Others primarily consist of sale/sub-lease of land, infrastructure development income and power generation income.

The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments. These are as set out in the note on significant accounting policies.

A) PRIMARY BUSINESS SEGMENT:

Particulars	Year ended March 31, 2006					Year ended March 31, 2007				
	Sale of WTG	Sale of Gear Box	Others	Eliminations	Total	Sale of WTG	Sale of Gear Box	Others	Eliminations	Total
Total External Sales	37,911.03	-	499.27	-	38,410.30	59,975.24	18,560.74	1,321.32	-	79,857.30
Add: Inter Segment Sales	6.37	-	-	(6.37)	-	10.38	-	-	(10.38)	-
Segment Revenue	37,917.40	-	499.27	(6.37)	38,410.30	59,985.62	18,560.74	1,321.32	(10.38)	79,857.30
Segment Results	7,994.17	-	360.09	(6.37)	8347.89	9,256.94	2,222.60	313.66	(10.38)	11,782.82
Add/(Less) Items to reconcile with profit as per profit and loss account										
Add: Other Income	-	-	-	-	474.98					680.40
Less:	-	-	-	-						
Financial Charges	-	-	-	-	(647.78)					(2,763.44)
Preliminary exp W/Off	-	-	-	-	(1.80)					(17.14)
Profit before Tax, minority interest	-	-	-	-	8,173.29					9,682.64
Provision for	-	-	-	-						
Income Tax	-	-	-	-	1,104.70					1,635.98
Deferred Tax	-	-	-	-	(568.20)					(125.70)
Fringe Benefit Tax	-	-	-	-	31.60					36.64
MAT Credit Entitlement	-	-	-	-	-					(512.32)
Total Tax	-	-	-	-	568.10					1,034.60
Profit before minority interest	-	-	-	-	7,605.19					8,648.04
Add: Share of (Profit)/loss of minority in subsidiary	-		-	-	(10.20)					(7.72)
Profit for the year	-	-	-	-	7,594.99					8,640.32
Segment assets	38,199.00	-	2411.00	-	40,610.00	62,156.90	38,875.08	3,543.99	-	104,575.97
Common assets	-	-	-	-	8,397.57					20,836.94
Enterprise assets	-	-	-	-	49,014.64					125,412.90
Segment liabilities	15,825.14	-	391.22	-	16,216.36	30,851.35	7,036.22	438.92	-	38,326.49
Common liabilities	-	-	-	-	559.31					51,975.62
Enterprise liabilities	-	-	-	-	21,805.50					90,302.11
Capital expenditure during the year	4,170.19	-	227.94	-	4,398.13	5,714.80	3,491.29	954.58	-	10,160.67
Segment Depreciation	643.40	-	72.50	-	715.90	945.30	695.42	77.28	-	1,718.00
Non-cash expenses other than depreciation	1.07	-	0.67	-	1.74	17.00	-	0.10	-	17.10

B) GEOGRAPHICAL SEGMENT

Particulars	Year ended March 31, 2006						Year ended March 31, 2007					
	India	Europe	USA	China	Others	Total	India	Europe	USA	China	Others	Total
Segment revenue	35,304.68	-	3105.62	-	-	38,410.30	41,693.25	16,363.46	16,517.48	3,142.93	2,140.18	79,857.30
Segment assets	34,655.04	1587.80	3870.11	158.20	338.85	40,610.00	45,256.05	42,082.89	11,206.59	4,827.21	1,203.23	104,575.97
Capital expenditure incurred	3697.00	530.71	21.89	146.54	1.99	4398.13	3,268.81	4,718.10	868.41	1,291.58	13.77	10,160.67

16. All figures have been reported in rupees Million and have been rounded off to the nearest thousands. Prior year amounts have been reclassified wherever necessary to conform with current year presentation. Figures in the brackets are in respect of the previous year.

Schedules 'A' to 'P'

For SNK & Co.
Chartered Accountants

per **Jasmin B. Shah**
Partner
M. No. 46238

Mumbai
Date:
May 14, 2007

For S. R. BATLIBOI & Co.
Chartered Accountants

per **Arvind Sethi**
Partner
M. No. 89802

Mumbai
Date:
May 14, 2007

For and on behalf of the
Board of Directors

Tulsi R. Tanti
Chairman and
Managing Director

Girish R. Tanti
Director

Hemal A. Kanuga
Company Secretary

Mumbai
Date:
May 14, 2007

SNK & Co.
Chartered Accountants
E-2-B, The Fifth Avenue
Dhole Patil Road
Near Regency Hotel
Pune 411 001

S. R. BATLIBOI & Co.
Chartered Accountants
C-401, Fourth Floor
Panchshil Techpark
Yerwada
Pune 411 006

REVIEW REPORT

To
The Board of Directors
Suzlon Energy Limited

1. We have reviewed the accompanying unaudited consolidated financial statements of Suzlon Energy Limited and its subsidiaries ('Group') for the six months ended September 30, 2007. These unaudited consolidated financial statements are the responsibility of Group Management and have been approved by the Board of Directors.

2. We conducted our review in accordance with the Auditing and Assurance Standard (AAS) 33, Engagements to Review Financial Statements issued by the Institute of Chartered Accountants of India ('ICAI'). A review of interim financial information consists principally of applying analytical procedures for financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

3. The financial statements of certain subsidiary companies have been reviewed solely by SNK & Co. on which, S. R. Batliboi & Co. has placed reliance for the purpose of this report. The financial statements of these subsidiaries reflect Group's share of total assets of Rs. 10,663.07 million as at September 30, 2007 and Group's share of total revenue of Rs.3,100.34 million for the six months ended on that date.

4. The financial statements of certain subsidiary companies have been reviewed solely by S. R. Batliboi & Co. on which, SNK & Co. has placed reliance for the purpose of this report. The financial statements of these subsidiaries reflect Group's share of total assets of Rs. 33,913.78 million as at September 30, 2007 and Group's share of total revenue of Rs. 14,311.36 million for the six months ended on that date.

5. The financial statements of certain subsidiary companies have been reviewed by a firm of accountants, other than us. The financial statements of these subsidiaries reflect Group's share of total assets of Rs. 36,731.60 million as at September 30, 2007 and Group's share of total revenue of Rs. 17,250.81 million for the six months ended on that date. These financial statements have been accepted without verification by us and hence this review report insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on these financial statements.

6. The financial statements of certain subsidiary companies, whose financial statements reflect Group's share of total assets of Rs. 8,261.55 million as at September 30, 2007 and Group's share of total revenues of Rs. 3,829.94 million for the six months ended on that date, have been certified by management and have been accepted without verification by us. Further, the financial statements of an associate company, whose financial statements reflect Group's share of profits after taxes of Rs. 5.40 million for the six months ended on September 30, 2007 and a goodwill disclosed in the notes to accounts, of Rs. 19,574.99 million as at June 6, 2007(date of settlement of takeover offer), have been certified by management and have been accepted without verification by us. Hence, this review report insofar as it relates to the amounts in respect of these subsidiaries and an associate included in the unaudited consolidated financial statements, is based solely on these management certified financial statements.

7. Other than matters mentioned in paragraph 6 above, we report that the unaudited consolidated financial statements have been prepared by the Group management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements and Accounting Standards (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

8. Based on our review conducted as above, other than matters indicated in Paragraph 6 above, nothing has come to our notice that causes us to believe that the accompanying consolidated financial statements prepared in accordance with recognition and measurement principles laid down in Accounting Standard 25 "Interim Financial Reporting" and other recognised accounting practices and policies do not give a true and fair view in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India.

For **SNK & Co.**
Chartered Accountants

per **Jasmin B. Shah**
Partner
Membership No: 46238
Pune
December 1, 2007

For **S.R. BATLIBOI & Co**.
Chartered Accountants

per **Arvind Sethi**
Partner
Membership No: 89802
Pune
December 1, 2007

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 2007

All amounts in Rupees Millions, unless otherwise stated

	Particulars	Schedule	As at September 30, 2006 Rs. Million	As at September 30, 2007 Rs. Million	As at September 30, 2007 $ Million
I.	**Sources of Funds**				
	1. Share Holders' Funds				
	(a) Share Capital	A	3,026.60	2,879.75	72.45
	(b) Share Application Money Pending Allotment		50.30	9.16	0.23
	(c) Employee Stock Options	B	118.49	83.83	2.11
	(d) Management Option Certificates issued by Subsidiary Company		-	756.38	19.03
	[See Schedule P,Note(6)(g)]				
	(e) Reserves and Surplus	C	26,928.81	35,971.35	904.91
			30,124.20	**39,700.47**	**998.73**
	2. Preference Shares Issued by Subsidiary Company [See Schedule P,Note(6)(i)]		25.00	25.00	0.63
	3. Minority Interest		116.79	198.27	4.99
	4. Loan Funds				
	(a) Secured Loans	D	10,539.30	86,433.74	2,174.43
	(b) Unsecured Loans	E	28,326.09	17,096.03	430.09
			38,865.39	103,529.77	2,604.52
	5. Deferred Tax Liability (Net)		157.77	197.47	4.97
	Total		**69,289.15**	**143,650.98**	**3,613.84**
II.	**Application of Funds**				
	1. Fixed Assets	F			
	Gross Block		37,518.56	47,137.60	1,185.86
	Less - Accumulated Depreciation		6,110.66	8,146.03	204.93
	Net Block		31,407.90	38,991.57	980.93
	Capital work in progress		3,756.90	8,444.88	212.45
			35,164.80	**47,436.45**	**1,193.38**
	2. Preoperative Expenses, pending allocation		**140.12**	**161.90**	**4.07**
	3. Investments	G	**92.66**	**25,117.39**	**631.88**

Particulars	Schedule	As at September 30, 2006 Rs. Million	As at September 30, 2007 Rs. Million	As at September 30, 2007 $ Million
4. Current Assets, Loans and Advances	H			
(a) Inventories		25,976.84	33,565.46	844.40
(b) Sundry Debtors		21,486.95	35,799.10	900.60
(c) Cash and Bank Balances		7,323.57	37,889.72	953.20
(d) Loans and Advances		7,311.67	11,660.96	293.36
		62,099.03	118,915.24	2,991.56
Less : Current Liabilities and Provisions	I			
(a) Current Liabilities		24,530.85	43,125.85	1,084.93
(b) Provisions		3,676.61	4,854.15	122.12
		28,207.46	**47,980.00**	**1,207.05**
Net Current Assets		**33,891.57**	**70,935.24**	**1,784.51**
5. Miscellaneous Expenditure (To the extent not written off or adjusted)	**J**	**-**	**-**	**-**
		69,289.15	**143,650.98**	**3,613.84**
Significant Accounting Policies and Notes to the Consolidated Financial Statements	P			

The schedules referred to above and the notes to accounts form an integral part of the Consolidated Balance Sheet.

As per our report of even date

For SNK & Co.
Chartered Accountants

per **Jasmin B. Shah**
Partner
M.No. 46238

Pune
Date: December 01, 2007

For S. R. BATLIBOI & Co.
Chartered Accountants

per **Arvind Sethi**
Partner
M.No. 89802

Pune
Date: December 01, 2007

For and on behalf of the Board of Directors

Tulsi R. Tanti
Chairman & Managing Director

Girish R. Tanti
Director

Pune
Date: December 01, 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED SEPTEMBER 30, 2007

All amounts in Rupees Millions, unless otherwise stated

Particulars	Schedule	April 1, 2006 to September 30, 2006 Rs. Million	April 1, 2007 to September 30, 2007 Rs. Million	April 1, 2007 to September 30, 2007 $ Million
Income				
Sales and Service Income		31,559.07	55,859.24	1,405.26
Other Income	K	247.60	960.95	24.17
		31,806.67	**56,820.19**	**1,429.43**
Expenditure				
Cost of Goods Sold	L	18,986.00	35,707.19	898.32
Operating and other Expenses	M	4,186.49	7,998.76	201.23
Employees' Remuneration and Benefits	N	2,855.03	4,499.22	113.19
Financial Charges	O	974.67	2,851.95	71.75
Depreciation	F	775.50	1,168.42	29.39
Preliminary Expenditure Written Off	J	11.63	-	-
		27,789.32	**52,225.54**	**1,313.88**
Profit Before Taxes		**4,017.35**	**4,594.65**	**115.55**
Current Tax		806.67	709.41	17.85
Less: MAT Credit Entitlement		-	(307.03)	(7.72)
Earlier Year - Current Tax		-	(0.06)	-
Deferred Tax		(134.11)	(7.37)	(0.19)
Fringe Benefit Tax		13.79	21.73	0.55
		686.35	**416.68**	**10.49**
Profit after Tax		**3,331.00**	**4,177.97**	**105.06**
Add Share in Associate's profit after tax		-	5.40	0.14
Less: Share of profit of Minority		(24.61)	(47.47)	(1.19)
Net Profit after share in Associate's Profit and Minority Interest		**3,306.39**	**4,135.90**	**104.01**
Balance brought forward		7,948.07	11,630.38	292.59
Profit Available for Appropriations		**11,254.46**	**15,766.28**	**396.60**
Proposed Dividend on Equity Shares		5.63	-	-
Dividend on Preference Shares		1.00	-	-
Tax on Dividends		3.72	-	-
		10.35	-	-

Particulars	Schedule	April 1, 2006 to September 30, 2006 Rs. Million	April 1, 2007 to September 30, 2007 Rs. Million	April 1, 2007 to September 30, 2007 $ Million
Balance Carried to Balance Sheet		**11,244.11**	**15,766.28**	**396.60**
Earnings Per Share (in Rs.)				
Basic (Nominal Value of shares Rs.10 (Previous period Rs.10))		11.46	14.36	0.36
[See Schedule P,Note(8)]				
Diluted (Nominal Value of shares Rs.10 (Previous period Rs.10))		11.44	14.14	0.36
[See Schedule P,Note(8)]				
Significant Accounting Policies and Notes to the Consolidated				
Financial Statements	P			

The schedules referred to above and the notes to accounts form an integral part of the Consolidated Balance Sheet.

As per our report of even date

For SNK & Co.
Chartered Accountants

per **Jasmin B. Shah**
Partner
M.No. 46238

Pune
Date: December 01, 2007

For S. R. BATLIBOI & Co.
Chartered Accountants

per **Arvind Sethi**
Partner
M.No. 89802

Pune
Date: December 01, 2007

For and on behalf of the Board of Directors

Tulsi R. Tanti
Chairman & Managing Director

Girish R. Tanti
Director

Pune
Date: December 01, 2007

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES
Schedules annexed to and forming part of the Consolidated Balance Sheet

All amounts in Rupees Millions unless otherwise stated

Particulars	As at September 30, 2006 Rs. Million	As at September 30, 2007 Rs. Million	As at September 30, 2007 $ Million
Schedule - A : Share Capital			
Authorised			
430,000,000 (330,000,000) Equity Shares of Rs 10/- each	3,300.00	4,300.00	108.18
1,500,000 (11,500,000) Preference Shares of Rs 100/- each	1,150.00	150.00	3.77
	4,450.00	**4,450.00**	**111.95**
Issued, Subscribed			
Equity			
287,975,480 (287,659,680) Equity Shares of Rs. 10 each fully paid [Of the above Equity Shares, 251,855,300 (251,855,300) shares were allotted as fully paid Bonus Shares by utilisation of Rs. 1740.40 million (Rs. 1740.40 million) from General Reserve, Rs.10.25 million (Rs. 10.25 million) from Capital Redemption Reserve and Rs.768.00 million (Rs. 768.00 million) from Securities Premium Account.]	2,876.60	2,879.75	72.45
Preference			
NIL (1,500,000) 10% Cumulative Redeemable Preference Shares of Rs. 100/- each fully paid up [See Schedule P, Note (6) (h)]	150.00	-	-
Total	**3,026.60**	**2,879.75**	**72.45**
Schedule - B : Employee Stock Options			
Employee Stock Options Outstanding	192.16	103.23	2.60
Less: Deferred Employee Compensation Expense Outstanding	73.67	19.40	0.49
Total	**118.49**	**83.83**	**2.11**
Schedule - C : Reserves and Surplus			
Capital Reserve on Consolidation	**0.31**	**0.31**	**0.01**
Securities Premium Account			
As per last Balance Sheet	13,110.26	13,226.94	332.75
Add : Addition during the period	64.15	105.35	2.65
Less : Zero Coupon Convertible Bonds issue expenses	-	133.77	3.37
	13,174.41	**13,198.52**	**332.03**
General Reserve			
As per last Balance Sheet	3,158.49	6,263.50	157.57
Less: Adjustment for Employee Benefits provision	26.28	-	-
	3,132.21	**6,263.50**	**157.57**

Particulars	As at September 30, 2006 Rs. Million	As at September 30, 2007 Rs. Million	As at September 30, 2007 $ Million
Foreign Currency Translation Reserve			
Exchange differences during the period on net investment in Non-integral operations	(622.23)	592.74	14.93
Capital Redemption Reserve	-	150.00	3.77
Profit and Loss Account	**11,244.11**	**15,766.28**	**396.60**
Total	**26,928.81**	**35,971.35**	**904.91**
Schedule - D : Secured Loans			
Term Loans			
From Bank and Financial Institutions [See Schedule P, Note (6) (I)(i)]	3,589.88	75,021.01	1,887.32
From Others [See Schedule P, Note (6) (I)(ii)]	1,552.69	303.02	7.62
	5,142.57	**75,324.03**	**1,894.94**
Working Capital Facilities from Banks and Financial Institutions [See Schedule P, Note 6 (I)(iii)]	**5,395.81**	**11,109.26**	**279.48**
Vehicle Loans	0.92	0.45	0.01
[See Schedule P, Note 6 (I)(iv)]			
Total	**10,539.30**	**86,433. 74**	**2,174.43**
Schedule - E : Unsecured Loans			
Long Term			
Zero Coupon Convertible Bonds [[See Schedule P,Note(6)(c)]	-	11,954.25	300.74
From Banks and Financial Institutions	26,336.96	30.92	0.78
From other than Banks	258.34	148.38	3.73
	26,595.30	**12,133.55**	**305.25**
Short Term			
From Banks and Financial Institution	82.00	4,944.15	124.38
From other than Banks	1,648.79	18.33	0.46
	1,730.79	**4,962.48**	**124.84**
Total	**28,326.09**	**17,096.03**	**430.09**

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES

Schedules annexed to and forming part of the Consolidated Balance Sheet

All amounts in Rupees Millions, unless otherwise stated

Schedule F - Fixed Assets

Assets	Gross Block				Depreciation				Net Block	
	As at April 1, 2007 Rs. Million	Additions Rs. Million	Deductions Rs. Million	As at September 30,2007 Rs. Million	As at April 1, 2007 Rs. Million	For the Period Rs. Million	Deductions Rs. Million	As at September 30,2007 Rs. Million	As at September 30,2007 Rs. Million	As at September 30,2007 $ Million
Goodwill on Consolidation	17,643.24	-	-	17,643.24	-	-	-	-	17,643.24	443.86
Freehold Land	631.30	794.72	-	1,426.02	-	-	-	-	1,426.02	35.87
Leasehold Land	156.10	0.03	-	156.13	4.52	1.46	-	5.98	150.15	3.78
Building	6,773.20	374.99	253.90	6,894.29	628.58	160.94	3.94	785.58	6,108.71	153.68
Plant and Machinery	14,964.00	2,717.12	52.88	17,628.24	4,965.20	760.85	50.89	5,675.16	11,953.08	300.71
Wind Research and Measuring Equipments	174.42	10.73	0.49	184.66	107.50	18.44	0.46	125.48	59.18	1.49
Computers and Office Equipments	1,779.08	232.25	35.77	1,975.56	867.70	148.34	7.37	1,008.67	966.89	24.32
Furniture and Fixtures	436.12	87.88	0.05	523.95	162.23	35.94	0.02	198.15	325.80	8.20
Vehicles	106.35	34.25	-	140.60	52.22	9.20	-	61.42	79.18	1.99
Intangible Assets										
Design and Developments/ Software	546.88	18.20	0.17	564.91	227.80	57.82	0.03	285.59	279.32	7.03
Total	**43,210.69**	**4,270.17**	**343.26**	**47,137.60**	**7,015.75**	**1,192.99**	**62.71**	**8,146.03**	**38,991.57**	**980.93**
Capital Work-in-Progress	-	-	-	-	-	-	-	-	8,444.88	212.45
Total	**43,210.69**	**4,270.17**	**343.26**	**47,137.60**	**7,015.75**	**1,192.99**	**62.71**	**8,146.03**	**47,436.45**	**1,193.38**
As at September 06 (in US $)	158.20	787.15	1.49	943.86	38.53	115.59	0.39	153.73	884.65	
As at September 06 (in INR)	6,288.52	31,289.14	59.20	37,518.56	1,531.45	4,594.52	15.46	6,110.66	35,164.80	

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES

Schedules annexed to and forming part of the Consolidated Balance Sheet
All amounts in Rupees Millions, unless otherwise stated

Particulars	As at September 30, 2006 Rs. Million	As at September 30, 2007 Rs. Million	As at September 30, 2007 $ Million
Schedule - G : Investments			
Long Term Investments			
(A) In Associates [See Schedule P,Note 5 & 6 (b)]			
Investment in Associates	-	25,105.48	631.58
Add: Share of post acquistion Profit	-	5.40	0.14
	-	**25,110.88**	**631.72**
(B) Others (at cost, fully paid)			
(i) Government and Other Securities (Non Trade)	0.33	0.40	0.01
(ii) Trade Investments *	60.00	-	-
(iii) Other than Trade Investments	32.33	6.11	0.15
	92.66	6.51	0.16
* Amount below Rs.0.10 million			
Total Investments	**92.66**	**25,117.39**	**631.88**
Schedule - H - Current Assets, Loans and Advances			
Current Assets			
Inventories			
Raw Materials	15,321.86	19,532.41	491.38
Semi Finished Goods, Finished Goods and Work- in- Progress	9,695.75	13,713.10	344.98
Land and Land Lease Rights	297.12	161.56	4.06
Stores and Spares	117.64	158.39	3.98
Project Work in Progress	544.47	-	-
	25,976.84	**33,565.46**	**844.40**
Sundry Debtors (Unsecured)			
Outstanding for a period exceeding six months			
- Considered Good	6,405.57	8,386.58	210.98
- Considered Doubtful	82.54	170.52	4.29
	6,488.11	8,557.10	215.27
Others, Considered Good	15,081.38	27,412.52	689.62
	21,569.49	35,969.62	904.89
Less : Provision for doubtful debts	82.54	170.52	4.29
	21,486.95	**35,799.10**	**900.60**
Cash and Bank Balances			
Cash on hand	9.22	11.47	0.29
Cheques on hand	-	35.75	0.90
Balances with Scheduled Banks			
- in Current Accounts	337.17	461.57	11.61
- in Term Deposit Accounts	2,484.59	1,954.62	49.17
	2,821.76	**2,416.19**	**60.78**

Particulars	As at September 30, 2006 Rs. Million	As at September 30, 2007 Rs. Million	As at September 30, 2007 $ Million
Schedule - H - Current Assets, Loans and Advances			
Balance with Non Scheduled Banks			
- in Current Accounts	2,493.89	8,084.44	203.38
- in Term Deposit Accounts	1,998.70	27,341.87	687.85
	4,492.59	35,426.31	891.23
	7,323.57	**37,889.72**	**953.20**
Loans and Advances			
(Unsecured and considered good, except otherwise stated)			
Deposits			
- With Customers as Security Deposit	319.52	357.27	8.99
- Others	554.78	631.66	15.89
Advance Income Tax (Net)	108.11	1,178.55	29.65
Advances recoverable in cash or in kind or for value to be received			
- Considered Good	6,329.26	9,493.48	238.83
- Considered Doubtful	27.01	27.01	0.68
	7,338.68	11,687.97	294.04
Less : Provision for doubtful loans and advances	27.01	27.01	0.68
	7,311.67	**11,660.96**	**293.36**
Total	**62,099.03**	**118,915.24**	**2,991.56**
Schedule - I : Current Liabilities and Provisions			
Current Liabilities			
Sundry Creditors	12,553.16	21,226.25	533.99
Acceptances	1,278.96	27.27	0.69
Other Current Liabilities	4,566.01	5,823.31	146.50
Interest accrued but not due	15.54	124.40	3.13
Advances from Customers	6,117.18	15,924.62	400.62
	24,530.85	**43,125.85**	**1,084.93**
Provisions			
Gratuity, Superannuation and Leave Encashment	104.13	370.44	9.32
Performance Guarantee, Liquidated Damages, Operation, Maintenance and Warranty	3,562.13	4,483.71	112.80
Dividend	6.63	-	-
Tax on Dividend	3.72	-	-
	3,676.61	**4,854.15**	**122.12**
Total	**28,207.46**	**47,980.00**	**1,207.05**
Schedule - J: Miscellaneous Expenditure			
(To the extent not adjusted or written off)			
Preliminary Expenses	8.49	-	-
Add : Addition during the period	3.14	-	-
Less : Written off during the period	11.63	-	-
Total	**-**	**-**	**-**

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES

Schedules annexed to and forming part of the Consolidated Profit and Loss Account

All amounts in Rupees Millions, unless otherwise stated

Particulars	April 1, 2006 to September 30, 2006 Rs. Million	April 1, 2007 to September 30, 2007 Rs. Million	April 1, 2007 to September 30, 2007 $ Million
Schedule - K : Other Income			
Interest Received			
From Banks	48.98	560.13	14.09
From Others	128.76	301.69	7.59
Dividends	0.02	-	-
Miscellaneous Income	69.84	99.13	2.49
Total	**247.60**	**960.95**	**24.17**
Schedule - L : Cost of Goods Sold			
Raw Materials Consumed, including projects business and traded goods :			
Opening Stock	10,430.31	16,933.10	425.99
Add : Purchases including purchases for projects business' and traded goods	30,969.50	39,947.15	954.65
	41,399.81	54,880.25	1,380.64
Less : Closing Stock	15,321.86	19,690.80	495.36
	26,077.95	**35,189.45**	**885.28**
(Increase) / Decrease in Stocks:-			
Opening Balance:			
Semi Finished Goods, Finished Goods and Work- in- Progress	2,506.79	14,228.00	357.94
Land and Land Lease Rights	394.13	164.40	4.14
	2,900.92	**14,392.40**	**362.08**
Closing Balance:			
Semi Finished Goods, Finished Goods and Work- in- Progress	9,695.75	13,713.10	344.98
Land and Land Lease Rights	297.12	161.56	4.06
	9,992.87	13,874.66	349.04
(Increase) / Decrease in Stock	**(7,091.95)**	**517.74**	**13.04**
Total	**18,986.00**	**35,707.19**	**898.32**

Particulars	April 1, 2006 to September 30, 2006 Rs. Million	April 1, 2007 to September 30, 2007 Rs. Million	April 1, 2007 to September 30, 2007 $ Million
Schedule - M : Operating and other Expenses			
Stores and Spares	416.07	745.88	18.76
Power and Fuel	141.63	185.74	4.67
Factory Expenses	129.26	91.68	2.31
Repairs and Maintenance			
Plant and Machinery	4.53	18.10	0.46
Building	25.40	25.88	0.65
Others	33.64	46.18	1.16
Design change and Technological Upgradation Charges	57.35	827.71	20.82
Operation and Maintenance Charges	70.63	753.71	18.96
Insurance	91.82	157.64	3.97
Quality Assurance Expenses	36.05	27.80	0.70
R & D, Certification and Product Development	137.42	48.44	1.22
Rent	71.40	227.22	5.72
Rates and Taxes	76.72	41.42	1.04
Provision for Operation, Maintenance and Warranty	35.25	71.45	1.80
Provision For Performance Guarantee	519.51	633.47	15.94
Advertisement and Sales Promotion	128.79	149.52	3.76
Infrastructure Development Expenses	11.05	85.84	2.16
Freight Outward and Packing Expenses	796.80	1,916.09	48.20
Sales Commission	31.12	36.12	0.91
Travelling, Conveyance and Vehicle Expenses	354.47	579.18	14.57
Communication Expenses	83.53	155.67	3.92
Auditors' Remuneration	14.50	36.76	0.92
Consultancy Charges	288.37	421.46	10.60
Charity and Donations	80.00	62.00	1.56
Other Selling and Administrative Expenses	369.04	912.86	22.97
Exchange Differences, net	171.50	(341.10)	(8.58)
Provision for doubtful debts and advances	13.04	74.84	1.88
Bad Debts written off	-	1.85	0.05
Loss on Assets Sold / Discarded, net	(2.40)	5.35	0.13
Total	**4,186.49**	**7,998.76**	**201.23**
Schedule - N : Employees' Remuneration and Benefits			
Salaries, Wages, Allowances and Bonus	2,775.79	4,255.15	107.05
Contribution to Provident and Other Funds	33.34	134.63	3.39
Staff Welfare Expenses	45.90	109.44	2.75
Total	**2,855.03**	**4,499.22**	**113.19**
Schedule - O : Financial Charges			
Interest			
Fixed Loans	109.01	1,725.49	43.41
Others	804.01	740.08	18.62
Bank Charges	61.65	386.38	9.72
	974.67	**2,851.95**	**71.75**
Total	**2,775.79**	**4,255.15**	**107.05**

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES

Consolidated Cash Flow Statement for the Period Ended September 30, 2007

All amounts in Rupees Millions, unless otherwise stated

Particulars	April 1, 2006 to September 30, 2006 Rs. Million	April 1, 2007 to September 30, 2007 Rs. Million	April 1, 2007 to September 30, 2007 $ Million
A. CASH FLOW FROM OPERATING ACTIVITIES	**4,017.35**	**4,594.65**	**115.55**
Profit before taxation, Share of profit of Associates and Minority Interest			
Adjustments for:			
Depreciation	775.50	1,168.42	29.39
Loss (Profit) on Sale / disposal of Assets	(2.40)	5.35	-
Preliminary Expenses incurred	(3.14)	-	-
Preliminary Expenses Written Off	11.63	-	-
Interest Expenses	913.02	2,465.57	62.03
Interest Income	(177.74)	(861.82)	(21.68)
Dividend Income	(0.02)	-	-
Provision (reversal) for Doubtful Debts/ Loans	13.04	74.84	1.88
Employee stock option scheme	47.56	20.44	0.51
Adjustments for consolidation	(564.43)	638.85	16.07
Provision for operation maintenance and warranty	35.25	71.45	1.80
Provision for power generation	519.51	633.47	15.94
Operating Profit before Working Capital Changes	**5,585.13**	**8,811.22**	**221.62**
Movements in Working Capital :			
(Increase)/Decrease in loans and advances	(400.48)	(3,648.20)	(91.78)
(Increase)/Decrease in sundry debtors	(1,501.02)	(10,161.32)	(255.63)
(Increase)/Decrease in inventories	(9,007.66)	(2,202.36)	(55.41)
Increase/(Decrease) in current liabilities	6,701.97	8,851.48	222.68
Cash (used in) / generated from operations	**1,377.94**	**1,650.82**	**41.48**
Direct Taxes Paid (net of refunds)	290.04	(753.02)	(18.94)
Net cash (used in) / from operating activities	**1,667.98**	**897.80**	**22.54**
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	(3,668.84)	(8,192.28)	(206.10)
Proceeds from sale of fixed assets	46.14	275.20	6.92
Paid for Acquisition of Subsidiaries	(25,026.37)	-	-
Paid for Acquisition of Associates	(24,956.29)	(627.83)	
Purchase of Investments	(16.56)		
Inter-corporate deposits repaid / (granted)	(591.20)	4,433.40	111.53
Preoperative expenses incurred	(123.46)	(123.30)	(3.10)
Interest received	38.46	848.20	21.34
Dividends received	0.02	-	-
Net Cash Flow from Investing Activities	**(29,341.81)**	**(27,715.07)**	**(697.24)**

Particulars	April 1, 2006 to September 30, 2006 Rs. Million	April 1, 2007 to September 30, 2007 Rs. Million	April 1, 2007 to September 30, 2007 $ Million
C. CASH FLOW FROM FINANCING ACTIVITIES			
Issue of shares under Employee Stock Option Scheme	32.72	53.73	1.35
Share Application Money received	48.43	9.01	0.23
Share issue expenses	-	(133.77)	(3.37)
Issuance of Management Profit certificates	-	(133.65)	(3.36)
Proceeds from borrowings	31,155.97	51,909.39	1,305.90
Interest paid	(911.08)	(2,368.37)	(59.58)
Dividends paid	(736.86)	(9.10)	(0.23)
Tax on dividends paid	(106.60)	(3.20)	(0.08)
Net cash from financing activities	29,482.58	49,324.04	1,240.86
Net increase in cash and cash equivalents (A + B + C)	**1,808.75**	**22,506.77**	**566.03**
Cash and cash equivalents at the beginning of the period	**5,514.82**	**15,382.95**	**387.04**
Cash and cash equivalents at the end of the period	**7,323.57**	**37,889.72**	**953.20**
Components of cash and cash equivalents			
Cash and cheques on hand With banks	9.22	47.22	1.19
- in current account	337.17	461.57	11.61
- in Term deposit accounts	2,484.59	1,954.62	49.17
With non-scheduled banks			
- in current account	2,493.89	8,084.44	203.38
- in Term deposit accounts	1,998.70	27,341.87	687.85
	7,323.57	**37,889.72**	**953.20**

Notes:

1. Purchase of fixed assets includes payments for items in capital work in progress and advance for purchase of fixed assets.
2. Previous period's figures have been regrouped/reclassified, wherever necessary.

As per our report of even date

For **SNK & Co.**
Chartered Accountants

Jasmin B. Shah
Partner
M.No. 46238

Pune
Date: December 01, 2007

For **S. R. BATLIBOI & Co.**
Chartered Accountants

Arvind Sethi
Partner
M.No. 89802

Pune
Date: December 01, 2007

For and on behalf of the Board of Directors

Tulsi R. Tanti
Chairman & Managing Director

Girish R. Tanti
Director

Pune
Date: December 01, 2007

SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES

SCHEDULE P: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF SUZLON ENERGY LIMITED AND ITS SUBSIDIARIES FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2007 AND SEPTEMBER 30, 2006

All amounts in Rupees Million unless otherwise stated

1. Basis Of Preparation Of Consolidated Financial Statements

The accompanying consolidated financial statements are prepared under the historical cost convention, on an accrual basis of accounting in accordance with the recognition and measurement principles laid down in Accounting Standard 25 (AS 25) Interim Financial Reporting as notified by the Companies (Accounting Standards) Rules, 2006 ('the Rules'), and in conformity with accounting principles generally accepted in India ('Indian GAAP'), to reflect the financial position of the Company and its subsidiaries. However, the Company has not made certain disclosures required by Indian GAAP such as deferred tax components, derivative instruments and unhedged foreign currency exposure, post employment benefits, operating leases and significant transactions with related parties.

2. Principles Of Consolidation

The consolidated financial statements relate to Suzlon Energy Limited ('SEL' or 'the Company') and its subsidiaries (together referred to as 'Suzlon' or 'the Group'). The consolidated financial statements have been prepared on the following basis:

a) The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra group balances and intra group transactions. The unrealised profits or losses resulting from the intra group transactions have been eliminated as per Accounting Standard 21- Consolidated Financial Statements as notified by the Rules.

b) In case of associates, investments in associates are accounted for using equity method using Accounting Standard 23 ('AS 23') - Accounting for Investments in Associates in Consolidated Financial Statements as notified by the Rules.

c) The excess of the cost to the Company of its investment in the subsidiaries and associates over the Company's portion of equity on the acquisition date is recognised in the financial statements as Goodwill and is tested for impairment annually. The Company's portion of the equity at the date of acquisition is determined after realigning the material accounting policies of the subsidiaries and associates to that of the parent and adjusting the charge/(reversal) on account of realignment to the accumulated reserves and surplus of the subsidiaries at the date of acquisition.

d) The Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and necessary adjustments required for deviations, if any, are made in the consolidated financial statements and are presented in the same manner as the Company's standalone financial statements.

3. Significant Accounting Policies

a) Use of Estimates

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that may affect the reported amount of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimated.

b) Revenue Recognition

Sale of Goods

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the goods are transferred to the customer, as per the terms of the respective sales order.

In case of those sales contracts which satisfy the definition of construction contract as per Accounting Standard-7 ('AS 7'), Construction Contracts, as notified by the Rules, sales revenue is recognised in accordance with the percentage of completion method.

Power Generation Income

Power Generation Income is recognised on the basis of electrical units generated, net of wheeling and transmission loss, as applicable, as shown in the power generation reports issued by the concerned authorities.

Service and Maintenance Income

Revenue from annual service and maintenance contracts is recognised on the proportionate basis for the period for which the service is provided net of taxes.

Interest

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. In case of interest charged to customers, interest is accounted for on availability of documentary evidence that the customer has accepted the liability.

Dividend

Dividend income from investments is recognised when the right to receive payment is established.

c) Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use. Own manufactured assets are capitalised inclusive of all direct costs and attributable overheads. Capital Work in Progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertakings, pre-operative expenses are capitalised upon the commencement of commercial production.

The carrying amount of the assets belonging to each cash generating unit ('CGU') are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying amounts exceed the recoverable amount of the assets' CGU, assets are written down to their recoverable amount. Further, assets held for disposal are stated at the lower of the net book value or the estimated net realisable value.

d) Intangible Assets

Research and Development Costs

Development cost incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised over the period of expected future sales from the related project, not exceeding five years.

The carrying value of development costs is reviewed for impairment annually when the asset is not in use, and otherwise when events and changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets are recorded at the consideration paid for their acquisition. Cost of an internally generated asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

e) **Depreciation/Amortisation**

Depreciation/Amortisation is provided on management's estimate of useful lives of the fixed assets or where applicable, at rates specified by respective statutes, whichever is higher.

f) **Inventories**

Inventories of raw materials including stores, spares and consumables, packing materials; semi-finished goods; work in progress and finished goods are valued at the lower of cost or estimated net realisable value. Cost is determined on weighted average basis.

The cost of work-in-progress, semi-finished goods and finished goods includes the cost of material, labour and manufacturing overheads.

Inventories of traded goods are stated at the lower of the cost or net realisable value.

Stock of land and land lease rights is valued at lower of cost or net realisable value. Cost is determined based on weighted average basis. Net realisable value is determined by the management using technical estimates.

g) **Investments**

Long Term Investments are carried at cost. However, provision is made to recognise a decline, other than temporary, in the value of long term investments.

Current investments are carried at the lower of cost and fair value, determined on an individual basis.

h) **Foreign Currency Transactions**

Transactions in foreign currencies are normally recorded at the average exchange rate prevailing in the month during which the transaction occurred. Outstanding balances of foreign currency monetary items are reported using the period end rates.

Non-monetary items carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rate that existed, when the values were determined.

Exchange differences arising as a result of the above are recognised as income or expense in the Profit and Loss Account.

In case of forward contracts, the difference between the forward rate and the exchange rate, being the premium or discount, at the inception of a forward exchange contract is recognised as income or expense over the life of the contract. Exchange differences on such contracts are recognised in the profit and loss account in the reporting period in which the rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

The financial statements of integral foreign operations are translated as if the transactions of the foreign operations have been those of the Company itself. In translating the financial statements of a non-integral foreign operation for incorporation in financial statements, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non-integral foreign operation are translated at exchange rates at the dates of the transactions; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

i) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

j) Retirement and other employee benefits

Defined Contributions to Statutory Employee Funds are charged to the Profit and Loss Account on accrual basis.

Liabilities with regard to gratuity, where applicable, are determined under Group Gratuity Scheme with Life Insurance Corporation of India (LIC) and the provision required is determined as per actuarial valuation, as at the balance sheet date.

Contributions to Superannuation Fund with LIC through its employees' trust are charged to the profit and loss account on an accrual basis.

Short term compensated absences are provided for on the basis of estimates. Long term compensated absences are provided for based on actuarial valuation carried out by an actuary at the balance sheet date.

Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

k) Provisions, Contingent Liabilities and Contingent Assets

A provision is recognised when there is a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

Contingent Liabilities are disclosed by way of notes to the accounts.

Contingent assets are not recognised.

l) Income Tax

Tax expense for a year comprises of current tax, deferred tax and fringe benefit tax. Current tax is measured after taking into consideration, the deductions and exemptions admissible under the provisions of applicable laws.

Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are reassessed and recognised to the extent it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

Deferred tax resulting from timing differences which originate during the tax holiday period but are expected to reverse after tax holiday period is recognised in the year in which the timing differences originate, using the tax rates and laws enacted or substantively enacted by the balance sheet date.

Minimum alternative tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay income tax higher than that computed under MAT, during the period that MAT is permitted to be set off under the Indian Income Tax Act, 1961.

m) Lease Assets

Operating Leases

Assets acquired on lease, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Lease rentals are charged off to the Profit and Loss Account as incurred.

Initial direct costs in respect of assets given on lease are expensed off in the year in which such costs are incurred.

n) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for any bonus shares issued during the year and also after the balance sheet date but before the date the financial statements are approved by the Board of Directors.

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

The number of equity shares and potentially dilutive equity shares are adjusted for bonus shares as appropriate. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

o) Employee Stock Option

Stock options granted to employees under the Employees Stock Option Scheme are accounted as per the Intrinsic Value Method permitted by the "Guidance Note on Share Based Payments" issued by the ICAI. Accordingly, the excess of the market price of the shares as on the date of the grant of options over the exercise price is recognised as deferred employee compensation and is charged to profit and loss account on straight-line basis over the vesting period.

The number of options expected to vest is based on the best available estimate and are revised, if necessary, if subsequent information indicates that the number of stock options expected to vest differ from previous estimates.

4. **The list of Subsidiary Companies which are included in the consolidation and the Company's effective holdings therein are as under:**

Name of the Subsidiary	Country of Incorporation	Effective Ownership in Subsidiaries as at September 30,	
		2006	2007
AE-Rotor Holding B.V.	Netherlands	100%	100%
AE-Rotor Techniek B.V.	Netherlands	100%	100%
Suzlon Energy BV	Netherlands	100%	100%
Suzlon Energy A/S	Denmark	100%	100%
Suzlon Wind Energy Corporation	USA	100%	100%
Cannon Ball Wind Energy Park-1, LLC	USA	100%	100%
Suzlon Energy Australia Pty Limited	Australia	100%	100%
Suzlon Energy GmbH	Germany	100%	100%
Windpark Olsdorf Watt GmbH & Co KG	Germany	100%	100%
Suzlon Rotor Corporation	USA	100%	100%
Suzlon Windkraft GmbH	Germany	100%	100%
S E Drive Technik GmbH	Germany	100%	100%
Suzlon Windpark Management GmbH	Germany	100%	100%
Suzlon Energy (Tianjin) Limited	China	100%	100%
Suzlon Infrastructure Services Limited (formerly known as Suzlon Windfarm Services Limited)	India	100%	100%
Suzlon Towers and Structures Limited	India	100%	100%
Suzlon Generators Private Limited	India	75%	75%
Suzlon Structures Private Limited	India	75%	75%
Suzlon Gujarat Windpark Limited	India	100%	100%
Suzlon Power Infrastructure Private Limited	India	100%	100%
Suzlon Engitech Private Limited	India	100%	100%
SE Forge Limited	India	100%	100%
Suzlon Towers International Limited	India	-	100%
Suzlon Rotor International Limited	India	-	100%
Suzlon Wind International Limited	India	-	100%
Eve Holding NV	Belgium	100%	100%
Hansen Transmissions International NV	Belgium	100%	100%
Hansen Transmissions Limited	United Kingdom	100%	100%
Hansen Transmissions South Africa Private Limited	South Africa	100%	100%
Hansen Transmissions Pty Limited	Australia	100%	100%
Hansen Transmissions Inc.	USA	100%	100%
Hansen Transmissions Mechanicas Ltda	Brazil	100%	100%
Hansen Transmissions Tianjin Industrial Gearboc Co. Limited	China	100%	100%
Suzlon Energy Italy Srl	Italy	-	100%
Suzlon Energy Portugal-Energia Eolica Unipessoal Ltda	Portugal	100%	100%
Suzlon Energia Eolica do Brazil Ltda	Brazil	100%	100%
Suzlon Energy Korea Co Limited	Republic of South Korea	100%	100%
Suzlon Wind Energy A/S	Denmark	100%	100%
Suzlon Energy Limited, Mauritius	Mauritius	100%	100%
Suzlon Wind Energy Limited	United Kingdom	100%	100%
Suzlon Windenergie GmbH	Germany	-	100%
Hansen Drives Limited	India	-	100%
Suzlon Wind Energy Espana, S.L	Spain	-	100%

5. The details of the Company's ownership interest in associate, which have been included in the consolidation are as follows :-

Name of Company	% Shares Held	Original Cost of Investment	Goodwill/ (Capital Reserve)	Accumulated Profit/(Loss) as at 30.06.07*	Carrying Amount of Investments as at 30.09.07
REpower Systems AG, Germany	33.85	25,105.48	19574.99	5.40	25,110.88

**Refer point no. 6(b)*

6. OTHER NOTES

a) The Company through its subsidiary, AE-Rotor Holding B.V., the Netherlands ('AE-Rotor') has on May 9, 2006, purchased 100% of the share capital of Eve Holding NV, Belgium ('Eve Holding') for a consideration of Rs.2,5026.40 million. By virtue of the acquisition of Eve Holding by AE-Rotor, the Company has 100% ownership of Hansen Transmissions International NV, Belgium ('Hansen') along with its subsidiaries, which are engaged in the business of design, development, manufacturing and supply of industrial and wind gear boxes and is the second largest wind energy gearbox manufacturer in the world. The consolidated financial figures for the half year ended September 30, 2006 include the financial figures of Eve Holding from May 9, 2006. Accordingly, the consolidated financial results for the half year ended September 30, 2007 are to that extent not comparable with the consolidated financial figures of the prior periods presented.

b) The Company has through its subsidiaries purchased 33.85% stake in REpower Systems AG ('REpower') for a consideration of approximately Euro 453 Million and simultaneously also has voting pooling agreements with Areva and Martifer who in aggregate hold approximately 53.25 % on June 6, 2007, the date of final settlement of the takeover offer. Since REpower is a listed entity in Germany, the Company has been informed that, REpower is restrained from sharing any information with external parties before they are made available to all the shareholders of REpower. In order to smoothen the process of combination of the financials of REpower with Suzlon Energy Limited, and based on the guidance provided in the relevant accounting standards issued by the Institute of Chartered Accountants of India, it has been proposed to combine the financials of REpower with a three-month lag to that of Suzlon Energy Limited and it is intended that the same will be followed on a consistent basis in future. Accordingly, since the financials of REpower for the quarter ended September 30, 2007 have not been adopted by the Board of REpower and made available to its shareholders, the same have not been considered in the consolidated results for the half year ended September 30, 2007. However, results for the period from June 6, 2007 to June 30, 2007 have been consolidated in the results for the half year ended September 30, 2007 using equity method of accounting. Accordingly, the consolidated financial results for the half year ended September 30, 2007 are to that extent not comparable with the consolidated financial figures of the prior periods presented.

c) During the half year ended September 30, 2007, the Company has made an issue of zero coupon convertible bonds aggregating USD 300 Million (Rs.12, 237.00 million) comprising of 300,000 Zero Coupon Convertible Bonds due 2012 of US$ 1,000 each ('Phase I Bonds')of which are:

1) convertible by the holders at any time on or after July 22, 2007 but prior to close of business (at the place the bonds are deposited for conversion) on June 5, 2012. Each bond will be converted into 22.68 fully paid up equity share with par value of Rs.10 per share at an initial conversion price of Rs.1,800 per share at a fixed exchange rate conversion of Rs.40.83 = USD 1.

2) convertible in whole but not in part at the option of the Company at any time on or after June 11, 2009 subject to satisfaction of certain conditions mentioned in the offering circular.

3) redeemable in whole but not in part at the option of the Company at any time at the option of the Company if less than 10 percent of the aggregate principal amount of the Bonds originally issued is outstanding, subject to satisfaction of certain conditions mentioned in the offering circular.

4) redeemable on maturity date at 145.23 % of its principal amount if not redeemed or converted earlier

The Company has on October 10, 2007, made an additional issue of zero coupon convertible bonds aggregating USD 200 Million (Rs.7, 862.00 million) comprising of 200,000 Zero Coupon Convertible Bonds due 2012 of US$ 1,000 each ('Phase II Bonds') of which are:

1) convertible by the holders at any time on or after November 20, 2007 but prior to close of business (at the place the bonds are deposited for conversion) on October 4, 2012. Each bond will be converted into 21.44 fully paid up equity share with par value of Rs.10 per share at an initial conversion price of Rs.1,859.40 per share at a fixed exchange rate conversion of Rs.39.87 = USD 1.

2) convertible in whole but not in part at the option of the Company at any time on or after October 10, 2009 subject to satisfaction of certain conditions mentioned in the offering circular.

3) redeemable in whole but not in part at the option of the Company at any time at the option of the Company if less than 10 percent of the aggregate principal amount of the Bonds originally issued is outstanding, subject to satisfaction of certain conditions mentioned in the offering circular.

4) redeemable on maturity date at 144.88 % of its principal amount if not redeemed or converted earlier.

The payment of premium on redemption of the Phase I Bonds is contingent in nature, the outcome of which is dependent on uncertain future events. Hence, no provision is considered in the accounts in respect of such premium for the six months amounting to USD 6,916,076 equivalent to Rs.275.58 million (Rs. Nil) at the prevailing exchange rate as on September 30, 2007.Similar to Phase I Bonds, the payment of premium on redemption of the Phase II Bonds is also contingent in nature. However, the issuance of Phase II Bonds being an event post September 30, 2007, no additional disclosures have been made in respect of Phase II Bonds in the consolidated financial statements as at September 30, 2007.

d) The Company has been facing certain issues with residents in the local region of Dhule and Sangli, in Maharashtra resulting into disruption of the smooth operations of the WTGs in these regions, which have resulted into generation shortfall from that guaranteed. The Company has during the half year ended September 30, 2007 incurred Rs.660 million of which Rs.430 million has been incurred during the quarter ended September 30, 2007 towards restoration costs of these WTGs. These costs have been included in "Operation and maintenance charges". The Company is of the opinion that this event is "force *majure*".

e) The IPO proceeds utilised till September 30, 2007 are in line with the objects of the issue as stated in the Prospectus and as approved by the members at the Annual General Meeting of the Company held on July 25, 2007.

f) Effective April 1, 2007, the Company has commenced commissioning and installation of WTGs through a subsidiary company, which earlier was done in an associate company. Certain related assets of the an associate company pertaining to this business have been transferred to the subsidiary. To that extent, the figures for the half year ended September 30, 2007 are not comparable with prior periods presented.

g) The management profit certificates ('MPC') which are redeemable in nature and which carry certain rights of dividend, aggregating Rs.756.38 million pertain to MPCs issued by AE-Rotor to certain key management personnel of Hansen. On November 16, 2007, AE-Rotor purchased all outstanding MPC and issued 8,529 shares in Hansen (which amounts to 2.18% of Hansen's share capital) against these MPC's. Accordingly, the effective holding of SEL in Hansen has reduced from 100% to 97.82%.

h) The Company has redeemed 1,500,000 10% cumulative redeemable preference shares of Rs.100/- each fully paid, during the year ended March 31, 2007.

i) 29,700 and 220,300 8% cumulative redeemable preference shares of Rs.100/- each fully paid of Suzlon Structures Private Limited ('SSPL') are redeemable at par after one year from March 29, 2005 and June 28, 2005, being the respective dates of allotment, at the option of SSPL or of the preference shareholders as the case may be. This portion represents the holding by external shareholders of SSPL only, other than the Holding Company. The portion held by the holding company of SSPL, has been netted off on consolidation.

j) During the half year ended September 30, 2007, the Company has issued and allotted 210,700 equity shares of Rs.10 each at an exercise price of Rs.255 per equity share on July 9, 2007 as per the terms of stock option plan. Consequent to this issue, the equity share capital of the Company has increased from 287,764,780 equity shares as at March 31, 2007 to 287,975,480 equity shares as at September 30, 2007.

k) The Board of Directors of the Company has, subject to approval of members, proposed to sub-divide the equity shares of the face value of Rs.10/- each in to equity shares with a face value of Rs.2/- per share. The earnings per share disclosed in these consolidated financial statements do not factor the effect of the sub-division and have been computed considering a face value of Rs.10/- per share.

l) The details of security for the Secured Loans in Consolidated Financial Statements are as follows: -

(i) Term Loans from Banks and Financial Institutions:

- Rs. 82.70 million (Rs. 94.65 million) secured by charge on certain WTG's, land and personal guarantee of directors.
- Rs. 15.90 million (Rs. 41.79 million) secured by hypothecation of stocks & debtors and on specific receivables.
- Rs. 690.73 million (Rs. 344.44 million) secured by way of mortgage of land and Building and charge on Plant & Machinery, inventory, receivables and other current assets of the company.
- Rs. 201.08 million (Rs. Nil) secured by hypothecation of plant & machinery and other fixed assets.
- Rs. 121.34 million (Rs. 811.69 million) secured by way of first charge on certain immovable and movable fixed assets and second charge on current assets.
- Rs. 372.95 million (Rs. Nil) secured by way of first charge on plant and machineries and other fixed assets and second charge on current assets.
- Rs. 221.66 million (Rs. Nil) secured by way of first charge on certain immovable & movable fixed assets and second charge on current assets and personal guarantee of directors.
- Rs. 551.63 million (Rs. Nil) secured by the whole of moveable property and assets of the company and the receivables of the power generated from windmill.
- Rs. 11,347.31 million (Rs. 2,297.31 million) first rank mortgage and floating charge on assets of the company.
- Rs. 61,415.71 million (Rs. Nil) secured against pledge of Shares of REpower Systems AG, A-E Rotor Holding B.V., S E Drive Technik GmbH, Suzlon Wind Energy Limited and Suzlon Energy Limited, Mauritius.

(ii) Term Loans from Others:

- Rs. Nil (Rs. 1,150.00 million) secured by way of first charge on certain immovable properties.
- Rs. 166.16 million (Rs. 229.63 million) secured by way of first charge on certain immovable & movable fixed assets and second charge on current assets.
- Rs. 40.93 million (Rs. 44.06 million) secured by way of charge on certain WTG's and Land.
- Rs Nil (Rs 1.51 million) first rank mortgage & floating charge on assets of the company.
- Rs. 95.93 million (Rs. 127.49 million) secured by way of first charge on certain immovable & movable fixed assets and personal guarantee of directors in certain cases.

(iii) Working Capital Facilities from Banks and Financial Institutions:

- Rs. 2,526.51 million (Rs. 5,207.70 million) secured by hypothecation of inventories, book debts and other current assets, both present & future, first charge on certain immovable fixed assets.
- Rs. 1,027.46 million (Rs. 188.11 million) secured by hypothecation of inventories, book debts and other current assets, both present & future, first charge on certain immovable certain immovable fixed assets and personal guarantee of director of the company.
- Rs. 6.15 million (Rs. Nil) secured by hypothecation of all current assets, and second charge on fixed assets of the company.
- Rs. 7,549.14 million (Rs. Nil) secured by first rank mortgage and floating charge on assets of the company.

(iv) **Vehicle loan:**

- Rs. 0.45 million (Rs. 0.92 million) secured against vehicle under Hire Purchase contract.

m) Sales do not include excise duty, service tax, sales tax or VAT charged.

n) **Employee Stock Option Scheme**

Company has issued Employee Stock Option Plan 2005 to all eligible employees during the year 2005-06. During the six months ended September 30, 2007, vesting rights were exercised by employees for shares. Further employee stock options were forfeited as certain employees resigned from the services of the Company. The movement in the stock options during the half year was as per the table below:

Options Outstanding as at April 1, 2007	630,600
Granted during the six months	Nil
Forfeited/Cancelled during the six months	7,700
Exercised during the six months	210,700
Expired during the six months	Nil
Options Outstanding as at September 30, 2007	**412,200**

o) **Provisions**

In pursuance of Accounting Standard-29 ('AS-29') "Provisions, Contingent Liabilities and Contingent Assets" as notified by the Rules, the provisions required have been incorporated in the books of accounts in the following manner: -

Particulars	**Performance Guarantee**	**Operation, Maintenance & Warranty**	**Liquidated Damages**
Opening Balance as at April 1, 2007	1,809.15	2,529.18	259.44
	(1,414.50)	(1,728.99)	(27.30)
Additions	633.47	573.80	64.54
	(519.51)	(429.20)	-
Utilisation	475.53	784.12	49.22
	(114.85)	(432.52)	-
Reversal	-	-	77.00
	-	-	(10)
Closing Balance as at September 30, 2007	**1,967.09**	**2,318.86**	**197.76**
	(1,819.16)	**(1,725.67)**	**(17.30)**

The provision for Operation, Maintenance and Warranty ('O&M') represents the expected liability on account of field failure of parts of WTG and expected expenditure of servicing the WTG's over the period of free O&M, which varies according to the terms of each sales order.

The provision for Performance Guarantee ('PG') represents the expected outflow of resources against claims for Performance shortfall expected in future over the life of the guarantee assured. The period of PG varies for each customer according to the terms of the contract. The key assumptions in arriving at the PG provision are wind velocity, plant load factor, grid availability, load shedding, historical data, wind variation factor etc.

The closing balance of the provision for O&M in the balance sheet represents the amount required for O&M for the unexpired period on WTGs on the field under warranty. The charge to the profit and loss account is the balancing figure. However, the break-up of charge to profit and loss account on account of "provision for operation, maintenance and warranty" is as under:

Particulars	April 1, 2006 to September 30, 2006	April 1, 2007 to September 30, 2007
Amount of provision required for the WTGs sold during the period (a)	429.20	573.80
Less : Utilisation against opening provision, booked by the subsidiary under various expenditure by nature (b)	393.95	502.35
Charge to profit and loss account [(c) = (a)-(b)]	35.25	71.45

Provision for Liquidated Damages ('LD') represents the expected claims which the Company may need to pay for non fulfilment of certain commitments as per the terms of the sales order. These are determined on a case to case basis considering the dynamics of each individual sales order and the factors relevant to that sale.

p) The standalone Profit & loss account includes a charge of Rs. 83.19 million (Rs. 75.73 million) on account of design change and technological upgradation and Rs. 70.25 million (Rs. 27.01 million) on account of operation & maintenance charges part of which have got eliminated on consolidation. However, the cost incurred by the subsidiary for rendering of services/affecting the sales have been booked under various expenditures by their nature.

7. Estimated amount of contracts remaining to be executed on capital accounts and not provided for, net of advances Rs. 13,585.19 million.

8. Earnings per Share (EPS)

(All amounts in Rs Million except per share data)

Pareticulars	**April 1, 2006 to September 30, 2006**	**April 1, 2007 to September 30, 2007**
Basic Earnings per share		
Net Profit after Tax and minority interest	3,306.39	4,135.90
Less : Preference dividend and tax thereon	9.70	3.00
Net Profit attributable to equity shareholders [Numerator for computation of basic and diluted EPS] (a)	**3,296.64**	**4,132.90**
Weighted average number of equity shares in calculating basic EPS **[Denominator for computation of basic EPS] (b)**	287,589,571	287,861,793
Add: Equity shares for no consideration arising on grant of Stock Options under ESOP 2005	537,482	320,798
Add: Effect of dilution on account of Zero Convertible Currency Bonds	-	4,164,809
Weighted average number of equity shares in calculating diluted EPS [Denominator for computation of Diluted EPS] (c)	288,127,052	292,347,399
Basic earning per share of face value of Rs. 10/- each (a/b *1,000,000)	**11.46**	**14.36**
Diluted earning per share of face value of Rs. 10/- each (a/c *1,000,000)	**11.44**	**14.14**

9. Managerial remuneration to Directors

Particulars	For the Period ended	
	September 30, 2006	September 30, 2007
Salaries	6.75	6.75
Contribution to Superannuation Fund	1.35	1.35
Sitting fees	0.18	0.12
Total	**8.28**	**8.22**

The directors are covered under the Company's scheme for gratuity along with the other employees of the Company. The proportionate amount of gratuity is not included in the aforementioned disclosure, as the amount attributable to directors is not ascertainable.

10. Contingent Liabilities

Particulars	As at September 30	
	2006	2007
Guarantees given on behalf of other companies in respect of loans granted to them by banks	5.99	-
Premium on redemption of Zero Coupon Convertible Bonds (See Note 6 (c))	-	275.58
Claims against the company not acknowledged as debts		
Disputed Income tax liabilities in respect of which the company has gone on appeal	-	38.43
Disputed Customs liabilities	2.50	2.50
Disputed labour cost liabilities	0.17	0.17
Disputed service tax liabilities	8.76	17.51
Disputed operation & maintenance Charges for transmission lines & feeder bays payable to Gujarat Energy Transmission Corporation Limited	-	11.17

11. Related Party Disclosures

(A) Related Parties with whom transactions have taken place during the period

a) Associates

Suzlon Infrastructure Limited (Formerly Aspen Infrastructure Limited), Sarjan Realities Limited.

b) Entities where Key Management Personnel ('KMP')/ Relatives of Key Management Personnel ('RKMP') has significant influence

Tanti Holdings Limited (Formerly known as Suzlon Capital Limited), Sugati Beach Resort Limited (Formerly known as Suzlon Hotels Limited), Sarjan Infrastructure Finance Limited, Shubh Realty (South) Private Limited, Sugati Holdings Private Limited, Kush Synthetics Private Limited, Synergy Global Private Limited, SE Energy Park Limited, Suruchi Holdings Private Limited, Sanman Holdings Private Limited, Samanvaya Holdings Private Limited, Vinod R. Tanti-HUF, Jitendra R. Tanti-HUF, Girish R. Tanti-HUF, Simran Wind Project Pvt Limited and Super Wind Project Private Limited.

c) Key Management Personnel

Tulsi R. Tanti, Girish R. Tanti.

d) Relatives of Key Management Personnel

Gita T. Tanti, Rambhaben Ukabhai, Pranav T. Tanti, Nidhi T. Tanti, Vinod R. Tanti, Jitendra R. Tanti, Sangita V. Tanti, Lina J. Tanti, Esha G. Tanti, Trisha J Tanti.

e) **Employee Funds**

Suzlon Energy Limited - Superannuation Fund

Suzlon Energy Limited - Employees Group Gratuity Scheme

Suzlon Infrastructure Services Limited (formerly Suzlon Windfarm Services Limited) - Superannuation Fund

Suzlon Towers & Structure Limited - Superannuation Fund

Suzlon Towers & Structure Limited - Gratuity Fund

Suzlon Power Infrastructure Private Limited- Superannuation Fund

Suzlon Power Infrastructure Private Limited- Employees Group Gratuity Scheme

Suzlon Generators Private Limited - Gratuity Fund

Suzlon Generators Private Limited - Superannuation Fund

Suzlon Structures Private Limited - Gratuity Fund

Suzlon Gujarat Windpark Private Limited - Superannuation Fund

(B) Transactions between the Group and related parties during the period and the status of outstanding balances as at September 30, 2007

Particulars	Associate	Entities where KMP/ RKMP has significant influence	KMP	RKMP	Employee Funds
Transactions					
Purchase of fixed assets (including Intangibles)	25.13 (9.92)				
Sale of goods	55.80	3,391.45	-	-	
	(844.80)	-	(17.68)	(17.68)	
Purchase of goods and services	1,688.47	32.54			
	(640.64)	(24.06)			
Loans / Deposit Given	2,811.90	137.50			
	(1,262.50)	(80.70)			
Interest received / receivable	149.39	37.35			
	(52.93)	(35.53)			
Rent / Hotel charges paid	12.34	0.08	0.03	0.30	
		(0.15)	(0.03)		
Managerial Remuneration			8.10	1.69	
			(8.10)	(0.28)	
Contribution to various funds					26.27
					(18.81)

(B) **Transactions between the Group and related parties during the period and the status of outstanding balances as at September 30, 2007**

Particulars	Associate	Entities where KMP/ RKMP has significant influence	KMP	RKMP	Employee Funds
Outstanding Balances					
Investments	-	-			
	(60.00)	(8.70)			
Advances from Customers	-		7.50	7.50	
Sundry Debtors	46.32	2,204.87			
	(1,023.57)		(14.14)	(14.14)	
Loans/Deposits outstanding	27.60				
	(1,636.71)	(802.70)			
Advances/Deposits to Supplier	24.19	10.00			
	(0.14)				
Sundry Creditors	314.32			0.47	
	(49.93)	(22.99)			

12. **Disclosure as required by Clause 32 of Listing Agreement with Stock Exchanges**

Type Relationship	Name	Amount of Outstanding as at September, 30 2007	Maximum amount outstanding during the period
Associates	Suzlon Infrastructure Limited (Formerly Aspen Infrastructure Limited)	- (382.50)	2,985.00 (382.50)
		-	1,712.31
	Sarjan Realities Limited	(1,254.21)	(1,254.21)
Companies in which directors are interested	Shubh Realities (South) Private Limited	- (782.20)	894.70 (782.20)
	Sarjan Infrastructures Finance Ltd.	-	-
		(20.50)	(21.80)

13. **Segment Reporting**

Suzlon's operations primarily relate to manufacture and sale of WTGs and gearboxes. Others primarily consist of sale/sub-lease of land, infrastructure development income and power generation income.

The accounting principles consistently used in the preparation of financial statements are also consistently applied to record income and expenditure in individual segments. These are set out in the note on significant accounting policies.

(a) Primary Segment **All Figures in Rs. Million**

Particulars	**Period ended September 30, 2006**					**Period ended September 30, 2007**				
	Sale of WTG	**Sale of Gear Box**	**Others**	**Eliminations**	**Total**	**Sale of WTG**	**Sale of Gear Box**	**Others**	**Eliminations**	**Total**
Total External Sales	23,598.47	7,520.00	440.60	-	31,559.07	45,703.47	9,466.99	688.78	-	55,859.24
	-	-	-	-	-					
Add: Inter Segment Sales	5.70	-	-	(5.70)	-	10.01	237.50	-	(247.51)	-
	-	-	-	-						
Segment Revenue	23,604.17	7,520.00	440.60	(5.70)	31,559.07	45,713.48	9,704.48	688.78	(247.51)	55,859.24
Segment Results	3,963.85	665.80	36.00	-	4,665.65	5,971.59	506.57	11.36	6,489.52	
Add/(Less) Items to reconcile with profit as per profit and loss account										
Add / (Less) Other unallocable expenditure, net off unallocable income					(648.30)					(1,894.87)
Profit before Tax, minority interest					**4,017.35**	**-**		**-**	**-**	**4,594.65**
						-		**-**	**-**	
Provision for										
Income Tax					806.67	-		-	-	709.35
Deferred Tax					(134.11)	-		-	-	(7.37)
Fringe Benefit Tax					13.79	-		-	-	21.73
MAT Credit Entitlement						-	-	-	-	(307.03)
Total Tax					686.35	-		-	-	416.68
Profit before minority interest					**3,331.00**	**-**		**-**	**-**	**4,177.97**
Add: Share of (Profit)/loss of minority in subsidiaries					(24.61)	-		-	-	(47.47)
Add Share in Associate's profit after tax					-					5.40
Profit for the period					**3,306.39**	**-**		**-**	**-**	**4,135.90**
Segment assets	51,002.01	33,384.59	3,374.58		87,761.19	105,681.16	43,104.38	4,573.02		153,358.55
Common assets					10,161.11	-	-	-	-	39,241.40
Enterprise assets					97,922.30	-		-	-	192,599.96
Segment liabilities	23,343.71	4,749.35	295.08		28,388.14	39,234.31	8,091.69	529.60	-	47,855.60
Common liabilities					39,384.96	-	-	-	-	104,074.92
Enterprise liabilities					67,773.10	-		-	-	151,930.52

Capital expenditure during the period	2,670.68	974.77	5.15		3,650.60	2,905.40	5,115.42	198.34		8,219.16
Segment Depreciation	411.50	327.20	36.80	-	775.50	649.13	456.75	62.53	-	1,168.42
Non-cash expenses other than depreciation	0.69	10.92	0.03	-	11.63	-	-	-	-	-

Geographical Segment

Particulars	Period ended September 30, 2006						Period ended September 30, 2007					
	India	Europe	USA	China	Others	Total	India	Europe	USA	China	Others	Total
Segment revenue	15,583.10	6,540.07	8,117.13	83.00	1,235.77	31,559.07	20,570.24	9,578.85	15,683.51	2,405.97	7,620.67	55,859.24
Segment assets	44,012.10	34,068.29	7,465.76	1,580.90	634.14	87,761.19	56,708.89	73,122.05	11,740.60	7,330.57	4,456.44	153,358.55
Capital expenditure incurred	1,756.11	933.41	508.14	433.16	19.78	3,650.60	3,274.64	4,692.41	79.02	145.26	27.84	8,219.16

14. All figures have been reported in rupees million and have been rounded off to the nearest lakhs. Prior period amounts have been reclassified wherever necessary to conform to current period presentation. Figures in the brackets are in respect of the previous period.

Schedules 'A' to 'P'

As per our report of even date

SNK & Co.
Chartered Accountants

Per **Jasmin B. Shah**
Partner
M. No. 46238

Place : Pune
Date: December 1, 2007

S. R. BATLIBOI & Co.
Chartered Accountants

per **Arvind Sethi**
Partner
M. No. 89802

Place: Pune
Date: December 1, 2007

For and on behalf of the Board of Directors

Tulsi R. Tanti
Chairman and Managing Director

Girish R. Tanti
Director

Place: Mumbai
Date: December 1, 2007

REpower Systems AG

Consolidated Balance sheet

Assets	**Notes**	**31.12.2005 EUR**	**Prior year 31.12.2004 EUR**
Current assets	4.1.		
Cash and cash equivalents	4.1.1.	67,426,865	26,803,211
Interests in project companies	4.1.2.	63,100	4,438,601
Future receivables from construction contracts	4.1.3.	60,985,494	35,984,991
Trade receivables	4.1.4.	53,672,359	64,971,232
Receivables from affiliated companies	4.1.5.	229,644	141,472
Receivables from project companies	4.1.6.	536,622	392,323
Inventories	4.1.7.	34,663,184	41,945,999
Current prepaid expenses and other current assets	4.1.8.	20,697,792	30,805,405
Total current assets		**238,275,060**	**205,483,234**
Non-current assets	4.2.		
Property, plant and equipment	4.2.1.	16,819,099	55,998,320
Intangible assets	4.2.2.	1,847,531	727,831
Goodwill	4.2.3.	1,257,946	1,064,375
Investments in associates	4.2.5.	55,309	0
Other Investments	4.2.4.	611,763	649,395
Loans	4.2.6.	6,533,154	2,656,389
Deferred taxes	4.2.7.	6,587,609	1,579,896
Non-current prepaid expenses	4.2.8	3,230,215	4,208,397
Total non-current assets		**36,942,625**	**66,884,603**
Total assets		**275,217,685**	**272,367,837**

REpower Systems AG

Shareholders' equity and liabilities

	Notes	31.12.2005 EUR	Prior year 31.12.2004 EUR
Current liabilities	4.3.		
Current loans and current portion of non-current loans	4.3.1.	41,773,083	14,355,712
Trade payables		63,225,840	66,658,465
Intragroup payables		332,854	25,101
Payables to project companies		0	13,676
Advance payments received	4.3.2.	12,036,761	11,433,065
Provisions	4.3.3.	28,005,759	24,844,498
Deferred revenues	4.3.4.	72,665	311,113
Income tax liabilities	4.3.5.	1,425,194	290,976
Other current liabilities	4.3.6.	11,520,380	7,246,134
Total current liabilities		**158,392,537**	**125,178,741**
Non-current liabilities	4.4.		
Non-current loans	4.4.1.	3,315,106	34,740,800
Capital from profit participation rights	4.4.1.	10,000,000	10,000,000
Deferred taxes	4.4.2.	3,574,114	3,423,013
Total non-current liabilities		**16,889,220**	**48,163,813**
Shareholders´ equity	4.5.		
Subscribed capital	4.5.1.	5,941,198	5,401,198
Additional paid-up capital	4.5.2.	86,670,543	79,529,180
Currency translation	3.2.6.	-18,505	0
Retained earnings	4.5.3.	7,312,200	14,069,028
Minority interests	4.5.4.	30,492	25,877
Total Shareholders´ equity		**99,935,928**	**99,025,282**
Total Shareholders´ equity and liabilities		**275,217,685**	**272,367,837**

REpower Systems AG

Consolidated income statement

Total expenditure format

Income statement

	Notes	01.01.-31.12.2005 EUR	Prior year 01.01.-31.12.2004 EUR
Sales	5.1.	328,076,466	320,670,143
Changes in finished goods and work in progress		6,993,150	-19,304,923
Total performance		**335,069,615**	**301,365,220**
Other operating income	5.2.	13,781,969	7,858,167
Cost of materials/cost of purchased services	5.3.	-282,832,277	-239,577,865
Personnel expenses	5.4.	-27,314,573	-27,543,884
Depreciation on property, plant and equipment and amortisation on intangible assets		-6,578,825	-6,434,028
Amortisation of goodwill		0	-775,998
Other operating expenses	5.5.	-36,427,043	-38,449,035
Operating result		-4,301,133	-3,557,423
Income from associates	5.6.	5,309	0
Net interest expense	5.6.	-4,281,960	-3,445,804
Net income from investments	5.6.	6,478	179,729
Depreciation on financial assets and interests in project companies	5.6.	0	-234,027
Loss before taxes		**-8,571,307**	**-7,057,525**
Taxes on income	5.7	1,992,846	-2,433,972
Other taxes		-173,751	-82,583
Net loss		**-6,752,212**	**-9,574,080**
Net loss assigned to Minority interests		4,615	-171,329
Net loss assigned to shareholders		-6,756,828	-9,402,751
Loss per share	5.8	-1.19	-1.74
Average number of shares in circulation		5,693,698	5,401,198

REpower Systems AG

Cash Flow Statement

	Notes	2005 EUR	Prior year 2004 EUR
Cash flow from operating activities	10.		
Annual loss before taxes		-8,571,307	-7,057,525
Tax not paid			
Adjustments for:			
Depreciation on property, plant and equipment, amortization of intangible assets and write-down of financial assets		6,578,825	6,668,055
Amortisation of goodwill		0	775,998
Write-ups on goodwill		0	-264,844
Interest income		-1,412,532	-1,927,553
Interest expenses		5,694,493	5,397,358
Increase/reduction of provisions		3,349,261	-8,295,825
Loss from the disposal of assets		454,285	168,000
Change of working capital		2,143,139	50,926,124
Interest paid		-5,694,493	-5,397,358
Income tax paid		-1,177,564	-3,459,000
Cash flows from operating activities		**1,364,106**	**37,533,430**
Cash flow from investing activities	10.		
Payments in from the sale of assets		1,364,801	1,629,283
Payments from the sale of subsidiaries, including changes in liquid funds	2.1.4.	13,014,721	-2,456,784
Acquisition of affiliated companies, less liquid funds acquired		0	-57,697
Acquisition of assets		-11,241,794	-46,673,429
Interest received		1,412,532	1,927,553
Cash flows from investing activities		**4,550,260**	**-45,631,074**
Cash flow from financing activities	10.		
Proceeds from increases in Shareholders´ equity		7,630,363	0
Dividends to minorities		0	-250,685
Dividends to Shareholders		0	-3,240,719
Receipts from long-term loans		0	45,708,400
Payments for repaying loans		-338,446	-649,527
Cash flows from financing activities		**7,291,918**	**41,567,469**
Increase/reduction in cash and cash equivalents		**13,206,283**	**33,469,825**
Cash and cash equivalents at the beginning of the period		12,447,499	-21,022,326
Cash and cash equivalents at the end of the period		**25,653,782**	**12,447,499**
Cash in bank	10.	67,426,865	26,803,211
Short-term bank liabilities	10.	-41,773,083	-14,355,712
Cash and cash equivalents at the end of the period	**10.**	**25,653,782**	**12,447,499**

REpower Systems AG

Statement of changes in Equity

	Notes	Share capital in EUR	Additional paid-in capital in EUR	Currency translation in EUR	Retained Earnings in EUR	Minority Interests in EUR	Total in EUR
Balance at 1 January 2005		**5,401,198**	**79,529,180**	**0**	**14,069,028**	**25,877**	**99,025,282**
Capital increase	4.5.1.	540,000					540,000
Premium received on new issue	4.5.2.		6,982,200				6,982,200
Exchange differences on subsidiaries consolidated				-18,505			-18,505
Share option plans	4.5.2		159,163				159,163
Net loss for period	4.5.3.				-6,752,212		-6,752,212
Net income assigned to minority interests	4.5.4.				-4,615	4,615	0
Balance at							
31 December 2005		**5,941,198**	**86,670,543**	**-18,505**	**7,312,200**	**30,492**	**99,935,928**
Balance at 1 January 2004		**5,401,198**	**79,371,192**	**0**	**26,758,285**	**2,958,591**	**114,489,267**
Retrospective application of IFRS	4.5.1.		45,788		-45,788		0
Balance at 1 January 2004		**5,401,198**	**79,416,980**	**0**	**26,712,497**	**2,958,591**	**114,489,267**
Distribution of dividend	4.5.3.				-3,240,719	-250,685	-3,491,404
Changes in the scope of consolidation						-2,510,700	-2,510,700
Share option plans	4.5.2.		112,200				112,200
Net loss for period	4.5.3.				-9,574,080		-9,574,080
Net loss assigned to minority interests					171,329	-171,329	0
Balance at 31 December 2004		**5,401,198**	**79,529,180**	**0**	**14,069,028**	**25,877**	**99,025,282**

REpower Systems AG

Segment Reporting

	France in TEUR	England in TEUR	Other foreign countries in TEUR	Rest of world total in TEUR	Germany In TEUR	Consolidated in TEUR	Group in TEUR
Segment sales							
External business	127,079.2	43,145.6	69,588.1	239,812.9	88,263.6	-	328,076.5
Intra-segmental business	0.0	0.0	0.0	0.0	32,907.6	-32,907.6	0.0
Changes in finished goods and work in progress	-1,857.6	12,447.2	-15,675.1	-5,085.5	7,280.3	4,798.4	6,993.2
Total output	**125,221.6**	**55,592.8**	**53,913.0**	**234,727.3**	**128,451.5**	**-28,109.2**	**335,069.7**
Other operating income	52.1	0.0	1.9	54.0	12,960.7	767.2	13,782.0
Directly attributable costs	-124,622.4	-38,204.4	-37,042.1	-199,868.9	-103,667.1	20,703.7	-282,832.3
Personnel expenses	-1,303.2	-457.9	-879.3	-2,640.5	-25,754.2	1,080.1	-27,314.6
Depreciation and amortisation	-31.8	-11.4	-22.7	-65.9	-6,512.9	0.0	-6,578.8
Other operating expenses	-1,122.5	-442.5	-1,143.5	-2,708.5	-40,554.4	6,835.7	-36,427.1
Segment result	**-1,806.2**	**16,476.5**	**14,827.4**	**29,497.7**	**-35,076.3**	**1,277.6**	**-4,301.1**
Segment assets[1)]	**15,976.6**	**1,469.5**	**1,201.4**	**18,647.5**	**241,496.8**	**-72,613.8**	**187,530.6**
Reconciliation to consolidated assets							
Cash and cash equivalents							67,426.8
Taxes receivable and deferred tax assets							15,602.5
Prepaid expenses and Deferred charges							4,657.8
Total consolidated assets							**275,217.7**
Segment liabilities[2)]	18,548.9	1,148.8	440.2	20,138.0	139,172.5	-72,121.9	87,188.5
Reconciliation to total liabilites							
Bank loans and capital from profit participation rights							55,088.2
Income tax liabilities and deferred tax							4,999.3
Provisions							28,005.6
Total consolidated liabilities							**175,281.7**
Acquisition of assets	138.9	51.7	33.3		11,202.9	0.0	11,426.8
Increase in provisions	78.2	76.8	5.0		20,921.5	0.0	21,081.4

1) *Segment assets: fixed Assets, customer receivables, intragroup receivables, other receivables without tax*

2) *Segment liabilities: accounts payable to suppliers, intragroup payables, other liabilities*

REpower Systems AG

1. Introduction

The REpower Systems Group with REpower Systems AG, Hamburg as parent company operates in the fields of the manufacture and sale of wind energy turbines as well as in projects involving and providing turnkey wind parks.

The REpower Systems AG is obligated to prepare consolidated financial statements for the fiscal year ended 31 December 2005. In compliance with Article 315 a of the German Commercial Code, the consolidated financial statements for the year ended 31 December 2005 are prepared in accordance with internationally acknowledged principles in line with the International Financial Reporting Standards (IFRS, formerly International Accounting Standards, IAS) applicable in the European Union. Their application is necessary as the shares in the company are traded on an organised market as defined by Article 2 of the German Securities Trading Act. The comparative figures for the 2004 fiscal year are also stated in compliance with IFRS regulations.

2. Consolidation

2.1 Scope of consolidation

2.1.1 Companies included in the consolidation

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

	Group share of nominal capital	
	31.12.05 in %	31.12.04 in %
REpower Betriebs- und Beteiligungs GmbH, Rendsburg	100.00	100.00
Windpark Großvargula Betriebs GmbH, Breydin	100.00	100.00
Windpark Großvargula GmbH & Co. KG, Breydin[1)]	-	100.00
Marketing companies		
REpower Espana S.L., La Coruna, Spain	100.00	100.00
FEdeF S.A.S., Lyon, France	100.00	100.00
REpower S.A.S., Belfort, France	100.00	100.00
REpower Diekat, Athens, Greece	60.00	60.00
REpower UK Ltd., Edinburgh, United Kingdom	67.00	67.00
REpower Italia S.r.l., Milan, Italy	100.00	100.00
REpower Australia Pty Ltd., Maryborough, Australia[2)]	100.00	-

1) *This company was sold in the 2005 fiscal year.*

2) *First-time full consolidation in 2005 fiscal year.*

As interim holding companies and general partners not performing any business activities, REpower Betriebs- und Beteiligungsgesellschaft mbH, Rendsburg, and Großvargula Betriebs GmbH, own holdings in German wind park companies.

The wind park company Windpark Großvargula GmbH & Co. KG operates a wind park with sixteen wind turbines and was fully consolidated in the consolidated financial statements for the first time in the previous year. The interest in the company was sold as of 1 July 2005. At the date of disposal, the company ceased to be included in the consolidation.

There are participations in six foreign marketing companies with the purpose of marketing wind turbines in Europe.

REpower Systems AG

In the fiscal year the remaining shares in REpower Australia Pty Ltd. (previously Notus Energy Ltd.) were acquired with effect from 1 April 2005. The purchase price for the shares in REpower Australia Pty Ltd. was EUR 1.00. The companies serve to extend sales activities in the respective countries. In the 2005 fiscal year, FEdeF S.A.S. discontinued its operating activities and was liquidated in January 2006.

2.1.2 Investments measured at equity

The following foreign investments were included in the consolidated financial statements and measured in line with the equity method:

	Group share of nominal capital	
	31.12.05 in %	**31.12.04 in %**
REpower Portugal - Sistemas éolicos, S.A. (Portugal)	50.00	-
REpower Australia Pty. Ltd., Maryborough (Australia)[1)]	-	50.00
REpower Wind Corp., Sudbury (Canada)[2)]	-	50.00
Heron Aioliki A.E., Drama (Greece)[2)]	-	49.00

1) Fully consolidated in fiscal year 2005.

2) Sold in fiscal year 2005.

The companies serve as sales companies to develop sales markets in foreign countries.

REpower Portugal was established in the fiscal year 2005. The parent company acquired and contributed a share of EUR 50,000 to the subscribed capital of the company. The company is included in the consolidated financial statements at equity.

After the acquisition of the remaining shares in REpower Australia Pty Ltd. as of 1 April 2005, the company was fully consolidated in the consolidated financial statements. The shares in REpower Wind Corp. and Heron Aioliki A.E. were sold at nominal value in the fiscal year 2005.

2.1.3 Non-consolidated companies

a) Non-consolidated associated companies

The following subsidiaries were not included in the companies consolidated in the annual financial statements for reasons of materiality. The results for the fiscal years 2005 and 2004 are disclosed below to illustrate the situation of these subsidiaries.

		Investment	Result	
		Holding in %	**31.12.05 in TEUR**	**31.12.04 in TEUR**
1	BWU Projekt GmbH, Trampe	100.00	*)	-0.7
2	Eolis S.A.R.L. (France)	100.00	*)	-5.3

**) Annual financial statements as of 31.12.05 not yet available.*

REpower Systems AG

b) Investments not measured at equity

In the consolidated financial statements, the following investments were not measured in line with the equity method for reasons of materiality. They were carried at cost:

		Investment	Result	
		Holding in %	31.12.05 in TEUR	31.12.04 in TEUR
1	Energy Wind Czech s.r.o., (Czech Republic)	50.00	*)	-18.7
2	Umweltprojekt Management GmbH, Trampe[1)]	50.00	--	-0.4
3	Sister-Sistemas e Technologia de Energias renováveis Lda[2)]	37.50	*)	--
4	Windpark Finsterwalde GmbH, Finsterwalde	30.00	*)	92.2
5	PROKON Kooperationsgesellschaft mbH & Co KG, Itzehoe[1)]	25.10	--	**)
6	REpower Geothermie GmbH, Trampe	19.90	*)	3.9
7	Wasserkraft Finowkanal GmbH, Trampe	19.40	*)	-22.0

1) The shares in the company were sold in fiscal year 2005.

2) This company was founded in fiscal year 2005.

**) Annual financial statements as of 31.12.2005 not yet available.*

***) Annual financial statements as of 31.12.2004 not yet available.*

c) Non-consolidated project companies

Furthermore, the following interests in companies in which REpower Systems AG holds either a direct or indirect majority holding were disclosed as current assets as they are available for sale:

Companies	Registered office	Shareholding in %	Shareholders' equity TEUR	Result TEUR	Carrying amount 31.12.05 TEUR
Interests in project companies					
Des Aiol, Drama (Greece) *)	Greece	90.0	-84 *)	-123 *)	22
Ikarus, Drama (Greece) *)	Greece	85.0	-86 *)	-123 *)	0
EOLI Malandaux	France	5.0	**)	**)	40
Haut de Ailes	France	1.5	**)	**)	0
Repower Investitions- & Projektierungsgesellschaft mbH & Co. KG Münchberg/ Laubersreuth	Rendsburg	100.0	-6	-27	1
					63

**) Shareholders' equity and result for 2005 not yet available. Values for 2004 were therefore used.*

***) Shares acquired in 2005*

The companies serve to develop wind parks. As they are available for sale, they have not been included in the consolidation. The investment amount indicates the direct share held by REpower Systems AG.

REpower Systems AG

2.1.4 Deconsolidation

When all shares in Windpark Großvargula GmbH & Co. KG were sold, the company was removed from the consolidation.

The deconsolidation of the company had the following material impact on the balance sheet, income statement and cash flow of the Group in the reporting year.

Balance sheet

As of 1 July 2005, the deconsolidation of Windpark Großvargula GmbH & Co. KG resulted in the loss of net assets from the Group totalling EUR 7.2 million. These net assets were primarily made up as follows:

	EUR million
Property, plant and equipment (land and wind energy turbines)	36.8
Receivables and other assets	0.9
Bank balances	4.2
Liabilities due to banks	-33.3
Trade payables	-0.8
Provisions and deferred taxes	-0.6
Total	**7.2**

Income statement

The following key effects on the income statement in the reporting years resulted from the deconsolidation of Windpark Großvargula GmbH & Co. KG.

In the period between 1 January and 30 June 2005, the company generated an operating profit of EUR 1.4 million and net income for the year of TEUR 528. This earnings share increased the Group result, as the company left the Group as of 1 July 2005.

Disposals gains of EUR 0.9 million resulted from the difference between the sales proceeds of EUR 8.1 million for the shares and the carrying amount of the pro rata net assets in the amount of EUR 7.2 million lost from the REpower AG Group due to the deconsolidation.

In the previous year, the company contributed to the Group result with a break even operating result and a net loss for the year in the amount of EUR 1.3 million.

Cash flow

As a result of the deconsolidation of Windpark Großvargula GmbH & Co. KG, liquid funds of EUR 4.2 million and amounts due to banks of EUR 33.3 million left the Group as of 1 July 2005. In the fiscal year 2005, the Group received inflows of EUR 7.1 million from the purchase price for the shares in Windpark Großvargula GmbH & Co. KG.

2.2 Principles of consolidation

The capital consolidation is performed in line with the purchase method. In this process the cost of the investments acquired is offset against the pro rata shareholders' equity capital of the subsidiary attributed to the parent company at the time of acquisition. The asset differences resulting from company purchases performed before 1 April 2004 were capitalised as goodwill and then amortised pro rata over the estimated useful life of between four and five years.

As of the start of the fiscal year 2005, goodwill amortisation was abolished under IFRS 3.79. Goodwill from these transactions is no longer amortised. If goodwill is impaired in accordance with IAS 36, impairment losses are recognised on it.

REpower Systems AG

The investments contributed to the group as transactions under common control in the fiscal year 2001 were taken into the consolidated financial statement at book value. The differences between the share capital and the shareholders' equity of the subsidiaries granted within the scope of contribution were reported under capital reserves in equity.

At the date at which shares in companies included in the scope of consolidation were sold or at the date that the Group can no longer control these companies, these then are withdrawn from the scope of consolidation. As part of deconsolidation, the pro rata assets and liabilities allocated to the Group are eliminated at amortized Group carrying amounts including any goodwill. The difference between the disposal value and the disposal proceeds of the shares is recognised in income in the consolidated income statement. The income and expenses incurred from the beginning of the respective fiscal year up to the point of retirement from the scope of consolidation are recognised in the consolidated income statement.

In compliance with IAS 28, investments in associates are measured at equity. For reasons of materiality, pro rata intercompany profits are not consolidated.

Intercompany expenses and income, as well as the receivables and liabilities between the companies included in the scope of consolidation were eliminated in compliance with IAS 27.

The tax effects of consolidation adjustments with an effect on income are taken into account and deferred taxes accordingly recognised.

3. Accounting policies

3.1 General information

The consolidated financial statements of REpower Systems AG were prepared on the basis of the single entity financial statements of companies included in the consolidation converted to comply with IFRSs. The necessary consolidation accounting entries required were made. IFRS regulations for recognition and measurement were complied with.

The structure of the items shown in the balance sheet has been adapted to the format applied by the company for quarterly reporting in line with the rules and regulations of Deutsche Börse. This structure also complies with the regulations stipulated in IAS 1.

The accounting policies in the consolidated financial statements are consistent with the accounting policies applied by REpower Systems AG. The accounting policies applied in the consolidated financial statements for 2005 are unchanged as against the fiscal year 2004 - with the exception of the compulsory application of IFRSs applied for the first time in the fiscal year starting 1 January 2005. The retrospective application of these IFRSs resulted in reclassifications of the opening balance sheet value of retained earnings by TEUR 46 as of 1 January 2004. All the reclassifications relate to the carrying amount for share-based employee options due to the first-time application of IFRS 2.

In the current financial statements, the company applied all IFRSs which were endorsed by the EU as of the reporting date and which were compulsory for the fiscal year commencing on 1 January 2005. The following IFRSs have not yet been applied:

- IAS 19 Employee benefits, actuarial gains and losses, multi-employer plans
- IAS 39 Recognition and measurement, cash flow hedges of forecast intragroup transactions
- IFRS 6 Exploration for and evaluation of mineral resources
- IFRIC-4 Determining whether an arrangement contains a lease
- IFRIC-5 Rights to interests arising from decommissioning, restoration and environmental funds

The above IFRSs will be applied in the consolidated financial statements from 2006. The company does not anticipate any material impact on its net asset, financial and earnings from the first-time application of these standards.

REpower Systems AG

3.2 Accounting policies

3.2.1 Balance sheet and income statement items

Liquid funds are carried at nominal value. Amounts in foreign currency are measured as of the reporting date.

Interests in project companies are carried at fair value. It is generally assumed that the fair value is the acquisition cost.

In the case of construction contracts, profits are realised in line with the percentage-of-completion method in compliance with IAS 11, to the extent that total proceeds, total costs and the degree of completion can be reliably estimated. REpower Systems AG applies this method exclusively for contracts in which not only a specific legally effective customer contract exists on the balance sheet date, but also the order outcome as well as the expected total costs can be reliably estimated on the basis of Group budgeting and cost accounting. The degree of completion is calculated in compliance with IAS 11.22 according to the cost-to-cost method. Only the costs relating directly to the service rendered are taken into account. Borrowing costs are recognised as an expense. Advance payments received for contracts are deducted directly from the balance sheet item at nominal value.

Trade receivables are carried at amortised cost, taking all identifiable risks into account for which specific valuation allowances are recognised.

Other current assets, intragroup receivables, receivables from project companies as well as prepaid expenses and deferred charges are measured at the lower of amortised cost or carrying value at the reporting date.

Inventories comprise raw materials and supplies, work in progress as well as advance payments on inventories. Raw materials and supplies are carried at cost. In compliance with IAS 2, work in progress for which no legally effective, customer-specific order exists is measured at cost. Advance payments on inventories are reported at nominal amount.

Interests in project companies which are available for sale are measured at fair value as of the balance sheet date.

They are thus not fully consolidated. If the sale of a wind park is not realised within a period of 12 months after being projected, the interests in this project company are fully consolidated in the financial statements.

Items of property, plant and equipment are carried at cost and depreciated on a straight-line basis over their economic life. Cost includes all expenses for purchasing the assets, insofar as these can be reliably calculated or estimated. Loan interest costs are not included.

The assessment of depreciation is based on the following estimated economic lives:

	Useful life years	**Depreciation rate in %**
Buildings	10-50	10-2
Plant and machinery	2-21	50-5
Other equipment, office and operating equipment	3-10	33-10

Acquired intangible assets are measured at cost and amortised on a straight-line basis over the respective economic life. If the following conditions are fulfilled, internally generated intangible assets are capitalised at cost and amortised over the anticipated useful life:

- The intangible asset is technically feasible and will thus be available for use;
- The intangible asset is to be completed and then used;

REpower Systems AG

- It is possible to use the intangible asset;
- The probable future benefit of the intangible asset has been demonstrated;
- There are adequate technical, financial and other resources to complete development and use the intangible asset; and
- The cost of the intangible asset can be reliably demonstrated and allocated during its development.

Until the fiscal year 2004, goodwill was amortised over a useful life ranging between four and five years. From 1 January 2005, goodwill is no longer amortised. The value of goodwill is reviewed at regular intervals. In so far as deemed necessary, permanent impairment is recognised. The following economic lives have been applied:

	Useful life years	Amortization rate in %
Land use rights	20 - 25	5 - 4
Capitalised development costs	5	20
Licences, software	3-10	33-10

Financial assets include shares in affiliated and associated companies and investments. The interests in non-consolidated affiliated companies are measured at fair value, which corresponds to cost. In compliance with IAS 28, investments in associated companies are recognised using the equity method. Other investments are measured at fair value, which corresponds to the cost of acquisition cost.

Loans also include other loans which are reported at amortised cost taking the effective market interest rate into account. Impairment losses are recognised for permanent reductions in value.

Trade receivables and loans are carried at amortised cost. As of the reporting date, valuation allowances were recognised on individual identifiable risks. The risk is assessed by management on the basis of the future cash flows anticipated from the relevant balance sheet items when the annual financial statements are prepared. If payments are regarded as improbable or an interest loss is anticipated as a result of payment delays, account is taken of these risks on the basis of a reduction in percent (specific valuation allowances). The Executive Board is of the opinion that the valuation allowances sufficiently cover the existing risks. The range of probabilities and risks cannot be assessed and stated.

In the consolidated financial statements, share options to members of corporate bodies and executives are accounted for in line with the regulations of IFRS 2. There are remuneration transactions in the form of obligations to make cash payments (cash benefits) and in the form of compensation payments by means of equity instruments (shares).

Transactions which are to be fulfilled by granting shares are measured at fair value as of the day they are granted.

The fair value of the equity instruments on the day they are granted is calculated by a valuation expert. The calculated expense is distributed over the blocking period on a straight-line basis and the personnel expenses are recognised in the additional paid-in capital of the relevant fiscal year. To the extent that share options were in place before IFRS 2 became effective on 1 January 2005, the fair value of compensatory obligations by means of equity instruments is accounted for on the basis of a retrospective adjustment of additional paid-in capital. This resulted in an adjustment of EUR 46,000 to 1 January 2004. As of 31 December 2004, there was an adjustment to personnel expenses and to additional paid-in capital of EUR 112,000.

In line with IAS 37, provisions are recognised for all identifiable obligations where it is probable that fulfilment of the obligations will result in outflows from Group resources and a reliable estimate of the

REpower Systems AG

amount of the obligation can be made. Warranty provisions are made both for individual risks and for general risks. Individual provisions are recognised for specific and individually identifiable problem cases in respect of projects or installed components. The economic risk and the level of provisioning are evaluated on an ongoing basis in coordination with the technical departments taking into account existing risks.

Provisions are recognised for general risks in relation to turbines on the basis of collective risk assessments on the basis of experience. The system for establishing collective warranty provisions is based on three elements. For turbines erected provisions are made for the anticipated actual costs per year of the warranty for the contractual warranty period. The actual costs are determined on the basis of past experience and examined on an ongoing basis. For wind park projects (turnkey), project-specific provisions are established in respect to guarantee commitments for the park infrastructure. The individual level of the provision depends on the park size and the location of the park in Germany or abroad. For wind turbines which have been commissioned as of the end of the fiscal year, but not accepted by customers, a provision is recognised for subsequent costs. For reasons of materiality, provisions are not discounted.

The Executive Board is of the opinion that the provisions recognised take sufficient account of existing risks.

The range of probabilities and risks cannot be assessed nor disclosed.

Liabilities are measured at amortised cost corresponding to the repayment amount. Deferred revenues are unrealised license revenue and investment subsidies related to a specific period.

The acquisition and disposal of treasury shares are reported as changes directly in equity. In so far as transaction costs are incurred for issuing equity instruments, in particular the costs for the initial public offering in 2002, these are deducted from equity in the balance sheet net of any related income tax advantages. In line with SIC-17, only directly attributable external costs are recognised as costs for an equity transaction.

3.2.2 Revenue recognition

Sales include all proceeds from the sale of wind energy turbines, license revenues and revenues from service contracts (maintenance contracts, operating contracts and management contracts). Sales are realised on the delivery of wind turbines to customers, with the initial installation of the turbine. For construction contracts which are not completed as of the reporting date and which are accounted for according to the percentage-of-completion method, sales are reported in line with the percentage of completion, insofar as the percentage of completion has reached or exceeded a value of 20 percent. License revenues result not only from quota licenses, but also single licenses independent of time or units. Quota licenses are realised subject to their utilisation. In the case of single licenses, sales are realised when the license is granted. Advance payments received on quota licenses are deferred and recognised in line with the economic substance of the contract. Revenues for service contracts are realised insofar as the respective services have been rendered.

3.2.3 Recognition of deferred taxes

Deferred taxes are recognised in accordance with the provisions of IAS 12. Deferred tax assets or deferred tax liabilities are recognised for temporary differences in the carrying amounts of assets and liabilities between the IFRS consolidated balance sheet and the respective tax values.

Deferred tax assets on realisable loss carryforwards are capitalised insofar as a positive future taxable income is anticipated.

The deferred taxes are calculated on the respective temporary differences on the basis of future tax rates. The corporate tax rate for companies in Germany is assessed at the rate of 25.0 per cent for the calendar year 2005. The solidarity surcharge is currently 5.5 per cent. The average trade tax charge is 13.625 per cent, whereby the expense for trade tax itself reduces taxable income. After combining the tax types, a flat tax rate of 40.0 per cent was applied to the taxable income for the calculation of deferred taxes in the consolidated financial statements for 2005.

REpower Systems AG

Deferred taxes are distinguished between deferred tax assets and deferred tax liabilities. In compliance with IAS 1.70, they are regarded as non-current.

3.2.4 Borrowing costs

Borrowing costs are expensed and not capitalised in inventories.

3.2.5 Government funding (investment subsidies)

Government funding is recognised according to the character of the subsidised expenses. In so far as subsidies relate to capitalised assets, the funding granted reduces the cost of the subsidised assets. Funding granted as an expenditure allowance is realised in the income statement of the fiscal year in which the subsidized expenses were incurred.

3.2.6 Currency translation

Annual financial statements of foreign subsidiaries and investments which do not report in Euro are translated to Euro according to the functional method in compliance with IAS 21. An increase is made to the currency reserve in equity for differences resulting from the translation.

3.2.7 Financial instruments

Primary financial instruments disclosed as assets in line with IAS 32 include loans, receivables and other assets, provided that they are based on a contract. Primary financial instruments disclosed as liabilities in line with IAS 32 include all sub-groups of liabilities with the exception of provisions, deferred sales and deferred taxes as well as liabilities from income taxes. Furthermore, those items which do not relate to a contract are also not included. Accounting for these financial instruments is in compliance with IAS 39 and the accounting method is described in the accounting policies for the respective balance sheet items. Derivatives are used to hedge price risks. For more information, refer to Note 9.

3.2.8 Contingent liabilities

Contingent liabilities according to the definition given by IAS 37 are disclosed in the notes to the consolidated financial statements, if the outflow of resources is improbable or the amount of the obligation cannot be reliably estimated.

3.2.9 Events after the balance sheet date

After the reporting date and the preparation of the consolidated financial statements, the Executive Board resolved based on its authorisation provided by the Annual General Meeting the issue of new shares. It plans to increase the share capital against cash contributions from the current level of EUR 5,941,198 by an anticipated amount of EUR 2,160,599 to an anticipated level EUR 8,101,797 and to issue 2,160,599 ordinary no-par value bearer shares with participating rights from 1 January 2005.

4. Notes to individual balance sheet items

4.1 Current assets

4.1.1 Cash and cash equivalents

	31.12.05 in TEUR	**31.12.04** In TEUR
Cash in hand	6	4
Bank balances	67,421	26,799
	67,427	**26,803**

REpower Systems AG

4.1.2 Interests in project companies

	31.12.05 in TEUR	**31.12.04** In TEUR
Foreign project companies	40	0
German shell project companies	23	39
New Energy Fonds IV GmbH & Co. KG	0	4,400
	63	**4,439**

The 19 per cent interest in the public wind park company, New Energy Fonds IV GmbH & Co. KG, was sold at nominal value in the fiscal year 2005.

4.1.3 Future receivables from construction contracts

	31.12.05 in TEUR	**31.12.04** In TEUR
Future receivables from construction contracts	88,265	48,695
Less advance payments received	-27,279	-12,710
	60,986	**35,985**

This item includes work in progress as of the reporting date which was reported according to the percentage-of-completion method in compliance with IAS 11. Advance payments on contracts recognised are deducted directly. These contracts incurred costs of materials in the amount of TEUR 76,541. In 2005, the contribution to the operating result from these projects totalled TEUR 11,724.

4.1.4 Trade receivables

	31.12.05 in TEUR	**31.12.04** In TEUR
Trade receivables	53,672	64,971
	53,672	**64,971**

Trade receivables relate primarily to receivables from customers resulting from the delivery of wind turbines. Total specific valuation adjustments of TEUR 834 were recognised for receivables as of 31 December 2005 (as against TEUR 1,062 as of 31 December 2004). These receivables have a maturity of less than one year.

4.1.5 Intragroup receivables

Loans and customer receivables from affiliates as well as receivables from other investees are reported as intragroup receivables. In the year under review, the following receivables were due from affiliated companies:

	31.12.05 in TEUR	**31.12.04** In TEUR
Receivables from affiliated companies		
Eolis S.A.R.L., France	15	13
Others	1	4
	16	**17**
Receivables from investment companies		
Loan to Energy Wind Czech s.r.o., Czech Republic	67	63
Loan to Windpark Finsterwalde GmbH, Finsterwalde	66	0
Loan to Sister Ltd., Portugal	65	42
Others	16	19
	214	**124**
	230	**141**

REpower Systems AG

4.1.6 Receivables from project companies

	31.12.05 in TEUR	**31.12.04** In TEUR
Project company Münchberg/Laubersreuth	369	392
SARL Eolienne de Malandaux	168	0
	537	**392**

The items related to two loans to the respective project companies.

4.1.7 Inventories

	31.12.05 in TEUR	**31.12.04** In TEUR
Raw materials and supplies	17,832	35,553
Work in progress	10,693	3,799
Advance payments	6,138	2,594
	34,663	**41,946**

Raw materials and supplies relate to inventories for the production of wind energy turbines.

Work in progress relates to wind turbines under construction as well as to input for project development work in connection with the installation of wind turbines for which no specific customer contract existed on the respective reporting date. They are measured at cost including attributable overheads, without interest costs.

Advance payments relate to payments made in advance to suppliers.

4.1.8 Current prepaid expenses, deferred charges and other current assets

	31.12.05 in TEUR	**31.12.04** In TEUR
Other assets		
Receivables from German/foreign tax refunds	5,905	4,979
Development contract for US version of MM82/MM92	4,500	0
Loans extended	3,558	11,646
Denker & Wulf AG distribution compensation claims	0	9,304
Other	5,658	3,264
Subtotal	**19,621**	**29,193**
Current prepaid expenses	1,077	1,612
	20,698	**30,805**

All other assets and current prepaid expenses are due within one year. The current prepaid expenses relate primarily prepaid to insurance premiums which relate to the coming year.

REpower Systems AG

4.2 Non-current assets

4.2.1 Property, plant and equipment

Capitalised property, plant and equipment are composed of the following:

	31.12.05 in TEUR	**31.12.04** In TEUR
Land and buildings	6,745	8,477
Plant and machinery	3,736	39,773
Operating and office equipment	6,151	7,047
Advance payments and assets under construction	187	701
	16,819	**55,998**

Land and buildings relate primarily to the production sites used by the company.

Plant and machinery relate primarily to equipment for the production of wind turbines.

The decline in property, plant and equipments is due to the sale of Windpark Großvargula GmbH & Co. KG and the resulting retirement of 16 wind turbines. As part of deconsolidation, land with a carrying amount of EUR 2.0 million and operating and office equipment of EUR 34.8 million were disposed of.

The development in the fiscal year is shown in the statement of consolidated fixed assets.

4.2.2 Intangible assets

The intangible assets consist of software licenses and capitalised costs for developing a new generation of wind turbines. Goodwill is reported separately.

	31.12.05 in TEUR	**31.12.04** In TEUR
Software and licenses	716	728
Capitalised development costs	1,131	0
	1,847	**728**

In the fiscal year 2005, research and development expenses amounted to EUR 8.9 million.

4.2.3 Goodwill

Goodwill comprises the following:

	Cost In TEUR	**Goodwill** In TEUR	**Cumulative Amortization** in TEUR	**Carrying amount** in TEUR	**Carrying amount** in TEUR
Repower S.A.S.	3,320	620	-76	544	544
pro + pro Energiesysteme GmbH & Co. KG	2,263	2,263	-1,810	453	453
REpower Australia Pty Ltd.	1	196	0	196	0
Jacobs Energie GmbH	205	205	-144	61	61
REpower Italia S.r.l.	53	2	0	2	2
Großvargula Betriebs GmbH	26	1	0	1	1
REpower UK Ltd.	100	1	0	1	1
Windpark Großvargula GmbH & Co. KG [1)]	3	--	--	--	3
FEdeF S.A.S.	291	294	-294	0	0
		3,582	**-2,324**	**1,258**	**1,065**

1) Disposal in 2005 through sale of shares

REpower Systems AG

The goodwill results from the consolidation of the subsidiaries named in 2.1.1. and from the merger and transfer transactions in the fiscal year 2001. They were consolidated in line with the principles of purchasing accounting. The underlying accounting methods are detailed under 3.2.1.

In the fiscal year, the remaining share in REpower Australia Pty Ltd. of 50 % was acquired by of purchase effective 1 April 2006. After this purchase, the Group holds all the voting rights in the company. At the time of its first-time inclusion in the consolidated financial statements in the fiscal year 2005, the company generated a profit of EUR 16,000 which is included in the consolidated result.

From 1 January 2005, goodwill from company acquisitions is examined exclusively in terms of fair value and - if necessary - impairment is recognised. For company acquisitions made in the period from 1 April 2004 to 31 December 2004, this regulation was already applied in the fiscal year 2004.

4.2.4 Other investments

Other investments are composed as follows:

	31.12.05 in TEUR	**31.12.04** In TEUR
Shares in affiliated companies	75	75
Investments	523	560
Other securities	14	14
Investments	**612**	**649**
Associated companies	55	0
Other loans	6,533	2,656
	7,200	**3,305**

Shares in affiliated companies include non-current investments in German and international companies in which the company holds a majority interests in the share capital or has the majority of voting rights. Reasons for non-inclusion of companies in the scope of consolidation are stated in note 2.1.2.

	31.12.05 in TEUR	**31.12.04** In TEUR
BWU Projekt GmbH, Trampe	25	25
Eolis S.A.R.L. (France)	50	50
	75	**75**

The investments relate to the following items:

	31.12.05 in TEUR	**31.12.04** In TEUR
Windpark Finsterwalde GmbH, Finsterwalde	508	508
PROKON Kooperationsgesellschaft mbH & Co. KG, Itzehoe	0	25
Wasserkraft Finowkanal GmbH, Trampe	13	13
Umweltprojekt Management GmbH, Trampe	0	13
Energy Wind Czech s.r.o. (Czech Republic)	1	1
Sister Lda., Lissabon (Portugal)	1	1
Total	**523**	**561**

REpower Systems AG

4.2.5 Investments in associates

Investments in associates are recognised in line with the equity method and are interests in German and international corporations and partnerships in which REpower Systems AG and its subsidiaries hold between 20 and 50 percent of the voting rights and where the company can assert a material influence on the business policy pursued by the associated company.

	31.12.05 in TEUR	**31.12.04** In TEUR
REpower Portugal	55	-
REpower Australia Ltd. (AUS)	-	0
Heron Aioliki A.E. (GR)	-	0
REpower Windpower Corp. (CAN)	-	0
	55	**0**

The shares in REpower Portugal were acquired at nominal value when the subsidiary was founded in the fiscal year 2005. The company has subscribed capital of EUR 100,000 and generated a profit of EUR 10,000 in the fiscal year 2005. The investment developed as follows:

	in TEUR
As of 1 January 2005	**-**
Addition through acquisition of shares	50
Pro rata profit for 2005	5
As of 31 December 2005	**55**

Since 1 April 2005, the participation in REpower Australia Pty Ltd. has been fully consolidated. The shares in Heron Aioliki A.E. and REpower Wind Corp. were disposed of at nominal value in the fiscal year 2005.

The attributable negative equity of EUR 272,000 resulting from the participation in Heron Aioliki A.E. which was to be offset against future earnings has been eliminated following the disposal of this investment.

4.2.6 Other loans

Other loans relate to six loans in wind park projecting companies. In so far as the loans are interest-bearing, the interest rates are 6.55 percent and 7.0 per cent per annum. If non-interest bearing loans are granted, these are recognised at present value at the reporting date assuming an interest rate of 8.0 per cent per year. In the fiscal year, no impairment in line with IAS 39 was necessary. Cumulative impairment from previous years totalled EUR 185,000.

4.2.7 Deferred taxes

Deferred taxes result from temporary differences between the carrying amount in the tax balance sheet and the carrying amounts in the consolidated financial statements.

	01.01.05 In TEUR	**Addition 1st consol.** In TEUR	**Utilisation** in TEUR	**Increase** in TEUR	**31.12.05** in TEUR
Tax loss carryforwards	1,378	87	-186	4,871	6,150
Provisions for onerous contracts	189		-74		115
Special item for investment subsidies	13		-5		8
Intercompany profits			0	315	315
	1,580	**87**	**-265**	**5,186**	**6,588**

The tax loss carryforwards were recognised in the amount of the expected usable tax losses of the German and international Group companies.

REpower Systems AG

4.2.8 Non-current prepaid expenses

The item relates to advance payments on medium and long-term insurance contracts. The insurance contracts have a term of 2 to 4 years. The comparative figures for the previous year have been adjusted accordingly.

4.3 Current liabilities

4.3.1 Liabilities

	31.12.05 in TEUR	**31.12.04** In TEUR
Short-term loans and current portion of long-term loans	41,773	14,355

The interest rates for current account liabilities (short-term loans) ranged between seven per cent and ten per cent.

4.3.2 Advance payments received

Advance payments received relate to advance payments by customers which are not related to construction contracts.

Advance payments received amounted to TEUR 12,037 as of 31 December 2005 (previous year: TEUR 11,433).

4.3.3 Provisions

Other provisions were recognised in compliance with IAS 37. These relate to legal or economic obligations, settlement of which is expected to result in outflows of economic resources, the amount of which can be reliably estimated. For reasons of materiality, most provisions are not discounted. The statement of changes in provisions is shown below:

	01.01.05 In TEUR	**Utilisation** in TEUR	**Reversal** in TEUR	**Increase** in TEUR	**Disposal to deconsolidation** in TEUR	**31.12.05** in TEUR
Guarantees	18,591	-10,284	-1,224	10,893	0	17,976
Project costs	770	-770	0	0	0	0
Annual financial statement and audit costs	160	-160	0	189	0	189
Outstanding invoices	2,898	-2,898	0	7,699	0	7,699
Staff costs	2,002	-2,002	0	1,517	0	1,517
Other	423	-393	0	784	-189	625
	24,844	**-16,507**	**-1,224**	**21,082**	**-189**	**28,006**

REpower Systems AG

4.3.4 Deferred revenues

	31.12.05 in TEUR	**31.12.04** In TEUR
Deferred revenues	73	311
	73	**311**

4.3.5 Income tax liabilities

Income tax liabilities relate to taxes due from a tax audit for the years 1998 to 2002 concluded in 2005 and which has not been assessed. The development in the fiscal year was as follows:

	01.01.05 In TEUR	**Utilisation** in TEUR	**Reversal** in TEUR	**Increase** in TEUR	**31.12.05** in TEUR
Corporation tax	223	0	0	473	696
Trade tax	68	0	0	661	729
	291	**0**	**0**	**1,134**	**1,425**

4.3.6 Other current liabilities

Other current liabilities are composed as follows:

	31.12.05 in TEUR	**31.12.04** In TEUR
Tax liabilities	1,328	1,168
Social security liabilities	853	629
Liabilities to employees	389	299
Sales tax	8,686	0
Other	264	5,150
	11,520	**7,246**

4.4 Non-current liabilities

4.4.1 Bonds and non-current loans

Non-current loans of TEUR 13,315 (previous year: TEUR 44,741) relate to amounts due to banks of TEUR 3,315 and TEUR 10,000 in respect of a profit participation certificate issued in May 2004 and which matures by 2011. The interest rates ranged between three per cent and eight per cent per annum. Loans received amounting to TEUR 2,136 have a remaining maturity of more than one year to five years and loans of TEUR 1,179 have a remaining maturity of more than 5 years. Non-current bank liabilities in the amount of TEUR 43,947 are secured by liens and assignments of security from electricity generation income as well as by claims from insurance contracts.

4.4.2 Deferred taxes

Deferred tax liabilities result from temporary differences between the carrying amounts in the tax balance sheets and the carrying amounts in the consolidated annual financial statements. The following chart gives an overview showing the composition and development of the differences of the deferred tax liabilities in the balance sheets:

REpower Systems AG

	01.01.05 In TEUR	Utilisation / Reversal in TEUR	Increase in TEUR	Disposal decons. in TEUR	31.12.05 in TEUR
Future receivables from construction contracts	2,327	-2,327	2,837	0	2,837
Development costs	0		452		452
Intercompany profits	102	0	164		266
Property, plant and equipment	488	0	-55	-414	19
Tax losses from investments	506	-506	0	0	0
	3,423	**-2,833**	**3,398**	**-414**	**3,574**

4.5 Shareholders' equity

Composition:

	31.12.05 in TEUR	31.12.04 In TEUR
Subscribed capital	5,941	5,401
Additional paid-in capital	86,671	79,529
Currency translation	-19	0
Retained earnings	7,312	14,069
Minority interests	31	26
	99,936	**99,025**

4.5.1 Subscribed capital

As of 31 December 2005, the REpower Systems AG share capital totalled EUR 5,941,198. As of 15 June 2005, the company increased the share capital by 540,000 shares. The share capital is divided into 5,941,198 no-par value ordinary bearer shares, each with a notional share of capital of EUR 1.00.

Authorised capital

According to the resolution passed by the Annual General Meeting on 21 December 2001, the Executive Board was authorised, with the approval of the Supervisory Board, to raise the share capital of the company on one or several occasions by issuing new shares against cash or non-cash contributions up to the amount of EUR 2,700,599 by 15 December 2006. The company has utilized EUR 540,000 of this authorisation.

Acquisition of treasury shares

The company was authorised by the Annual General Meeting of 2 May 2005 to acquire treasury shares in the amount of EUR 540,000 of subscribed capital by 1 November 2006. The company has not utilised this option to date.

Issuing profit participation certificates

The company was authorised by the Annual General Meeting of 9 June 2004 to issue profit participation certificates in the amount of up to EUR 20,000,000 of share capital by 8 June 2009. The company has not utilised this option to date.

REpower Systems AG

4.5.2 Additional paid-up capital

Additional paid-up capital developed as follows:

	31.12.05 in TEUR	**31.12.04** In TEUR
As of beginning of fiscal year	79,529	79,371
Retrospective adoption of IFRS 2	0	46
Premium from capital increase	6,982	0
Share options	159	112
As of end of fiscal year	**86,670**	**79,529**

Details of the development of individual equity positions are shown in the statement of changes in shareholders' equity.

The premium from capital increase related in full to the payment for the shares issued in the fiscal year to the extent that this exceeded the nominal value of the shares issued. No material transaction costs resulted in connection with the capital increase implemented.

A valuation assessment quantified future obligations from the share options to the Executive Board and executives. The resulting expenses were accounted for as personnel expenses and transferred to additional paid-up capital.

In the context of the option program established in the fiscal year 2005, a total of 53,000 share options were offered to beneficiaries. As of the reporting date, 41,650 options had been accepted. According to the valuation assessment, the value of each option as of the day granted was EUR 4.95. The total value of the share options issued in 2005 is EUR 206,000. The options can only be exercised after a blocking period of 2 years, and not before 1 July 2007.

In the fiscal year 2005, an amount of EUR 51,000 was recorded for the options issued as personnel expenses, reducing the consolidated net income.

The 37,500 share options issued in the fiscal year 2003 had a value of EUR 185,000 on the date granted. The 25,000 share options issued in the 2004 fiscal year had a value of EUR 123,000 on the date granted. Due to the obligation to apply the regulations in line with IFRS 2 as of 1 July 2005 for the first time, the prior-year figures are to be adjusted in such a way as if IFRS 2 had already been applied in this period. Due to the value of the option, retained earnings are EUR 46,000 higher as of 1 January 2004. In the fiscal year 2004 with the retrospective application of IFRS 2, EUR 112,000 is recognised as an expense representing the value of the share options. Personnel expenses reduced the retained earnings of the comparative period and were also transferred to additional paid-up capital. For the fiscal year 2005, further personnel expenses for options from previous years of EUR 108,000 were to be included. The changes are shown separately in the statement of changes in shareholders' equity.

4.5.3 Retained earnings

Retained earnings developed as follows:

	31.12.05 in TEUR	**31.12.04** In TEUR
As of beginning of fiscal year	14,069	26,758
Retrospective adoption of IFRS 2	0	-46
Dividend payment	0	-3,241
Consolidated net loss for fiscal year	-6,757	-9,402
As of end of fiscal year	**7,312**	**14,069**

REpower Systems AG

With regard to the adjustment of retained earnings in connection with the 2004 share option program in line with IFRS 2.58, please see the notes on additional paid-up capital.

4.5.4 Minority interests

Minority interests include the shares of third parties in earnings and capital. As of the balance sheet date, they relate to minority interests in international sales and project companies.

	in TEUR
As of 1 January 2005	26
Minority interests income 2005	5
As of 31 December 2005	**31**

5. Notes to the income statement

5.1 Sales

In 2005 and 2004, the operations of companies in the REpower Systems Group related almost exclusively to developing, manufacturing and projects involving wind turbines. The significantly increased level of international activities in 2004 was further extended in the last reporting period. For this reason, a break down of sales has been shown in segment reporting as was the case in 2004. 26.9 per cent (previous year 67.3 per cent) of sales were generated from the German market, 73.1 percent (previous year 32.7 percent) from international markets.

	2005 in TEUR	**2004** In TEUR
Proceeds from sales of wind energy turbines	291,658	287,165
Service/maintenance and materials	17,375	13,474
Electricity generation	8,849	10,568
Licence fee income	882	1,933
Other	9,312	7,530
	328,076	**320,670**

5.2 Other operating income

Other operating income breaks down as follows:

	2005 in TEUR	**2004** in TEUR
Development contract for US version of MM82/MM92	4,500	0
Additional proceeds from disposal of Portfolio II	2,463	0
Insurance compensation	1,420	1,584
Income from the reversal of provisions	1,224	1,410
Income from the reversal of valuation allowances	819	1,638
Additional proceeds from deconsolidation	767	0
Investment subsidies, research and development subsidies	505	1,206
Income from the disposal of fixed assets	333	168
Land income	35	25
Other	1,716	1,827
	13,782	**7,858**

REpower Systems AG

5.3 Cost of materials

	2005 in TEUR	2004 In TEUR
Expenses for raw materials and supplies	249,776	198,846
Expenses for purchased services	33,056	40,732
	282,832	**239,578**

REpower Systems AG purchases all key components for wind turbines from third parties and assembles them itself.

5.4 Personnel expenses

	2005 in TEUR	2004 In TEUR
Wages and salaries	23,063	23,092
Social security contributions	4,252	4,452
	27,315	**27,544**

The average annual number of employees was:

	2005 in TEUR	2004 In TEUR
Salaried employees	389	351
Waged employees	210	194
	599	**545**

With development costs being capitalised, the average costs per employee are lower than in the previous year.

5.5 Other operating expenses

Breakdown:

	2005 in TEUR	2004 In TEUR
Guarantee expenses	6,073	5,752
Purchased services	5,737	4,029
Legal and consulting costs	5,090	4,241
Administrative costs	3,112	3,370
Advertising and travel expenses	2,994	2,389
Insurance costs	2,745	2,798
Write-off/write-downs of receivables	1,963	4,253
Vehicle costs	1,166	1,210
Office and land costs	1,039	1,076
Bank charges/guarantee commission	718	1,683
Repairs and maintenance	612	1,389
Trade fair costs	432	594
IT expenses	430	877
Staff costs	217	182
Other	4,099	4,606
	36,427	**38,449**

REpower Systems AG

5.6 Financial result

	2005 in TEUR	2004 In TEUR
Other interest and similar income	1,402	1,928
Income from investments	6	179
Income from other securities	11	0
Income of financial assets recognised at equity method	5	0
Interest and similar expenses	-5,695	-5,373
Write-downs on investments and shares in project companies	0	-234
	-4,271	**-3,500**

5.7 Income taxes

In the financial year, the taxes on income item results from deferred taxes which were offset against claims for income tax refunds.

	2005 in TEUR	2004 In TEUR
Income tax expense	2,312	-410
Deferred taxes income (expense)	-4,304	2,843
Income taxes (2005: income / 2004: expense)	**-1,992**	**2,433**

The income tax expense related in full to the additional tax assessment determined in the course of a tax audit concluded during the fiscal year.

The expected tax rate for the period of 2005 is 40.0 per cent (in the previous year: 40 per cent).

The reasons for the deviation between expected and actual taxation in the Group are as follows:

	2005 in TEUR	2004 In TEUR
Expected tax income	-3,498	-2,811
Income taxes for previous years	2,060	0
Varying tax rates for income and municipal taxes (trade tax)	358	-134
Non-deductible operating expenses	15	196
Non-capitalised tax loss carryforwards	0	4,088
Tax-free profit distributions/loss on deconsolidation	-306	639
Non-deductibility of goodwill amortisation	0	286
Tax loss carryback and reversal of tax provisions from previous years	0	-627
Losses from partnerships	-651	794
Other tax effects	30	3
Actual tax income (expense)	**-1,992**	**2,434**

In case of future dividend payment to shareholders, REpower Systems AG is entitled to a corporate tax refund claim of TEUR 434. As a result of a moratorium relating to German tax legislation, this claim can only be made on dividend distributions after 31 December 2005.

REpower Systems AG

5.8 Earnings per share

To calculate the basic earnings per share for 2005, the number of shares in line with IAS 33 was weighted on the basis of the average shares outstanding in 2005.

	2005 in TEUR	**2004** In TEUR
Net consolidated loss for shareholders	-6,756,828	-9,402,751
Number of shares*	5,693,698	5,401,198
Earnings per share (basic)	**-1.19**	**-1.74**

** Weighted average*

To determine the diluted earnings per share, the potentially dilutive shares were calculated on the basis of the approximately 20,000 share options issued. However, as a loss was generated in the fiscal year, there was no dilutive effect, so that the diluted earnings per share and the basic earnings per share were minus EUR 1.19 for 2005 and minus EUR 1.74 for 2004.

6. Leases

At REpower Systems AG and in the companies included in the scope of consolidation, all leases are operating leases. The leases satisfy all criteria specified in IAS 17. Lease payments are recognised directly in income.

In the fiscal year 2004, the Group sold a wind turbine of the 5-megawatt class as part of a sale-and-lease-back transaction to a leasing company at a price of TEUR 6,800. The wind turbine had a normal operating useful life of 192 months. The wind turbine was rented back by the lessor over a minimum term of 84 months as part of an operating lease. After termination of the minimum lease period, there is the option - but no obligation - to extend the lease period for further 59 months and, following that period, to repurchase the wind turbine at its residual carrying amount taking depreciation into consideration.

The future obligations from the above leases are shown under the note "Other financial commitments".

7. Contingent liabilities and other financial commitments

	2005 in TEUR	**2004** In TEUR
Other financial commitments		
Obligations from lease and rental contracts		
- due within one year	1,650	1,543
- due between 1 and 5 years	5,192	3,928
- due after more than 5 years	1,642	1,274
	8,484	**6,745**
Contingent liabilities		
Guarantees	83,378	43,111
Letters of comfort	360	360
	83,738	**43,471**

As per the balance sheet date there are order commitments in the amount of approx. EUR 102.1 million to purchase current assets.

As of the reporting date, there was a letter of comfort for a subsidiary limited to EUR 360,000.

In connection with the disposal of shares in Denker & Wulf AG on 30 December 2004, the company received profit distributions. In line with a strict assessment under corporate law it cannot be ruled out that the company will be obliged to repay an amount of EUR 4.0 million. Furthermore, in connection with the sale and transfer agreement

REpower Systems AG

regarding the shares in Denker & Wulf AG, the company agreed with Denker & Wulf AG to share the risks and rewards (expenses and income) of a wind park portfolio which had been jointly developed. On the basis of this regulation, REpower Systems AG received a commission payment of approximately EUR 2.5 million in 2005. There is a risk that the payment may be regarded as an infringement of the regulations of corporate law and that REpower Systems AG may be obliged to repay this amount. Furthermore, in an extreme case with a strict application of corporate law, the commission provision and even the contract could be regarded as void, with the result that it would have to be reversed.

8. Information on the share option program

On the basis of approval granted by the Annual General Meeting 2005 for an employment participation program, REpower Systems AG had the option to issue up to 116,000 options to subscribe to REpower shares to members of the REpower Systems AG Executive Board, managing directors of subsidiaries and executives of REpower Systems AG.

Each option entails the right to purchase one REpower share. The waiting period for an initial exercise is two years.

In 2005, a total of 41,650 options were issued.

As of the reporting date, there are a further 25,000 options granted to the Executive Board and executives from the 2003 and 2004 share option program.

	Number 2005	Number 2004
As at beginning of fiscal year	62,000	37,000
Issued	41,650	25,000
Exercised	0	0
Lapsed	-37,000	0
As at end of fiscal year	**66,650**	**62,000**

9. Financial risks and financial instruments

Primary financial instruments disclosed under in line with IAS 32 include loans, receivables and other assets, provided that they are based on a contract. Primary financial instruments disclosed under liabilities in line with IAS 32 include all sub-groups of liabilities with the exception of provisions, deferred sales and taxes as well as liabilities from income taxes. Furthermore, those items which do not relate to a contact are also not included. Accounting for these financial instruments is in compliance with IAS 39 and is described in the accounting policies for the respective balance sheet items. Derivatives are exclusively used to hedge currency risks on customer receivables relating to the sales price.

Due to the short maturity period for these items, the fair values of the primary financial receivables and financial liabilities do not differ considerably from the carrying amount.

The credit and default risk of financial assets corresponds to the maximum amounts disclosed under assets.

Currency risks exist only insofar as deliveries are effected beyond the territories of the Euro zone. Hedging transactions are only implemented insofar as the delivery volume acquires a certain scope and the agreed currency is subject to considerable market fluctuations. Currency hedges concluded in the fiscal year 2004 were in place during the fiscal year in Australian dollars. As a result of project delays, the currency hedges developed negatively for the company, precipitating a loss of TEUR 989. These losses on hedges are reported in the income statement.

Interest rate risk is in principle not hedged. However, one contract was a unique exception in view of the relatively low cost involved. As of 29 November 2004, REpower Systems AG took up publicly refinanced loans with a total value of TEUR 2,368. Individual loans were converted into a variable-rate Eurokredit of an equal amount in an effort to streamline interest payments and further optimised by entering into an interest rate swap contract running from 1 December 2004 through 2 December 2013.

REpower Systems AG

The interest rate derivatives concluded have the following fair values as of 31 December 2005 including accrued interest which was calculated according to a mid-market valuation:

Product	**Nominal amount** in EUR million	**Final maturity**	**Fixed interest rate/strike**	**Valuation on reporting date** EUR
Cap	0.90	28.06.13	5	2,525
Swap	2.11	02.12.13	3.5	-30,005

Due to their subordinate importance interest rate derivatives are not capitalised.

Within the Group, interest rate changes result primarily in an increase or decrease of the interest for loans and overdrafts. These financial instruments serve as advance financing for wind turbine supply contracts. A change of interest rates thus directly impacts the project result.

10. Notes to the cash flow statement

In compliance with IAS 7, the consolidated cash flow statement is divided into the areas of operating activities, investing activities and financing activities. The cash and cash equivalents reported in the cash flow statement comprise cash and bank balances. Current bank liabilities were deducted.

Cash and cash equivalents comprise the following:

	2005 in TEUR	**2004** In TEUR
Cash and cash equivalents at beginning of period		
Cash, bank balances	26,803	887
less current liabilities due to banks	-14,355	-21,909
Total	**12,448**	**-21,022**
Cash and cash equivalents at end of period		
Cash, bank balances	67,427	26,803
less current liabilities due to banks	-41,773	-14,355
Total	**25,654**	**12,448**

In determining the cash flow from operating activities, the indirect method was selected. The cash flow statement begins with the annual result before minorities and taxes. The outflow of funds from interest and taxes was allocated to operating activities and reported separately in that item.

Cash flow from investing activities includes payments for investments in intangible assets, property, plant and equipment and financial assets, proceeds from disposals of fixed assets as well as interest received. In the fiscal year 2005, inflows from the sale of the sub-group Denker & Wulf AG were reported under this item. The sale took place as of the end of the fiscal year 2005; in line with the contract the cash was only received in the fiscal year 2004. The key factor in investing activities was the sale of shares in Windpark Großvargula GmbH & Co. KG. In the previous year, the first-time consolidation of the company (with 16 wind turbines) entailed the addition of assets in the amount of EUR 38.2 million. With the sale of the shares in the company and the resulting deconsolidation, these assets were withdrawn from the consolidated assets. For further information, refer to the presentation of the net assets of Windpark Großvargula GmbH & Co. KG under section 2.1.4.,which were withdrawn from the Group.

The change in cash flow from financing activities results largely to inflows of EUR 7.5 million from the issue of 540,000 shares. This item also included changes in non-current liabilities due to banks.

REpower Systems AG

11. Information on segment reporting

To allow an improved analysis, the Group has introduced segment reporting in line with the geographic markets "Germany" and "Rest of world". In the Group there is only one business segment. For this reason, there is no secondary reporting segment.

The segment reporting shows the breakdown of sales and directly attributable costs by the individual sales markets. Sales relate primarily to proceeds from the delivery of wind turbines. Expenses and depreciation are allocated to segments insofar as these were to be taken into account as directly attributable costs according to the provisions of IAS 14. Transfer prices for internal sales were determined by reference to market prices. Market prices were calculated on the basis of revenues and costs with third parties in the same business area. In the fiscal year 2005, in order to present more detail on the market segment, the "Rest of world" segment provided information on the regions of France, England and other countries. The figures from the previous year remain unchanged.

Segment assets include all current and non-current assets with the exception of cash and cash equivalents, deferred tax assets and prepaid expenses insofar as these cannot be directly attributed to individual geographical segments. Segment liabilities include all directly attributable liability items, with the exception of liabilities due to banks, profit participation capital, tax liabilities, deferred tax liabilities and provisions. The reconciliation of segment assets and liabilities to the consolidated balance sheet is described in segment reporting.

12. Related party disclosures

The following information on related parties is provided in line with IAS 24:

The Executive Board and Supervisory Board as well as corporations in which these parties hold the majority of company shares, are classified as related parties as defined by IAS 24.5. In 2005, there were no business transactions between related parties and the companies included in the consolidated financial statements:

- The remuneration of the Executive Board and the Supervisory Board is stated in detail under note 15.

13. Information on the corporate bodies of REpower Systems AG, Hamburg

For the fiscal year ended 31 December 2005, the members of the Supervisory Board at REpower Systems AG were:

- Udo Bandow, Hamburg, (provisional Chairman)
- Jorge Martins, Sever do Vouga
- Dr. Klaus Rave, Kronshagen
- Dr. Hans-Joachim Reh, Bargteheide
- Dr. Rolf Bierhoff, Essen
- Bertrand Durrande, (from 5 January 2006)
- Monika Kuck, Aachen (until 2 May 2005)
- Dr. Klaus-Detlef Wulf, Aachen (Chairman, retired as of 31 October 2005)

The following persons were appointed as members of the Executive Board of REpower Systems AG in the fiscal year 2005:

- Prof. Fritz Vahrenholt, Hamburg
- Matthias Schubert, Rendsburg
- Pieter Wasmuth, Hamburg
- Thomas Franck, Hamburg (until 30 April 2005)
- Olaf Struck, Husum (until 30 April 2005)

REpower Systems AG

14. Declaration of conformity with to the German Corporate Governance Code

The declaration of conformity with the German Corporate Governance Code was submitted by the Executive Board and Supervisory Board and published promptly on the web site of the company.

15. Remuneration of the Supervisory Board and Executive Board of REpower Systems AG

In line with the Articles of Association of REpower Systems AG, the remuneration paid to the members of the Supervisory Board for the fiscal year 2005 is as follows:-

Name	Attendance fee 2005	Fixed remuneration 2005	Total
	EUR	EUR	EUR
Dr. Klaus-Detlef Wulf (until 31 October 2005)	3,500	16,667	20,167
Udo Bandow	3,500	15,833	19,333
Dr. Klaus Rave	4,000	10,000	14,000
Dr. Hans-Joachim Reh	4,000	10,000	14,000
Dr. Rolf Bierhoff	4,000	10,000	14,000
Jorge Martins	2,000	6,658	8,658
Monika Kuck (until 2 May 2005)	3,000	3,342	6,342
	24,000	**72,500**	**96,500**

One Supervisory Board member received additional remuneration of EUR 10,000 for monitoring and coordinating the RE-Act restructuring program.

The members of the Executive Board of the company are paid fixed remuneration, the amount of which can be derived from the following table. Furthermore, the members of the Executive Board are paid variable remuneration corresponding to 20 per cent of the fixed remuneration in the event of the company achieving a consolidated net income for the year calculated in compliance with IFRS and the Annual General Meeting of the following fiscal year resolving to pay a dividend or to appropriate funds to retained earnings.

This variable remuneration and a percentage of approximately 20 per cent of the fixed remuneration are reversible.

If the company does not realise net income for the year, the fixed remuneration shall be reduced by this percentage. Furthermore the entitlement to variable remuneration shall be waived.

In line with the share option program of the company resolved at the Annual General Meeting held on 2 May 2005, share option rights were granted to members of the Executive Board together with further beneficiaries (company management). The benchmark was the performance of the DAX. In 2005, each member of the Executive Board received 5,900 options. The following overview shows the respective options granted to the individual members of the Executive Board.

Name	Option rights 2004	Option rights 2005	Total
Prof. Fritz Vahrenholt	1,600	5,900	7,500
Matthias Schubert	1,600	5,900	7,500
Pieter Wasmuth	--	5,900	5,900
Olaf Struck	1,600	--	1,600
Thomas Franck	1,600	--	1,600
	6,400	**17,700**	**24,100**

At the time of their retirement, the former Executive Board members, Franck and Struck, received settlements of EUR 567,000 (Franck) and EUR 325,000 (Struck). In addition to the above remuneration, the departing Executive

REpower Systems AG

Board member, Thomas Franck, was also granted share-based remuneration which depends on the future development of profits. Remuneration is to be rendered by means of a cash payment. As of the reporting date, the obligation is assessed at EUR 360,000 and an appropriate provision has been recognised.

The remuneration paid to the members of the Executive Board for the fiscal year 2005 was as follows:

Name	Fixed remuneration	Variable remuneration	Total remuneration	Share options
	EUR	EUR	EUR	Number
Prof. Fritz Vahrenholt	235,896	0	235,896	5,900
Matthias Schubert	161,155	0	161,155	5,900
Pieter Wasmuth	186,898	0	186,898	5,900
Olaf Struck	76,462	0	76,462	0
Thomas Franck	65,871	0	65,871	0
	726,282	**0**	**726,282**	**17,700**

A member of the Executive Board is additionally paid at least EUR 385.00 for each MD 70/77 wind turbine manufactured by the company itself or in license or a commission corresponding to 1.5 per cent of the invoiced license fees as well as 50 % of this for MM turbines.

As of 31 December 2005, the shares held by the Executive Board are as follows:

Name	Shares	Additions and disposals in 2006	Total shares
Prof. Dr. Fritz Vahrenholt	25,800	0	25,800
Matthias Schubert	21,700	0	21,700
Pieter Wasmuth	0	0	0
	47,500		**47,500**

16. Information on fees paid to auditors

A fee of EUR 175,000 has been recognised for the audit of the financial statements in the fiscal year. EUR 8,000 was paid for other assurance or valuation work in the fiscal year.

17. Appropriation of result

The accumulated loss reported in the annual financial statements as of 31 December 2005 prepared in line with the regulations of the German Commercial Code and the German Stock Corporation Act was carried forward.

Hamburg, March 2006

Prof. Dr. Fritz Vahrenholt	**Matthias Schubert**	**Pieter Wasmuth**
Chairman of the Executive Board	Executive Board member	Executive Board member

REpower Systems AG

Statement of consolidated fixed assets 2005

	As of 01.01.2005	Additions	Additions due to initial consoli-dation	Reclassifi cations	Disposals	Disposals due to initial consolida-tion	Disposals due to deconsoli-dation	As of 31.12.2005
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Assets								
1. Land, leasehold rights and buildings, including buildings on non-owned land	9,254,502	285,867	0	310,778	-1,000	0	-2,061,085	7,789,063
2. Technical equipment, plant and Machinery	43,463,702	2,809,154	0	85,796	-2,168,297	0	-36,247,207	7,943,147
3. Other equipment, fixtures, fittings and equipment	12,044,814	2,410,895	9,497	121,196	-730,018	0	0	13,856,384
4. Advance payments and plant and machinery in process of construction	701,247	3,716	0	-517,770	0	0	0	187,193
Total property, plant and equipment	**65,464,265**	**5,509,632**	**9,497**	**0**	**-2,899,315**	**0**	**-38,308,292**	**29,775,787**
II. Intangible assets								
1.1. Software and other licenses	1,719,385	462,667	0	0	-5,204	0	0	2,176,848
1.2. Development costs	1,240,622	1,131,125	0	0	0	0	0	2,371,747
1. Intangible assets	2,960,007	1,593,792	0	0	-5,204	0	0	4,548,595
2. Goodwill	4,302,071	0	196,800	0	0	0	-3,229	4,495,642
Total intangible assets	**7,262,078**	**1,593,792**	**196,800**	**0**	**-5,204**	**0**	**-3,229**	**9,044,237**
III. Financial assets								
1.1. Shares in affiliated companies	75,000	0	0	0	0	0	0	75,000
1.2. Investments	570,331	0	0	0	-37,632	0	0	532,699
1.3. Security investments	28,848	0	0	0	0	0	0	28,848
1. Financial assets	674,179	0	0	0	-37,632	0	0	636,547
2. Investments in associates	466,676	0	55,309	0	0	0	0	521,985
3. Loans	2,656,389	4,061,765	0	0	0	0	0	6,718,154
Total financial assets	**3,797,244**	**4,061,765**	**55,309**	**0**	**-37,632**	**0**	**0**	**7,876,685**
Total fixed assets	**76,523,587**	**11,165,189**	**261,606**	**0**	**-2,942,151**	**0**	**-38,311,521**	**46,696,710**

REpower Systems AG

Depreciation and amortisation								Book values	
As of 01.01.2005	Additions	Additions due to initial con-solidation	Reclassification	Disposals	Disposals due to deconsoli-dation	Write-ups	As of 31.12.2005	31.12.2005	31.12.2004
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
777,219	267,678	0	0	-143	-457	0	1,044,296	6,744,767	8,477,283
3,690,690	2,573,021	0	0	-564,532	-1,492,444	0	4,206,735	3,736,412	39,773,012
4,998,037	3,266,069	2,497	0	-560,946	0	0	7,705,657	6,150,727	7,046,778
0	0	0	0	0	0	0	0	187,193	701,247
9,465,946	**6,106,768**	**2,497**	**0**	**-1,125,621**	**-1,492,901**	**0**	**12,956,688**	**16,819,099**	**55,998,320**
991,554	469,560	0	0	-672	0	0	1,460,442	716,406	727,831
1,240,622	0	0	0	0	0	0	1,240,622	1,131,125	0
2,232,176	469,560	0	0	-672	0	0	2,701,064	1,847,531	727,831
3,237,696	0	0	0	0	0	0	3,237,696	1,257,946	1,064,375
5,469,872	**469,560**	**0**	**0**	**-672**	**0**	**0**	**5,938,760**	**3,105,477**	**1,792,206**
0	0	0	0	0	0	0	0	75,000	75,000
9,950	0	0	0	0	0	0	9,950	522,749	560,381
14,834	0	0	0	0	0	0	14,834	14,014	14,014
24,784	0	0	0	0	0	0	24,784	611,763	649,395
466,676	0	0	0	0	0	0	466,676	55,309	0
185,000	0	0	0	0	0	0	185,000	6,533,154	2,471,389
676,460	**0**	**0**	**0**	**0**	**0**	**0**	**676,460**	**7,200,226**	**3,120,784**
15,612,278	**6,576,328**	**2,497**	**0**	**-1,126,293**	**-1,492,901**	**0**	**19,571,908**	**27,124,802**	**60,911,310**

REpower Systems AG

Independent Auditors' Report:

We audited the consolidated financial statements for the fiscal year from January 1 to December 31, 2005 prepared by REpower Systems AG - consisting of the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes, as well as the group management report. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as applicable in the EU, and the additional regulations in line with Article 315a (1) of the German Commercial Code is the responsibility of the company's legal representatives. Our responsibility is, based on our audit, to express an opinion on the consolidated financial statements and the group management report.

We conducted our audit of the consolidated financial statements pursuant to Article 317 of the German Commercial Code, in accordance to the generally accepted standards for the audit of financial statements as established by the Institute of Certified Public Auditors in Germany (IDW). These principles require that the audit is to be planned and implemented in such a way that incorrect statements and infringements which impact the presentation of the net asset, financial and earnings position shown in the consolidated financial statements in line with the relevant accounting regulations and in the group management report in a material manner are identified with reasonable assurance. In determining the audit procedures, knowledge of the operating activity and the economic and legal environment of the group as well as expectation of possible errors are taken into consideration. Within the scope of the audit, the effectiveness of the controls related to the accounting system and evidence for the information in the consolidated financial statements and group management report are assessed largely on the basis of sample tests. The audit includes the evaluation of the annual financial statements of the companies included in the consolidated financial statements, reviewing the definition of the scope of consolidation, assessing the accounting and consolidation principles used and significant estimates of the legal representatives as well as evaluation the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not result in any objections.

In our opinion on the basis of the information gained in the audit the consolidated financial statements are in accordance with IFRS, as applicable in the EU, and the additional regulations in line with Article 315a (1) of the German Commercial Code and in adherence to these regulations present a true and fair view of the group's net asset, financial and earnings position. The group management report is in agreement with the consolidated financial statements and presents overall an appropriate representation of the situation of the group and adequately presents the opportunities and risks of its future development.

Hamburg, 7 March 2006

Susat & Partner oHG, Wirtschaftsprüfungsgesellschaft

Driesch
Auditor

Robinson
Auditor

REpower Systems AG

Consolidated Balance sheet

Assets

	Notes	31.12.2006 EUR	31.12.2005 EUR
Current assets	**4.1.**		
Liquid funds	4.1.1.	120,066,967.17	67,426,864.52
Interests in project companies	4.1.2.	40,000.00	63,100.00
Future receivables from construction contract	4.1.3.	36,985,072.25	60,985,494.02
Trade receivables	4.1.4.	95,105,017.40	53,672,359.10
Intragroup receivables	4.1.5.	417,565.59	229,643.76
Receivables from associates	4.1.6.	1,565,348.20	0.00
Receivables from project companies	4.1.7.	1,000.00	536,622.32
Inventories	4.1.8.	78,145,078.74	34,663,183.87
Current prepaid expenses, deferred charges and other current assets	4.1.9.	19,310,747.09	20,697,792.11
Total current assets		**351,636,796.44**	**238,275,059.70**
Non-current assets	**4.2.**		
Property, plant and equipment	4.2.1.	22,035,649.15	16,819,098.57
Intangible assets	4.2.2.	13,764,692.75	1,847,531.01
Goodwill	4.2.3.	1,329,667.39	1,257,945.94
Investments in associates	4.2.5.	2,999,372.10	55,308.93
Other Investments	4.2.5.	611,762.94	611,763.28
Loans	4.2.6.	6,581,639.08	6,533,153.77
Deferred taxes	4.2.7.	7,352,093.58	6,587,609.00
Non-current prepaid expenses and deferred charges	4.2.8	2,339,514.72	3,230,215.00
Total non-current assets		**57,014,391.70**	**36,942,625.50**
Total assets		**408,651,188.14**	**275,217,685.20**

REpower Systems AG

Shareholders' equity and liabilities

	Notes	31.12.2006	31.12.2005
		EUR	EUR
Current liabilities	**4.3.**		
Current loans and current portion of long-term	4.3.1.	108.81	41,773,083.00
loans			
Trade payables		68,923,568.68	63,225,840.06
Intragroup payables		0.00	332,854.19
Advance payments received	4.3.2.	91,407,272.92	12,036,761.47
Provisions	4.3.3.	27,757,222.46	28,005,759.34
Deferred revenue	4.3.4.	248,922.27	72,665.01
Income tax liabilities	4.3.5.	530,129.74	1,425,193.75
Other current liabilities	4.3.6.	12,269,742.55	11,520,380.46
Total current liabilities		**201,136,967.43**	**158,392,537.28**
Non-current liabilities	4.4.		
Non-current loans	4.4.1.	2,354,760.00	3,315,105.96
Capital from profit participation rights	4.4.1.	10,000,000.00	10,000,000.00
Deferred taxes	4.4.2.	7,329,671.24	3,574,114.29
Total non-current liabilities		**19,684,431.24**	**16,889,220.25**
Shareholders' equity			
Subscribed capital	4.5.	8,101,797.00	5,941,198.00
Share issue for capital increase	4.5.1.	16,200.00	0.00
Additional paid-in capital		165,346,005.62	86,670,542.61
Currency translation	4.5.2.	-30,460.63	-18,505.03
Retained earnings	3.2.6.	14,374,915.09	7,312,199.95
Minority interests	4.5.3.	21,332.40	30,492.14
Total Shareholders' equity		**187,829,789.47**	**99,935,927.67**
Total Shareholders' equity and liabilities		**408,651,188.14**	**275,217,685.20**

REpower Systems AG

Total expenditure format

Income statement

	Notes	01.01.-31.12.2006 EUR	Prior year 01.01.-31.12.2005 EUR
Sales	5.1.	458,834,909	328,076,466
Changes in finished goods and work in progress		2,705,553	6,993,150
Total performance		**461,540,462**	**335,069,615**
Other operating income	5.2.	4,340,252	13,781,969
Cost of materials/cost of purchased services	5.3.	-386,506,723	-282,832,277
Personnel expenses	5.4.	-28,504,173	-27,314,573
Depreciation on property, plant and equipment and amortisation on intangible assets		-4,318,263	-6,578,825
Other operating expenses	5.5.	-34,366,490	-36,427,043
Operating result		**12,185,065**	**-4,301,133**
Net interest expense	5.6.	-1,234,680	-4,281,960
Net income from investments	5.6.	0	6,478
Income from associated companies	5.6.	249,798	5,309
Income (loss) before taxes		**11,200,182**	**-8,571,306**
Taxes on income	5.7	-3,988,859	1,992,846
Other taxes		-157,767	-173,751
Net income (loss)		**7,053,555**	**-6,752,212**
Net income (loss) assigned to minority interests		-9,160	4,615
Net income (loss) assigned to shareholders		7,062,715	-6,756,828
Profit (loss) per share (undiluted)	5.8	0.94	-1.19
Average number of shares in circulation		7,507,801	5,693,698

REpower Systems AG

Cash flow statement

	Notes	2006 EUR	Prior year 2005 EUR
Cash flow from operating activities	**10.**		
Income/loss before taxes		11,200,182	-8,571,307
Adjustments for:			
Depreciation on property, plant and equipment, amortisation of intangible assets and write-down of financial assets		4,318,263	6,578,825
Interest income		-2,333,186	-1,412,532
Interest expenses		3,567,866	5,694,493
Increase/reduction of provisions		-248,537	3,349,261
Profit/loss from the disposal of assets		-113,811	454,285
Change in working capital		26,730,379	2,143,139
Interest paid		-3,567,866	-5,694,493
Income tax paid		488,568	-1,177,564
Cash flows from operating activities		**40,041,859**	**1,364,107**
Cash flow from investing activities	**10.**		
Proceeds from the sale of assets		187,816	1,364,801
Proceeds from the sale of subsidiaries, including changes in liquid funds		0	13,014,721
Payments for the acquisition of assets		-25,429,953	-11,241,794
Interest received		1,404,068	1,412,532
Cash flows used/from investing activities		**-23,838,069**	**4,550,260**
Cash flow from financing activities	**10.**		
Proceeds from increases in Shareholders' equity		79,169,633	7,630,363
Payments for repaying loans		-960,346	-338,446
Cash flows from financing activities		**78,209,287**	**7,291,917**
Increase/reduction in cash and cash equivalents		**94,413,077**	**13,206,284**
Changes in cash and cash equivalents due to currency rates		0	0
Cash and cash equivalents at the beginning of the period		25,653,782	12,447,499
Cash and cash equivalents at the end of the period		**120,066,858**	**25,653,783**
Cash in bank	10.	120,066,967	67,426,865
Current bank liabilities	10.	-109	-41,773,083
Cash and cash equivalents at the end of the period	**10.**	**120,066,858**	**25,653,782**

REpower Systems AG

Statement of changes in consolidated shareholders's equity

	Notes	Share capital in EUR	Share issue for capital increase in EUR	Additional paid-in capital in EUR	Currency translation in EUR	Retained Earnings in EUR	Minority Interests in EUR	Total in EUR
Balance at 1 January, 2006		**5,941,198**	**0**	**86,670,543**	**-18,505**	**7,312,200**	**30,492**	**99,935,928**
Capital Increase	4.5.2	2,160,599		79,917,664				82,078,263
Capital Increase	4.5.2		16,200					16,200
Exchange differences on subsidiaries consolidated	4.5.3.				-11,956			-11,956
Share option plans	4.5.2.			502,977				502,977
Transaction costs related to the capital increase	4.5.2.			-1,745,178				-1,745,178
Net income for the period						7,053,555		7,053,555
Net loss assigned to minority interests						9,160	-9,160	0
Balance at December 31, 2006		**8,101,797**	**16,200**	**165,346,006**	**-30,461**	**14,374,915**	**21,332**	**187,829,790**
Balance at January 1, 2005		**5,401,198**	**0**	**79,529,180**	**0**	**14,069,028**	**25,877**	**99,025,283**
Capital increase	4.5.2	540,000						540,000
Premium received on new issue				6,982,200				6,982,200
Share option plans	4.5.2.			159,163				159,163
Exchange differences on Subsidiaries consolidated					-18,505			-18,505
Net result	4.5.3					-6,752,212		-6,752,212
Net income assigned to minority interests						-4,615	4,615	0
Balance at December 31, 2005		**5,941,198**	**0**	**86,670,543**	**-18,505**	**7,312,201**	**30,492**	**99,935,929**

REpower Systems AG

Segment Reporting REpower Systems Group

	Revenues	
	01.01.-31.12.2006 in TEUR	**01.01.-31.12.2005** in TEUR
Germany	190,245.4	88,263.6
Outside Germany	268,589.5	239,812.9
	458,834.9	**328,076.5**

	Assets	
	31.12.2006 in TEUR	**01.01.-31.12.2005** in TEUR
Germany	401,258.2	256,570.2
Outside Germany	7,393.0	18,647.5
	408,651.2	**275,217.7**

	Investments	
	31.12.2006 in TEUR	**01.01.-31.12.2005** in TEUR
Germany	24,817.2	11,202.9
Outside Germany	612.8	223.9
	25,430.0	**11,426.8**

REpower Systems AG

1. Introduction

The REpower Systems Group with REpower Systems AG, Alsterkrugchaussee 378, 22335, Hamburg as a parent company, operates in the fields of the manufacture and sale of wind energy turbines as well as in projecting and providing turnkey wind farms.

REpower Systems AG has a duty to to prepare consolidated financial statements for the fiscal year ended 31 December 2006. The consolidated financial statements for the year ended 31 December 2006 were prepared in accordance with Article 315 a of the German Commercial Code in conjunction with Article 4 of Regulation (EC) no. 1606/2002 of the European Parliament and the European Council of 19 July 2002 concerning the adoption of international accounting standards in the currently valid version of the International Financial Reporting Standards (IFRS, formerly International Accounting Standards IAS), applicable in the European Union. Their application is necessary as the shares in REpower Systems AG are traded on an organised market as defined by Article 2 of the German Securities Trading Act.

The consolidated financial statements of the company are available for inspection in the Commercial Register of the Hamburg Court of Record under HRB no. 75543.

The approval of the consolidated financial statements in accordance with IFRS by the Supervisory Board is scheduled for 7 March 2007.

Unless otherwise stated, all amounts in these notes are in thousands of euro ('TEUR').

2. Consolidation

2.1 Scope of consolidation

2.1.1 Companies included in the consolidation

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

	Group share of nominal capital	
	31.12.2006	**31.12.2005**
	in %	in %
REpower Betriebs- und Beteiligungs GmbH	100.00	100.00
Windpark Großvargula Betriebs GmbH	100.00	100.00
REpower Investitions- & Projektierungs GmbH & Co. KG [1.)]	100.00	-
Marketing companies		
REpower Espana S.L., La Coruna (Spain)	100.00	100.00
FEdeF S.A.S., Lyon (France)	100.00	100.00
REpower S.A.S., Paris (France)	100.00	100.00
REpower Diekat, Athen (Greece)	60.00	60.00
REpower UK Ltd., Edinburgh (UK)	67.00	67.00
REpower Italia SRL., Milan (Italy)	100.00	100.00
REpower Australia Pty Ltd., Melbourne (Australia)	100.00	100.00

1.) *First-time inclusion in the full consolidation in the fiscal year 2006*
REpower Betriebs- und Beteiligungsgesellschaft mbH, Rendsburg, and Großvargula Betriebs GmbH, have holdings in German wind farm companies, but no operations. REpower Investitions- & Projektierungs GmbH & Co. KG, Rendsburg was originally formed as a project company for a wind farm at the Laubersreuth location, which was held for sale. Since the fiscal year 2006, the company has also been developing a reference project on a wind farm with 5 megawatt turbines.

REpower Systems AG

These companies are not included in consolidation as they are not material to the net assets, financial position and results of operations of the Group. There are investments in seven foreign marketing companies with the purpose of marketing REpower Systems AG wind turbines in Europe. In the fiscal year 2005, FEdeF S.A.S. discontinued its operating activities and now acts as a shell company.

2.1.2 Investments measured at equity

The following foreign investments were included in the consolidated financial statements and measured at equity:

	Group share of nominal capital	
	31.12.2006	31.12.2005
	in %	in %
REpower Portugal-Sistemas éolicos, S.A. (Portugal)	50.00	50.00
REpower (North) China Ltd., Qingshan (VR China)[1)]	50.01	-

[1.)] *Founded in the fiscal year 2006*

The companies serve as sales companies to develop sales markets in foreign countries.

REpower (North) China Ltd. was founded in the fiscal year 2006 as part of a joint venture. As of the balance sheet date, the company has not been entered in the Chinese commercial register. REpower Systems AG acquired a share of EUR 1.9 million in the issued capital of the company by contributing non-cash contributions. REpower Systems AG has acquired the majority of voting rights but does not control the company on account of rights granted to other shareholders. The company is included in the consolidated financial statements at equity.

2.1.3 Non-consolidated companies

a) Non-consolidated associated companies

The following subsidiaries were not included in the companies consolidated in the annual financial statements for reasons of materiality. The results for fiscal years 2006 and 2005 are shown to illustrate the situation of these subsidiaries.

	Investment	Result	
		31.12.2006	31.12.2005
	in %	in TEUR	in TEUR
1 BWU Projekt GmbH, Trampe	100	*)	-0.5
2 Eolis S.A.R.L. (France)	100	*)	-5.31)

[*)] *Figure not yet available*
[1)] *Figure from 2004*

b) Investments not measured at equity

In the consolidated financial statements, the following investments were not measured in line with the equity method for reasons of materiality. They were carried at cost:

REpower Systems AG

	Investment	Result	
	in %	**31.12.2006** in TEUR	**31.12.2005** in TEUR
1 Energy Wind Czech s.r.o. (Czech Republic)	50.00	*)	9.4
2 Sister-Sistemas e Technologia de Energias renováveis Lda., Lissabon (Portugal)	37.50	*)	-15.8
3 Windpark Finsterwalde GmbH, Finsterwalde	30.00	*)	34.0
4 REpower Geothermie GmbH, Trampe	24.90	*)	-4.01[1]
5 Wasserkraft Finowkanal GmbH, Trampe	19.40	*)	-8.4

**) Figure not yet available*

1.) Figure from 2004

c.) Non-consolidated project companies

REpower Systems AG also holds a 1.5 per cent interest in the project company Haut de Ailes, which is reported in short-term assets as it is available for sale. As they are available for sale, they have not been included in the scope of consolidation.

The investment amount indicates the direct share held by REpower Systems AG.

2.2 Principles of consolidation

The capital consolidation is performed in line with the purchase method. In this process, the cost of the investments acquired is offset against the fair value of the net assets of the subsidiary attributed to the parent company at the time of acquisition. The asset difference resulting from company purchases performed before 31 March 2004 were capitalised as goodwill and then amortised pro rata over the estimated useful life of between four and five years. As of the start of the fiscal year 2005, goodwill amortisation was abolished under IFRS 3.79. Goodwill from these transactions is no longer amortised. If goodwill is impaired in accordance with IAS 36, impairment losses are recognised on it. The contributing transactions performed in the fiscal year 2001 according to the principles of uniform accounting policies are represented as carrying amounts in the consolidated financial statements. The differences between the share capital and the shareholders' equity of the subsidiaries granted within the scope of contribution were reported under additional paid-in capital in equity.

At the date at which shares in companies included in the scope of consolidation were sold or at the date that the Group can no longer control these companies, these are withdrawn from the scope of consolidation. As part of deconsolidation, the pro rata assets and liabilities allocated to the Group are eliminated at amortised Group carrying amounts including any goodwill. The difference between the disposal value and the disposal proceeds of the shares is recognised in income in the consolidated income statement. The income and expenses incurred from the beginning of the respective fiscal year up to the point of retirement from the scope of consolidation are recognised in the consolidated income statement.

In compliance with IAS 28, investments in associates are measured at equity. For reasons of materiality, pro rata intercompany profits are not consolidated.

Intercompany expenses and income, as well as the receivables and liabilities between the companies included in the consolidation were eliminated in compliance with IAS 27.

Income tax effects of consolidation accounting entries are accounted for in income and deferred taxes are recognised.

REpower Systems AG

3. Accounting policies

3.1 General information

The consolidated financial statements of REpower Systems AG were prepared on the basis of the single entity financial statements of companies included in the scope of consolidation converted to comply with IFRSs. The consolidation accounting entries required were taken into account. IFRS regulations for recognition and measurement were complied with.

The accounting policies in the consolidated financial statements are consistent with the accounting policies applied by REpower Systems AG. The accounting policies applied in the consolidated financial statements for 2006 are unchanged as against the fiscal year 2005.

In these financial statements, REpower Systems AG applied all IFRS which were endorsed by the EU as of the reporting date and which were compulsory for the fiscal year commencing on 1 January 2006.

3.2 Accounting policies

3.2.1 Balance sheet and income statement items

Cash and cash equivalents are carried at nominal value. Amounts in foreign currency are measured as of the reporting date.

Interests in project companies are measured at fair value as 'available for sale' securities as defined by IAS 39. Fluctuations in fair value are reported in equity without any impact on income.

In the case of construction contracts, profits must be realised in line with the percentage-of-completion method as set out in IAS 11, to the extent that total proceeds, total costs and the degree of completion can be reliably estimated. REpower Systems AG applies this method exclusively for contracts in which not only a specific legally effective customer contract exists on the balance sheet date, but also where the order outcome as well as the expected total costs can be reliably estimated on the basis of Group budgeting and cost accounting. The degree of completion is calculated in compliance with IAS 11.22 according to the cost-to-cost method. Only the costs relating directly to the service rendered are taken into account. Borrowing costs are recognised as an expense. Advance payments received for contracts are deducted directly from the balance sheet item at nominal value.

Trade receivables are carried at amortised cost, taking all identifiable risks into account for which specific valuation allowances are recognised.

Other current assets, intragroup receivables, receivables from project companies as well as prepaid expenses and deferred charges are measured at the lower of amortised cost or value at the reporting date.

Inventories comprise raw materials and supplies, work in progress as well as advance payments on inventories. Raw materials and supplies are carried at the lower of cost or net realisable value. In compliance with IAS 2, work in progress for which no legally effective, customer-specific order exists is measured at cost. Advance payments on inventories are reported at nominal amount.

Interests in project companies which are available for sale, are measured at fair value as of the balance sheet date. They are thus not fully consolidated.

Items of property, plant and equipment are carried at cost and depreciated on a straight-line basis over their economic life. Cost includes all expenses for purchasing the assets, insofar as these can be reliably calculated or estimated. Loan interest costs are not included.

The assessment of depreciation is based on the following estimated economic lives:

REpower Systems AG

	Useful life years	**Depreciation rate** in %
Buildings	10-50	10-2
Plant and machinery	2-21	50-5
Other equipment, office and operating equipment	3-10	33-10

Acquired intangible assets are measured at cost and amortised on a straight-line basis over the respective economic life. If the following conditions are fulfilled, internally generated intangible assets are capitalised at cost and amortised over the anticipated useful life in line with IAS 38:

- The intangible asset is technically feasible and will thus be available for use;
- The intangible asset is to be completed and then used;
- It is possible to use the intangible asset;
- The probable future benefit of the intangible asset has been demonstrated;
- There are adequate technical, financial and other resources to complete development and use the intangible asset; and
- The cost of the intangible asset can be reliably demonstrated and allocated during its development.

Until the fiscal year 2005, goodwill was amortised over a useful life ranging between four and five years. For fiscal years from 1 January 2006, goodwill is no longer amortised. The value of goodwill is reviewed at regular intervals. If deemed necessary, permanent impairment is recognised. The following economic lives have been applied:

	Useful life **years**	**Depreciation rate** **in %**
Capitalised development costs	5	20
Licences, software	3-10	33-10

Financial assets include shares in affiliated and associated companies and investments. In compliance with IAS 28, investments in associated companies are recognised at equity. Other immaterial investments are measured at fair value, which corresponds to the cost of acquisition.

Loans also include other loans which are reported at amortised cost taking the effective interest rate into account. Impairment losses are recognised for reductions in value.

Trade receivables and loans are carried at nominal amount. As of the reporting date, valuation allowances were recognised on individual identifiable risks. The risk is assessed by management on the basis of the future cash flows anticipated from the relevant balance sheet items when the annual financial statements are prepared. If payments are regarded as improbable or an interest loss is anticipated as a result of payment delays, account is taken of these risks on the basis of a reduction in percent (specific valuation allowances). The Executive Board is of the opinion that the valuation allowances sufficiently cover the existing risks.

In the consolidated financial statements, share options to members of corporate bodies and executives are carried in line with the regulations of IFRS 2. There are remuneration transactions in the form of obligations to make cash payments (cash benefits) and in the form of compensation payments by means of equity instruments (shares). Transactions which are to be fulfilled by granting shares are measured at fair value as of the day they are granted. The fair value of the equity instruments on the day they are granted is calculated by a valuation expert. The calculated expense

REpower Systems AG

is distributed over the blocking period on a straight-line basis and the staff costs are recognised in the additional paid-in capital of the relevant fiscal year. To the extent that share options were in place before IFRS 2 became effective on 1 January 2006, the fair value of compensatory obligations by means of equity instruments is accounted for on the basis of a retrospective adjustment of additional paid-in capital.

In line with IAS 37, provisions are recognised for all identifiable obligations where it is probable that the fulfilment of the obligations will result in outflows from Group resources and a reliable estimate of the amount of the obligation can be made. Warranty provisions are made both for individual risks and for general risks. Specific technical warranty risks can be individually quantified by comprehensive documentation and are taken into consideration by individual provisions. The economic risk and the level of provisioning are evaluated on an ongoing basis in coordination with the technical departments taking into account existing risks.

Provisions are recognised for general risks in relation to turbines on the basis of collective risk assessments on the basis of experience. The system for establishing collective warranty provisions is based on three elements. For turbines erected, provisions are made for the anticipated actual costs per year of the warranty of the contractual warranty period. The actual costs are determined on the basis of past experience and examined on an ongoing basis. For wind farm projects (turnkey), project-specific provisions are established in respect to guarantee commitments for the park infrastructure. The individual level of the provision depends on the park size and the location of the park in Germany or internationally. For wind turbines which have been commissioned as of the end of the fiscal year, but not accepted by customers, a provision is recognised for subsequent costs. Provisions are not discounted on account of their short-term nature.

The Executive Board is of the opinion that the provisions recognised take sufficient account of existing risks.

Liabilities are measured at amortised cost corresponding to the repayment amount. Deferred sales are unrealised license revenue and investment subsidies related to a specific period.

If transaction costs are incurred for issuing equity instruments these are deducted from equity in the balance sheet net of any related income tax advantages. Only directly attributable external costs are recognised as costs for an equity transaction.

3.2.2 Revenue recognition

Sales include all proceeds from the sale of wind energy turbines, license revenues and revenues from service contracts (maintenance contracts, operating contracts and management contracts). Sales are realised on the delivery of wind turbines to customers, with the initial installation of the turbine. For construction contracts which are not completed as of the reporting date and which are valued according to the percentage-of-completion method, sales are reported in line with the percentage of completion-method, insofar as the percentage of completion-method has reached or exceeded a value of 20 per cent. License revenues result not only from quota licenses, but also single licenses independent of time or units. Quota licenses are realised subject to their utilisation. In the case of single licenses, sales are realised when the license is granted.

Advance payments received on quota licenses are deferred and recognised in line with the economic substance of the contract. Revenues for service contracts are realised insofar as the respective services have been rendered.

3.2.3 Deferred taxes

Deferred taxes are recognised in accordance with the provisions of IAS 12. Deferred tax assets or deferred tax liabilities are recognised for temporary differences in the carrying amounts of assets and liabilities between the IFRS consolidated balance sheet and the respective tax values.

Deferred tax assets on realisable loss carryforwards are capitalised insofar as a positive future taxable income is anticipated.

REpower Systems AG

The deferred taxes are calculated on the respective temporary differences on the basis of future tax rates. The corporate tax rate for companies in Germany is assessed at the rate of 25.0 per cent for calendar year 2006. The solidarity surcharge is currently 5.5 per cent. The average trade tax charge is 13.625 per cent, whereby the expense for trade tax itself reduces taxable income. After combining the tax types, a flat tax rate of 40.0 per cent was applied to the taxable income for the calculation of deferred taxes in the consolidated financial statements for 2006.

Deferred taxes are distinguished between deferred tax assets and deferred tax liabilities. In compliance with IAS 1.70, they are regarded as non-current.

3.2.4 Borrowing costs

Borrowing costs are recorded as an expense and not included in cost.

3.2.5 Government funding (investment subsidies)

Government funding is recognised according to the character of the subsidised expenses. Insofar as subsidies relate to capitalised assets, the assistance granted reduces the cost of the subsidised assets. Funding granted as an expenditure allowance is realised in the income statement of the fiscal year in which the subsidised expenses were incurred.

3.2.6 Currency translation

Annual financial statements of foreign subsidiaries and investments which do not report in euro are translated to euro according to the functional method in compliance with IAS 21. An appropriation is made to the currency reserve in equity for differences resulting from the translation.

3.2.7 Financial instruments

Primary financial instrument assets in line with IAS 32 include loans, receivables and other assets, provided that they are based on a contract. Primary financial instrument liabilities in line with IAS 32 include all sub-groups of liabilities with the exception of provisions, deferred sales and deferred taxes as well as liabilities from income taxes. Furthermore, those items which do not relate to a contract are also not included. These financial instruments are accounted for in compliance with IAS 39 and the accounting methods are described in the accounting policies for the respective balance sheet items.

Derivatives are used to hedge price risks. For more information, refer to note 9.

3.2.8 Contingent liabilities

Contingent liabilities according to the definition given by IAS 37 are disclosed in the notes to the consolidated financial statements, if the outflow of resources is improbable or the amount of the obligation cannot be reliably estimated.

3.2.9 Use of assumptions

The preparation of these consolidated financial statements requires that the management make estimates and assumptions on which the value of assets and liabilities, contingent liabilities and other financial obligations as of the balance sheet date and sales and expenses in the fiscal year depend. Key estimates and assumptions relate to impairment tests, provisions, the measurement of share options and valuation allowances on deferred tax assets. These assumptions may deviate from actual circumstances. Also, changes in the current economic conditions and other events may have a material impact on the actual figures.

3.2.10 New accounting standards and their adoption (formulation proposal)

IFRS 7 (financial instruments: disclosure) and the amendments to IAS 1 ('Presentation of Financial Statements: Equity Disclosures') require detailed information on the materiality of financial instruments to the financial position and results of operations of the company and qualitative and quantitative information on the nature and extent of risks. IFRS 7 and the amendments to IAS 1 are mandatory for fiscal years beginning on or after 1 January 2007. The company has not yet fully

REpower Systems AG

assessed the possible effects of IFRS 7 and the amendments to IAS 1.

IFRS 8 'Segment Reporting' was introduced in 2006. IFRS 8 changes segment reporting from the 'risk and reward approach' of IAS 14 to the 'management approach' in terms of segment identification. The relevant information under this system is that which is regularly used by decisions makers for decision-making purposes. At the same time, the measurement of segments is being converted from the 'financial accounting approach' of IAS 14 to the 'management approach'. IFRS 8 is mandatory for fiscal years beginning on or after 1 January 2009. Earlier adoption is permitted. The company has not yet fully assessed the possible effects of IFRS 8 on segment reporting.

IFRIC 11 'IFRS 2 - Group and Treasury Share Transactions' was introduced in 2006. This regulation deals with the issue of how group-wide, share-based remuneration should be recognised, the effects of employee changes within a group and how share-based remuneration should be treated when the company issues treasury shares or acquires third-party shares. IFRIC 11 is mandatory for fiscal years beginning on or after 1 March 2007. Earlier adoption is recommended. The company has not yet fully assessed the possible impact of IFRIC 11 on the company's financial position or results of operations.

4. Information on individual balance sheet items

4.1 Current assets

4.1.1 Liquid funds

	31.12.2006 in TEUR	31.12.2005 In TEUR
Cash in hand	7	6
Bank balances	120,060	67,421
	120,067	**67,427**

4.1.2 Interests in project companies

	31.12.2006 in TEUR	31.12.2005 In TEUR
Foreign project companies	40	40
German shell project companies	0	23
	40	**63**

4.1.3 Future receivables from construction contracts

	31.12.2006 in TEUR	31.12.2005 In TEUR
Future receivables from construction contracts	51,597	88,265
less advance payments received	-14,612	-27,279
	36,985	**60,986**

This item lists work in progress as of the reporting date which was reported according to the percentage-of-completion method in compliance with IAS 11. Advance payments on contracts recognised are deducted directly. These contracts incurred costs of materials in the amount of TEUR 44,306. In 2006, the contribution to the operating result by these projects totaled TEUR 7,291.

REpower Systems AG

4.1.4 Trade receivables

	31.12.2006 in TEUR	31.12.2005 In TEUR
Trade receivables	95,105	53,672
	95,105	**53,672**

Trade receivables relate primarily to receivables from customers resulting from the delivery of wind turbines. Total specific valuation allowances of TEUR 2,430 were recognised for receivables as of 31 December 2006 (as against TEUR 834 as of 31 December 2005). Receivables have a maturity of less than one year.

4.1.5 Intragroup receivables

Loans and customer receivables from affiliates as well as receivables from other investees and investors are reported as intragroup receivables. In the year under review, the following receivables were due from affiliated companies:

	31.12.2006 in TEUR	31.12.2005 In TEUR
Receivables from affiliated companies		
Eolis S.A.R.L., France	15	15
Others	0	1
	15	**16**
Receivables from investment companies		
Loan to Energy Wind Czech s.r.o. (Czech Republic)	67	67
Loan to Windpark Finsterwalde GmbH, Finsterwalde	218	66
Loan to Sister Ltd. (Portugal)	94	65
Others	23	16
	402	**214**
	417	**230**

4.1.6 Receivables from associates

This item relates to a receivable from REpower Portugal - Sistemas éolicos, S.A. (Portugal) arising from the delivery of turbines.

4.1.7 Receivables from project companies

	31.12.2006 in TEUR	31.12.2005 In TEUR
REpower Investitions- & Projektierungs GmbH & Co. KG	0	369
S.A.R.L. Eolienne de Malandaux	0	168
	0	**537**

REpower Systems AG

The loan receivable from a French wind farm company reported in the previous year was repaid in the fiscal year. The receivable from the project company REpower Investitions- & Projektierungs GmbH & Co. KG is no longer reported in the consolidated financial statements owing to the first-time full consolidation of this company.

4.1.8 Inventories

	31.12.2006 in TEUR	31.12.2005 In TEUR
Raw materials and supplies	51,854	17,832
Work in progress	13,399	10,693
Advance payments	12,892	6,138
	78,145	**34,663**

Raw materials and supplies relate to inventories for the production of wind energy turbines.

Work in progress relates to turbines under construction. They are measured at cost including attributable overheads, without interest costs.

Advance payments to suppliers are reported under advance payments.

4.1.9 Current prepaid expenses, deferred charges and other current assets

	31.12.2006 in TEUR	31.12.2005 In TEUR
Other assets	10,586	5
Receivables from German/foreign tax refunds	0	4
Development contract for US version of MM82/MM92	2,028	3
Loans granted	5,628	5
Others	18,242	19
Subtotal	**1,069**	**1**
Current prepaid expenses, deferred charges	**19,311**	**20**

All other assets and current prepaid expenses are due within one year. The current prepaid expenses relate primarily to insurance premiums which result in an expense within one year.

4.2 Non-current assets

4.2.1 Property, plant and equipment

Property, plant and equipment are composed as follows:

	31.12.2006 in TEUR	31.12.2005 In TEUR
Land and buildings	6,253	6,745
Plant and machinery	6,569	3,736
Operating and office equipment	8,293	6,151
Advance payments and assets under construction	921	187
	22,036	**16,819**

Land and buildings relate primarily to the production sites used by the company.

REpower Systems AG

Plant and machinery relate primarily to facilities for the production of wind turbines.

The development in the fiscal year is shown in the statement of consolidated fixed assets.

4.2.2 Intangible assets

The intangible assets consist of software licenses and capitalised costs for developing a new generation of wind turbines.

Goodwill relating to intangible assets is reported separately.

	31.12.2006 in TEUR	31.12.2005 In TEUR
Software and licenses	7,082	716
Capitalized development costs	6,683	1,131
	13,765	**1,847**

In the fiscal year 2006, research and development expenses amounted to TEUR 14,018 (previous year: TEUR 8,900), of which TEUR 9,895 was capitalized.

4.2.3 Goodwill

Goodwill comprises the following:

	Cost In TEUR	Goodwill in TEUR	Cumulative amortisation in TEUR	Carrying amount 31.12.2006 in TEUR	Carrying amount 31.12.2005 in TEUR
REpower S.A.S.	3,320	620	-76	544	544
pro + pro Energiesysteme GmbH & Co. KG	2,263	2,263	-1,810	453	453
REpower Australia Pty Ltd.	1	196	0	196	196
Jacobs Energie GmbH	205	205	-144	61	61
REpower Italia S.r.l.	53	2	0	2	2
Repower Investitions- & Projektierungs GmbH & Co. KG [1.)]	1	72	0	72	-
Großvargula Betriebs GmbH	26	1	0	1	1
REpower UK Ltd.	100	1	0	1	1
FEdeF S.A.S.	291	294	-294	0	0
		3,654	**-2,324**	**1,330**	**1,258**

1) Added in 2006 by way of first-time consolidation

The goodwill results from the consolidation of the subsidiaries named in 2.1.1. and from the merger and transfer transactions in the fiscal year 2001. They were consolidated in line with the principles for a corporate acquisition. The accounting methods on which these acquisitions are based are listed under 3.2.1.

From 1 April 2005, goodwill from company acquisitions is examined exclusively in terms of fair value and - if necessary - impairment is recognised. For company acquisitions made in the period from 1 April 2005 to 31 December 2005, this regulation was already applied in the fiscal year 2005.

REpower Systems AG

4.2.4 Financial assets

The financial assets are composed as follows:

	31.12.2006 in TEUR	**31.12.2005** In TEUR
Shares in affiliated companies	75	75
Investments	523	523
Other securities	14	14
Investments	**612**	**612**
Associated companies	2,999	55
Other loans	6,581	6,533
	10,192	**7,200**

Shares in affiliated companies include non-current investments in German and international companies in which REpower Systems AG holds a majority interest in the shareholder capital or has the majority of voting rights. Reasons for non-inclusion of companies in the scope of consolidation are stated in item 2.1.2.

Shares in affiliated companies relate to the following items:

	31.12.2006 in TEUR	**31.12.2005** In TEUR
BWU Projekt GmbH, Trampe	25	25
Eolis S.A.R.L. (France)	50	50
	75	**75**

The investments refer to the following items:

	31.12.2006 in TEUR	**31.12.2005** In TEUR
Windpark Finsterwalde GmbH, Finsterwalde	508	508
Wasserkraft Finowkanal GmbH, Trampe	13	13
Energy Wind Czech s.r.o. (Czech Republic)	1	1
Sister Lda., Lissabon (Portugal)	1	1
	523	**523**

Other securities relate to investments in fixed-interest securities.

4.2.5 Investments in associates

Financial assets recognised in line with the equity method are interests in German and international capital companies in which REpower Systems AG and its subsidiaries hold between 20 and 50 per cent of the voting rights and where the company can assert a material influence on the business policy pursued by the associated company.

REpower Systems AG

	31.12.2006 in TEUR	31.12.2005 In TEUR
REpower Portugal	1,055	55
REpower (North) China Ltd [1.)]	1,944	--
	2,999	**55**

1.) *Formed in 2006*

The shares in REpower (North) China Ltd., Qingshan, People's Republic of China, were acquired at nominal amount by way of the subsidiary's formation in the fiscal year 2006. The company has issued capital of EUR 3.8 million. The company was not yet operational in the fiscal year 2006.

The REpower Portugal Sistemas Eólicos S.A., Oliveira de Frades, Portugal investment developed as follows:

	2006 in TEUR	2005 In TEUR
As of 1 January	55	--
Addition through capital increase/share acquisition	750	50
Net pro rata income for the year	250	5
As of 31 December	**1,055**	**55**

4.2.6 Loans

Loans relate to six loans in wind farm projecting companies. Insofar as the loans are interest-bearing, the interest rates are 6.55 per cent and 7.0 per cent per annum. If non-interest bearing loans are granted, these are recognised at present value at the reporting date assuming an interest rate of 8.0 per cent per year. In the fiscal year, no impairment in line with IAS 39 was necessary.

4.2.7 Deferred taxes

Deferred taxes result from temporary differences between the carrying amount in the tax balance sheet and the carrying amounts in the consolidated financial statements.

	01.01.06 In TEUR	Utilisation in TEUR	Reversal in TEUR	Addition in TEUR	31.12.06 in TEUR
Tax loss carryforwards	6,150	-34	0	1,117	7,233
Provisions for onerous contracts	115	-102	0	0	13
Special item for investment subsidies	8	-5	0	0	3
Intercompany profits	315	-315	0	103	103
	6,588	**-456**	**0**	**1,220**	**7,352**

The tax loss carryforwards were recognised in the amount of the expected usable tax losses of the German and international Group companies.

4.2.8 Non-current prepaid expenses and deferred charges

The item relates to advance payments on medium- and long-term insurance contracts. The insurance contracts have a term of 2 to 4 years.

REpower Systems AG

4.3 Current liabilities

4.3.1 Liabilities

	31.12.2006 in TEUR	31.12.2005 In TEUR
Current loans and current portion of long-term loans	0	41,773

The interest rates for current account liabilities (current loans) ranged between seven per cent and ten per cent.

4.3.2 Advance payments received

Advance payments received relate to advance payments by customers which are not related to construction contracts.

Advance payments thus amounted to TEUR 91,407 as of 31 December 2006 (previous year: TEUR 12,037).

4.3.3 Provisions

Other provisions were recognised in compliance with IAS 37. These relate to legal or economic obligations, settlement of which is expected to result in outflows of economic resources, the amount of which can be reliably estimated. The majority of provisions are not discounted as they have a term of less than twelve months. The statement of changes in provisions is shown below:

	01.01.06 In TEUR	Utilisation in TEUR	Reversal in TEUR	Addition in TEUR	31.12.06 in TEUR
Guarantees	17,976	-6,501	-4,028	9,041	16,488
Outstanding invoices	7,699	-6,749	-939	7,777	7,788
Staff costs	1,517	-1,112	0	2,360	2,765
Others	625	-574	0	430	481
Annual financial statements and audit costs	189	-189	0	235	235
	28,006	**-15,125**	**-4,967**	**19,843**	**27,757**

4.3.4 Deferred revenue

	31.12.2006 in TEUR	31.12.2005 In TEUR
Deferred revenue	249	73
	249	**73**

Deferred revenue includes time-related investment subsidies as well as prepaid license payments.

4.3.5 Income tax liabilities

Income tax liabilities primarily relate to current deferred taxes for the fiscal year.

REpower Systems AG

4.3.6 Other current liabilities

Other current liabilities are composed as follows:

	31.12.2006 in TEUR	31.12.2005 In TEUR
Tax liabilities	557	1,328
Social security liabilities	196	853
Liabilities to employees	335	389
Sales tax	10,946	8,686
Other	236	264
	12,270	**11,520**

4.4 Non-current liabilities

4.4.1 Bonds and non-current loans

TEUR 2,355 of total non-current loans of TEUR 12,355 (previous year: TEUR 13,315) relate to amounts due to banks while TEUR 10,000 relates to a profit participation certificate taken up in May 2005 that has a term lasting until 2011. The interest rates ranged between three per cent and eight per cent per annum. Loans received of TEUR 450 have a remaining maturity of between one and five years and loans of TEUR 1,905 have a remaining maturity of more than 5 years. Non-current bank liabilities in the amount of TEUR 2,354 are secured by liens and assignments of security from electricity proceeds as well as from claims from insurance contracts. These items bear standard market interest. The carrying amount therefore represents the fair value.

4.4.2 Deferred taxes

Deferred taxes result from temporary differences between the carrying amount in the tax balance sheet and the carrying amounts in the consolidated financial statements. The following chart gives an overview showing the composition and development of the differences of the deferred tax liabilities in the balance sheets:

	01.01.2006 in TEUR	Utilisation/reversal in TEUR	Addition in TEUR	31.12.2006 in TEUR
Future receivables from construction contracts	2,837	-2,837	2,917	2,917
Development costs	452	-37	2,258	2,673
Property, plant and equipment	19	0	1,550	1,569
Intercompany profits	266	-164	0	102
Currency translation	0	0	69	69
	3,574	**-3,038**	**6,794**	**7,330**

REpower Systems AG

4.5 Shareholders' equity

Shareholders' equity is composed as follows:

	31.12.2006 in TEUR	31.12.2005 In TEUR
Subscribed capital	8,102	5,941
Share issue for capital increase	16	0
Additional paid-in capital	165,346	86,671
Currency translation	-30	-19
Retained earnings	14,375	7,312
Minority interests	21	31
	187,830	**99,936**

4.5.1 Subscribed capital

The share capital of REpower Systems AG as of 31 December 2006 was EUR 8,101,797 (previous year: EUR 5,941,198). In the fiscal year, REpower Systems AG increased its share capital by 2,160,599 shares. The share capital is divided into 8,101,797 no-par value ordinary bearer shares, each with a notional share of capital of EUR 1.00.

In addition, 16,200 shares were issued as of the balance sheet date as part of an employee option program. These shares had not yet been entered in the commercial register as of the balance sheet date. The issued shares were reported at nominal amount in a separate item.

Authorised capital

By way of resolution passed by the Annual General Meeting on 21 December 2001, the Executive Board was authorised, with the approval of the Supervisory Board, to raise the share capital of REpower Systems AG on one or several occasions by issuing new shares against cash or non-cash contributions up to EUR 2,700,599 by 15 December 2006. REpower Systems AG made full use of this right.

By way of resolution passed by the Annual General Meeting on 30 May 2006, the Executive Board was authorised, with the approval of the Supervisory Board, to raise the share capital of REpower Systems AG on one or several occasions by issuing new shares against cash or non-cash contributions, after partial utilisation of EUR 810,179, up to EUR 4,050,898.

Issuing profit participation certificates

The company was authorised by the Annual General Meeting on 9 June 2005 to issue profit participation certificates in the amount of up to EUR 20,000,000 of share capital by 8 June 2009. REpower Systems AG has not yet exercised this right.

4.5.2 Additional paid-in capital

Retained earnings developed as follows:

	2006 in TEUR	2005 In TEUR
As of beginning of fiscal year	86,670	79,529
Premium from capital increase	79,918	6,982
Cost of capital increase	-1,745	
Share options	503	159
As of end of fiscal year	**165,346**	**86,670**

REpower Systems AG

Details of the development of individual equity positions are shown in the statement of changes in shareholders' equity.

The position premium from the capital increase related in full to the payment for the shares issued in the fiscal year to the extent that this exceeded the nominal value of the shares issued. Transaction costs of TEUR 2,908 were incurred in connection with the capital increase and deducted from additional paid-in capital after the deduction of deferred taxes (TEUR 1,163).

A valuation report quantified future obligations from the share options to the Executive Board and executives. The resulting expenses were posted to staff costs and transferred to additional paid-in capital. In the context of the option program established in the fiscal year 2006, a total of 200,000 share options were offered to beneficiaries. As of the reporting date, 192,150 options had been accepted. According to the valuation assessment, the value of each option as of the day granted was EUR 13.91. The total value of the share options issued in 2006 is TEUR 2,782. The options can only be exercised after a blocking period of 2 years, and not before 1 July 2008. In the fiscal year 2006, a total of TEUR 503 was recognised as staff costs for the options issued, reducing the consolidated net income.

4.5.3 Retained earnings

Retained earnings developed as follows:

	31.12.2006 in TEUR	**31.12.2005** In TEUR
As of beginning of fiscal year	7,312	14,069
Consolidated net income for fiscal year	7,063	-6,757
As of end of fiscal year	**14,375**	**7,312**

4.5.4 Minority interests

Minority interests include the shares of third parties in earnings and capital. As of the balance sheet date, they relate to minority interests in international sales and project companies.

	In TEUR
As of 1 January 2006	31
Share of income 2006	-10
As of 31 December 2006	**21**

5. Information on the income statement

5.1 Sales

In 2006 and 2005, the operations of companies in the REpower Systems Group related almost exclusively to developing, manufacturing and projecting wind turbines. As in 2005, a break down of sales has been shown in segment reporting. 37.5 per cent (previous year 26.9 per cent) of sales in the turbine business were generated from the German market, 62.5 per cent (previous year 73.1 per cent) from international markets.

REpower Systems AG

	2006 in TEUR	**2005** In TEUR
Proceeds from sales of wind energy turbines	419,060	291,658
Service/maintenance and materials	25,064	17,375
Electricity proceeds	1,519	8,849
Licence proceeds	5,117	882
Other	8,074	9,312
	458,835	**328,076**

5.2 Other operating income

Other operating income breaks down as follows:

	2006 in TEUR	**2005** In TEUR
Insurance compensation	2,353	1,420
Income from the reversal of other provisions	939	1,224
Income from the reversal of valuation allowances	368	819
Income from the disposal of fixed assets	60	333
Investment subsidies, research and development subsidies	52	505
Land income	13	35
Development contract for US version of MM82/MM92	0	4,500
Additional proceeds from disposal of Portfolio II	0	2,463
Additional proceeds from deconsolidation	0	767
Others	555	1,716
	4,340	**13,782**

5.3 Cost of materials

	2006 in TEUR	**2005** In TEUR
Expenses for raw materials and supplies	324,362	249,776
Expenses for purchased services	62,145	33,056
	386,507	**282,832**

REpower Systems AG purchases all key components for wind turbines from third parties and assembles them itself.

5.4 Personnel expenses

	2006 in TEUR	**2005** In TEUR
Wages and salaries	22,540	23,063
Social security contributions	5,964	4,252
	28,504	**27,315**

REpower Systems AG

The average annual number of employees was:

	2006 in TEUR	2005 In TEUR
Salaried employees	494	389
Waged employees	278	210
	772	**599**

5.5 Other operating expenses

	2006 in TEUR	2005 In TEUR
Legal and consulting costs	5,755	5,090
Advertising and travel expenses	4,443	2,994
Guarantee expenses	3,350	6,073
Purchased services	3,343	5,737
Repairs and maintenance	2,886	612
Write-off/write-downs of receivables	2,431	1,963
Office and land costs	2,117	1,039
Administrative costs	1,823	3,112
Costs of appointing staff	1,748	217
IT expenses	1,619	430
Vehicle costs	1,386	1,166
Costs of monetary transactions	970	718
Insurance costs	716	2,745
Trade fair costs	317	432
Other	1,462	4,099
	34,366	**36,427**

In the previous year, premiums for guarantee, assembly and transportation insurance in the amount of TEUR 2,445 were reported as insurance costs. As a result of the change in insurance company, it is now possible to report individual details on insurance components for the first time. Insurance costs directly attributable to project orders are now correctly reported under expenses for purchased services.

5.6 Financial result

	2006 in TEUR	2005 In TEUR
Other interest and similar income	2,287	1,402
Income from other securities	46	11
Interest and similar expenses	-3,568	-5,695
Net interest income and expenses	-1,235	-4,282
Income from investments	0	6
Income from financial assets recognised at equity	250	5
	-985	**-4,277**

REpower Systems AG

5.7 Income taxes

In the fiscal year 2006, income taxes were composed as follows:

	2006 in TEUR	**2005** In TEUR
Deferred tax expense (previous year: income)	4,155	-4,304
Income tax assets from previous years (previous year: expense)	-407	2,312
Current income taxes	241	0
Income taxes	**3,989**	**-1,992**

The expected tax rate for the period of 2006 is 40.0 per cent (previous year: 40 per cent).

The reasons for the deviation between expected and actual taxation in the Group are as follows:

	2006 in TEUR	**2005** In TEUR
Expected tax expense	4,417	-3,498
Share options	201	0
Income taxes for previous years	-407	2,060
Varying tax rates for income and municipal taxes (trade tax)	-194	358
Losses from partnerships	-100	-651
Other tax effects	41	30
Non-deductible operating expenses	31	15
Tax-free profit distributions/loss on deconsolidation	0	-306
Actual tax income	**3,989**	**-1,992**

The corporation tax credit received thus far as a result of a moratorium in German tax law of TEUR 301 will be paid to REpower Systems AG in ten equal instalments from 30 September 2008. This asset is reported in the 2006 consolidated financial statements at present value.

5.8 Earnings per share

To calculate the basic earnings per share for 2006, the number of shares in line with IAS 33 was weighted on the basis of the average shares outstanding in 2006.

	2006 in TEUR	**2005** In TEUR
Net consolidated income (loss) assigned to shareholders	7,062,715	-6,756,828
Number of shares*	7,507,801	5,693,698
Earnings per share (basic)	**0.94**	**-1.19**

** Weighted average*

To determine the diluted earnings per share, the potentially dilutive shares were calculated on the basis of the approximately 244,280 share options issued. The diluted earnings per share amounted to EUR 0.91. No diluted earnings per share were reported in the previous year as the figure was a negative amount.

REpower Systems AG

6. Lease

At REpower Systems AG and in the companies included in the scope of consolidation, all leases are operating leases. The leases satisfy all criteria specified in IAS 17. Lease payments are recognised directly in income.

The future obligations from the above leases are shown under the note 'Other financial commitments'.

7. Contingent liabilities and other financial commitments

	2006 in TEUR	2005 In TEUR
Other financial commitments		
Obligations from lease and rental contracts		
due within one year	1,619	1,650
due between 1 and 5 years	5,138	5,192
due after more than 5 years	354	1,642
	7,111	**8,484**
Contingent liabilities		
Guarantees	117,344	83,378
Letters of comfort	360	360
	117,704	**83,738**

As of the balance sheet date there are purchase commitments in the amount of approx. EUR 419.7 million (previous year: EUR 102.1 million) to purchase current assets.

The guarantees relate to standard industry obligations for contract performance and warranty.

As of the reporting date, there was a letter of comfort for a subsidiary limited to a maximum amount of EUR 360,000.

8. Information on the share option program

On the basis of approval granted by the Annual General Meeting 2006 for an employment participation program, REpower Systems AG had the option to issue up to 200,000 options to subscribe to REpower shares to members of the REpower Systems AG Executive Board, managing directors of subsidiaries and executives of REpower Systems AG. Each option entails the right to purchase one REpower share. The waiting period for an initial exercise is two years. In 2006, a total of 192,150 options were issued.

As of the reporting date, there are a further 67,200 options granted to the Executive Board and executives from the 2003 to 2005 share option programs. The price per exercised option was EUR 12.78.

	Number 2006	Number 2005
As at beginning of fiscal year	66,650	62,000
Issued and accepted	217,700	41,650
Exercised	-16,200	0
Lapsed	-8,800	-37,000
As at end of fiscal year	**259,350**	**66,650**

9. Financial risks and financial instruments

Primary financial instrument assets in line with IAS 32 include loans, receivables and other assets, provided that they are based on a contract. Primary financial instrument liabilities in line with IAS 32 include all sub-groups of liabilities with the exception of provisions, deferred sales and taxes as well as liabilities from income taxes.

REpower Systems AG

Furthermore, those items which do not relate to a contact are also not included. Derivatives are exclusively used to hedge currency risks on customer receivables relating to the sales price.

The credit and default risk of financial assets corresponds to the maximum amounts posted on the assets side.

Currency risks exist only insofar as deliveries are effected beyond the territories of the euro zone. As of the balance sheet date, there were no hedging transactions. Gains and losses from hedging transactions are reported in the income statement. The company does not use hedges as defined by IAS 39.

Interest rate risks are not hedged. In the aforementioned case a unique hedging contract was purchased based on the hedging risk at a relatively low cost. As of 29 November 2005, REpower Systems AG had utilised publicly refinanced loans valued at TEUR 2,368. In an effort to streamline interest payments, individual loans were converted into a variable-rate Euro loan of the same amount, the interest on which was optimised by entering into a swap. The term of the interest rate swap covers the period from 1 December 2005 to 2 December 2013.

The interest derivatives concluded have the following fair values as of 31 December 2006 including accrued interest which was calculated according to a mid-market valuation:

Product	**Nominal amount** in EUR	**Final maturity**	**Fixed interest rate/strike**	**Valuation on reporting date** in EUR
Cap	0.78	28.06.13	5	1,918
Swap	1.85	02.12.13	3.5	32,741

Within the Group, interest rate changes result primarily in an increase or decrease of the interest for loans and overdrafts.

These financial instruments serve as advance financing for wind turbine supply contracts. A change of interest rates thus directly impacts the project result.

10. Information on the cash flow statement

In compliance with IAS 7, the consolidated cash flow statement is divided into the areas of operating activities, investing activities and financing activities. The funds reported in the cash flow statement comprise cash and cash equivalents. Current bank liabilities were deducted.

Financial funds comprise the following:

	2006 in TEUR	**2005** In TEUR
Cash and cash equivalents at beginning of period		
Cash, bank balances	67,427	26,803
Less current liabilities due to banks	-41,773	-14,355
Total	**25,654**	**12,448**
Cash and cash equivalents at end of period		
Cash, bank balances	120,067	67,427
Less current liabilities due to banks	0	-41,773
Total	**120,067**	**25,654**

REpower Systems AG

In determining the cash flow from operating activities, the indirect method was selected. The cash flow statement begins with the income for the period before taxes. The outflow of funds from interest and taxes was allocated to operating activities and reported separately in that item.

Cash flow from investing activities includes payments for investments in intangible assets, property, plant and equipment and financial assets, proceeds from disposals of fixed assets as well as interest received.

The change in cash flow from financing activities results largely to inflows of EUR 79.2 million from the issue of 2,160,599 shares. This item also included changes in non-current liabilities due to banks.

11. Information on segment reporting

The activities of the REpower Group consist of the development, production and marketing of wind turbines. In addition to development and production, preliminary work is done for project development to support sales, the appropriate rights are acquired and the infrastructure is created to erect turbines at appropriate locations.

The primary segment reporting format at the REpower Group is geographic segments since, in terms of business activities, it is essentially a single-purpose enterprise. REpower distinguishes between the two reporting segments "Germany" and "Rest of world". The "Rest of world" reporting segment includes the segments Asia, Europe (not including Germany) and Australia.

The information on segment reporting includes data on segment income, assets and investments for each reporting geographic segment.

12. Related party disclosures

The following information on related parties is provided in line with IAS 24:

The Executive Board and Supervisory Board of REpower Systems AG and companies in which these parties hold the majority of company shares, are classified as related parties as defined by IAS 24.5. In 2006, there were no business dealings between related parties and the companies included in the consolidated financial statements.

To a minor extent, REpower Systems AG purchased services from companies of the Areva Group, which were settled at market prices. Also, thirteen turbines were sold to the associated company REpower Portugal S. A. for EUR 14.5 million, some of which were sold on to third-party customers.

The remuneration of the Executive Board and the Supervisory Board is stated in detail under note 15.

13. Information on the corporate bodies of REpower Systems AG, Hamburg

For the fiscal year ended 31 December 2006, the members of the Supervisory Board at REpower Systems AG were:

- Bertrand Durrande, (Chairman from 5 January 2006)
- Dr. Jorge Martins, Sever do Vouga
- Dr. Hans-Joachim Reh, Bargteheide
- Dr. Rolf Bierhoff, Essen
- Oliver Heinecke, Husum (from 30 May 2006)
- Alf Trede, Rendsburg (from 30 May 2006)
- Udo Bandow, Hamburg (provisional Chairman until 5 January 2006, in office until 30 May 2006)
- Dr. Klaus Rave, Kronshagen (until 30 May 2006)

The following persons were appointed as members of the Executive Board of REpower Systems AG in the fiscal year 2006:

- Prof. Dr. Fritz Vahrenholt, Hamburg
- Matthias Schubert, Rendsburg
- Pieter Wasmuth, Hamburg

REpower Systems AG

14. Declaration of conformity with the German Corporate Governance Code

The declaration of conformity with the German Corporate Governance Code was submitted by the Executive Board and Supervisory Board and published promptly on the company's Web site.

15. Remuneration of the Supervisory Board and Executive Board of REpower Systems AG

In line with the Articles of Association of REpower Systems AG, the remuneration paid to the members of the Supervisory Board for the fiscal year 2006 is as follows:

Name	Attendance fees 2006 EUR	Fixed remuneration 2006 EUR	Total EUR
Bertrand Durrande	6,000	20,000	26,000
Dr. Jorge Martins	5,250	15,000	20,250
Dr. Hans-Joachim Reh	3,000	10,000	13,000
Dr. Rolf Bierhoff	3,500	10,000	13,500
Oliver Heinecke	1,500	5,833	7,333
Alf Trede	2,000	5,833	7,833
Udo Bandow	2,000	4,167	6,167
Dr. Klaus Rave	2,000	4,167	6,167
	25,250	**75,000**	**100,250**

The members of the Executive Board of REpower Systems AG are paid fixed remuneration, the amount of which can be derived from the following table. In addition to a fixed annual salary, each member also receive a performance-related bonus of 30 per cent of the fixed annual salary if REpower Systems AG's EBIT amounts to at least 75 per cent of the annually budgeted figure. This bonus rises to 40 per cent of the fixed annual salary if EBIT reaches the annually budgeted level. It rises further to 50 per cent of the fixed annual salary if EBIT reaches 125 per cent of the budgeted amount (maximum bonus).

In line with the share option program of the company resolved at the Annual General Meeting held on 2 May 2006, share option rights were granted to members of the Executive Board together with further beneficiaries (company management). The options can only be exercised if the share price of REpower Systems shares rises to at least 120 per cent of the base price at any time.

Each member of the Executive Board again received options in 2006. The following overview shows these and the respective options granted to the individual members of the Executive Board. The fair value of options as of 31 December 2006 was TEUR 783.

Name	Options 2005 Quantity	Options 2006 Quantity	Total Quantity
Prof. Dr. Fritz Vahrenholt	5,900	20,000	25,900
Matthias Schubert	5,900	15,000	20,900
Pieter Wasmuth	5,900	15,000	20,900
	17,700	**50,000**	**67,700**

In addition to the above remuneration, the Executive Board member who left in the fiscal year 2005, Thomas Franck, was also granted share-based remuneration which depends on the future development of profits. Remuneration is to be rendered by means of a cash payment. As of the balance sheet date, the obligation was measured at TEUR 360 and an appropriate provision was recognised.

REpower Systems AG

The remuneration paid to the members of the Executive Board for the fiscal year 2006 was as follows:

Name	Fixed remuneration EUR	Variable remuneration EUR	Pension EUR	Total remuneration EUR	Stock options Quantity
Prof. Dr. Fritz Vahrenholt	250,000	0	80,000	330,000	20,000
Matthias Schubert	180,000	0	60,000	240,000	15,000
Pieter Wasmuth	222,000	0	18,000	240,000	15,000
	652,000	**0**	**158,000**	**810,000**	**50,000**

In 2006, the commission paid to Executive Board members to date for each MD 70/77 turbine manufactured by the company itself or under license of at least EUR 385 per turbine or a commission of 1.5 per cent of the invoiced license fees and 50 per cent thereof for MM series machinery was covered by a one-time payment of EUR 170,000.

As of 31 December 2006, the shares held by the Executive Board are as follows:

Name	Shares Quantity	Additions and disposals in 2006 Quantity	Total shares Quantity
Prof. Dr. Fritz Vahrenholt	25,800	0	25,800
Matthias Schubert	21,700	0	21,700
Pieter Wasmuth	0	0	0
	47,500		**47,500**

16. Information on fees paid to auditors

A fee of EUR 163,000 has been recognised for the audit of the financial statements in the fiscal year. EUR 21,754 was paid for other assurance or valuation work in the fiscal year.

17. Proposal for the appropriation of the result of REpower Systems AG

The Executive Board of REpower Systems AG, Hamburg, proposes that the accumulated loss reported in the annual financial statements as of 31 December 2006, prepared in accordance with the provisions of the German Commercial Code and the German Stock Corporation Act, is carried forward for new account.

The single-entity financial statements and consolidated financial statements of REpower Systems AG, Hamburg, will be published in the electronic Federal Gazette (elektronischer Bundesanzeiger).

Hamburg, 2 March 2007

The Executive Board

Prof. Dr. Fritz Vahrenholt **Pieter Wasmuth** **Matthias Schubert**

REpower Systems AG

Statement of consolidated fixed assets 2006

	Acquisition and production costs				
	Date 01.01.2006 EUR	Additions EUR	Reclassi-fi cations EUR	Disposals EUR	Date 31.12.2006 EUR
I. Assets					
1. Land, leasehold rights and buildings, including buildings on non-owned land	7,789,063	3,457	17,673	-267,120	7,543,073
2. Technical equipment, plant and machinery	7,943,147	3,855,973	0	-1,577,511	10,221,610
3. Other equipment, fixtures, fittings and equipment	13,856,384	4,135,862	4,051	-1,015,560	16,980,737
4. Advance payments and plant and machinery in process of construction	187,193	755,181	-21,724	0	920,650
Total property, plant and equipment	**29,775,787**	**8,750,474**	**0**	**-2,860,191**	**35,666,069**
II. Intangible assets					
1.1. Software and other licenses	2,176,848	7,475,994	0	-4,931	9,647,911
1.2. Development costs	2,371,747	5,644,984	0	-1,240,622	6,776,109
1. Intangible assets	4,548,595	13,120,978	0	-1,245,553	16,424,020
2. Goodwill	4,495,642	71,721	0	0	4,567,363
Total intangible assets	**9,044,237**	**13,192,699**	**0**	**-1,245,553**	**20,991,384**
III. Financial assets					
1.1. Shares in affiliated companies	75,000	0	0	-50,000	25,000
1.2. Investments	532,699	50,000	0	0	582,699
1.3. Security investments	28,848	0	0	0	28,848
1. Financial assets	636,547	50,000	0	-50,000	636,547
2. Investments in associates	521,985	2,944,063	0	-466,676	2,999,372
3. Loans	6,574,220	492,717	0	-485,298	6,581,639
Total financial assets	**7,732,752**	**3,486,780**	**0**	**-1,001,974**	**10,217,558**
Total fixed assets	**46,552,776**	**25,429,953**	**0**	**-5,107,718**	**66,875,011**

REpower Systems AG

Depreciation and amortisation					Book values	
Date 01.01.2006 EUR	**Additions** EUR	**Reclassifi-cations** EUR	**Disposals** EUR	**Date 31.12.2006** EUR	**31.12.2006** EUR	**31.12.2005** EUR
1,044,296	267,518	0	-20,370	1,291,444	6,251,629	6,744,767
4,206,735	787,373	0	-1,342,171	3,651,938	6,569,672	3,736,412
7,705,658	2,064,899	0	-1,083,518	8,687,040	8,293,698	6,150,727
0	0	0	0	0	920,650	187,193
12,956,689	**3,119,791**	**0**	**-2,446,059**	**13,630,421**	**22,035,648**	**16,819,099**
1,460,442	1,105,318	0	413	2,566,172	7,081,739	716,406
1,240,622	93,155	0	-1,240,622	93,155	6,682,954	1,131,125
2,701,064	1,198,473	0	-1,240,209	2,659,327	13,764,693	1,847,531
3,237,696	0	0	0	3,237,696	1,329,667	1,257,946
5,938,760	**1,198,473**	**0**	**-1,240,209**	**5,897,023**	**15,094,360**	**3,105,477**
0	0	0	0	0	25,000	75,000
9,950	0	0	0	9,950	572,749	522,749
14,834	0	0	0	14,834	14,014	14,014
24,784	0	0	0	24,784	611,763	611,763
466,676	0	0	-466,676	0	2,999,372	55,309
0	0	0	0	0	6,581,639	6,574,220
491,460	**0**	**0**	**-466,676**	**24,784**	**10,192,774**	**7,241,292**
19,386,909	**4,318,263**	**0**	**-4,152,944**	**19,552,228**	**47,322,783**	**27,165,868**

REpower Systems AG

Independent Auditors' Report

We have audited the consolidated financial statements prepared by REpower Systems AG, Hamburg, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2006. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB "German Commercial Code" and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group 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, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, March 5, 2007
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Papenberg Wirtschaftsprüfer	Dr. Haußer Wirtschaftsprüfer

REpower Systems AG

REpower Systems' unaudited consolidated financial statement as per 30 September 2007 in compliance with IFRS

Assets (in EUR)	**30.09.07**	**31.12.06**
Current assets		
Liquid funds	122,287,553	120,066,967
Interests in project corporations	40,003	40,000
Future receivables from contract orders	77,560,684	36,985,072
Trade receivables	84,198,373	95,105,017
Intragroup receivables	520,762	417,566
Receivables from associates	6,293,298	1,565,348
Receivables from assets for sale	5,285,800	0
Inventories	223,206,748	78,145,079
Current prepaid expenses and other deferred charges	23,646,326	19,311,747
Total current assets	**543,039,547**	**351,636,796**
Non-current assets		
Property, plant & equipment	34,717,319	22,035,649
Intangible assets	18,349,097	13,764,693
Goodwill	1,486,501	1,329,667
Investments in associates	3,775,033	2,999,372
Other investments	611,763	611,763
Loans	6,843,480	6,581,639
Deferred taxes	8,411,444	7,352,094
Non-current prepaid expenses and deferred charges	2,009,438	2,339,515
Total non-current assets	**76,204,074**	**57,014,392**
Total assets	**619,243,621**	**408,651,188**

REpower Systems AG

Liabilities **(in EUR)**	**30.09.07**	**31.12.06**
Current liabilities		
Current loans and current percentage of long-term loans	-25,143	109
Trade payables	45,515,944	68,923,569
Intragroup payables	8,836,270	0
Advance payments received	177,957,650	91,407,273
Provisions	50,251,012	27,757,222
Deferred sales	1,420,550	248,922
Income tax liabilities	154,965	530,130
Liabilities from assets for sale	140,758	0
Other current liabilities	2,093,302	12,269,743
Total current liabilities	**286,345,307**	**201,136,967**
Non-current liabilities		
Non-current loans	2,114,791	2,354,760
Capital from profit participation rights	10,000,000	10,000,000
Deferred taxes	12,505,898	7,329,671
Total non-current liabilities	**24,620,689**	**19,684,431**
Shareholders' equity		
Subscribed capital	8,993,376	8,101,797
Share issue for capital increase	0	16,200
Additional paid-in capital	279,626,405	165,346,006
Currency translation	-36,362	-30,461
Retained earnings	19,383,510	14,374,915
Minority interests	310,696	21,332
Total shareholders' equity	**308,277,625**	**187,829,789**
Total shareholders' equity and liabilities	**619,243,621**	**408,651,188**

REpower Systems AG

REpower Systems unaudited consolidated profit and loss statement (total expenditure format) for the period from 1 January - 30 September 2007 in compliance with IFRS

Financial statement

(in EUR)

	01.01.07-30.09.07	01.01.06-30.09.06	01.07.07-30.09.07	01.07.06-30.09.06
Sales	372,966,562	292,585,558	172,719,129	114,075,717
Changes in finished goods and work in progress	21,119,741	4,853,885	-9,497,111	4,870,098
Total performance	**394,086,303**	**297,439,443**	**163,222,018**	**118,945,815**
Other operating income	2,309,343	1,370,449	-654,427	577,538
Cost of materials/cost of purchased services	-321,347,596	-251,848,014	-127,638,354	-100,534,067
Personnel expenses	-34,412,171	-20,506,899	-14,262,394	-7,977,945
Depreciation on property, plant and equipment and amortisation of intangible assets	-4,269,180	-2,941,183	-1,535,237	-1,084,740
Other operating expenses	-28,509,365	-20,126,715	-11,604,264	-8,913,029
Operating result	**7,857,333**	**3,387,081**	**7,527,342**	**1,013,572**
Net interest expense	1,244,521	-1,382,215	584,011	-471,956
Net income from investments	0	0	-7,306	0
Income from associated companies	220,661	79,991	207,207	79,991
Income before taxes	**9,322,515**	**2,084,857**	**8,311,254**	**621,607**
Taxes on income	-4,146,552	-994,217	-3,315,089	-553,276
Other taxes	-184,255	-108,120	-48,267	-30,103
Net income	**4,991,708**	**982,520**	**4,947,898**	**38,228**
Net income assigned to minority interests	-218,968	-19,299	-208,973	-80,476
Net income assigned to shareholders	5,210,677	1,001,819	5,156,871	118,704
Profit per share (undiluted)	0.60	0.13		
Average number of shares in circulation	8,637,722	7,325,582		

REpower Systems AG

Unaudited cash flow statement for the first nine month of 2007 in compliance with IFRS

Cash flow statement	**01.01.07-30.09.07**	**01.01.06-30.09.06**
Cash flow from operating activities		
Income before tax	9,322,515	2,084,857
Adjustments for:		
Depreciation on property, plant and equipment, amortisation of intangible assets and write-down of financial assets	4,269,180	2,941,183
Interest income	-4,123,732	-1,438,093
Interest expenses	2,879,211	2,820,307
Increase/reduction of provisions	22,493,789	-5,360,340
Profit/loss from the disposal of assets	0	11,921
Change in working capital	-127,706,152	16,332,746
Interest paid	-2,879,211	-2,820,307
Income tax paid	70,069	0
Cash flows used/from operating activities	**-95,674,330**	**14,572,274**
Cash flow from investing activities		
Proceeds from the sale of assets	1,335,524	40,274
Payments for the acquisition of assets	-18,235,072	-13,374,797
Interest received	4,123,732	1,438,093
Cash flows used/from investing activities	**-12,775,817**	**-11,896,430**
Cash flow from financing activities		
Proceeds from increases in shareholders' equity	110,935,953	78,984,878
Payments from repaying loans	-239,969	-1,487,060
Cash flows from financing activities	**110,695,984**	**77,497,818**
Increase/reduction in cash and cash equivalents	**2,245,837**	**80,173,662**
Cash and cash equivalents at the beginning of the period	120,066,858	25,653,782
Cash and cash equivalents at the end of the period	**122,312,695**	**105,827,444**
Cash in bank	122,287,553	107,879,451
Current bank liabilities	25,143	-2,052,007
Cash and cash equivalents at the end of the period	**122,312,696**	**105,827,444**

REpower Systems AG

Notes to the unaudited IFRS consolidated financial statements as of 30 September 2007

Accounting policies

These interim consolidated financial statements for the period from 1 January 2007 to 30 September 2007 were prepared on the basis of the single-entity financial statements in accordance with the German Commercial Code of all consolidated companies, converted to IFRS. The consolidation accounting entries required were taken into account. IFRS regulations for recognition and measurement were complied with.

The IFRS principles applied were those used in preparing the annual financial statements of the REpower Systems Group as of 31 December 2006. The accounting policies used in the 2006 consolidated financial statements were applied unchanged in preparing the interim consolidated financial statements as of 30 September 2007. The underlying single-entity financial statements were prepared in euro or translated at the official exchange rate.

Scope of consolidation

There are investments in eight foreign sales corporations with the purpose of distribution of the parent company's wind turbines. There are also interests in three investment and shell companies and one manufacturing facility.

As against the balance sheet date of 31 December 2006, the scope of consolidation has been extended to include a newly formed company for the production of blades. The Company Power-Blades GmbH, Lemwerder, will set up production facilities in Bremerhaven and commence its operations from the year 2008.

The sales corporation REpower USA Corp. which is headquartered in Portland/Oregon, was also founded and included in the scope of consolidation. The corporation will increase market share on the US market.

Both companies will be consolidated for the first time as at the date of foundation or share acquisition.

The companies exerted insignificant influence on the Group's net assets and results of operations in the third quarter as they were still in their start-up phases. The first-time consolidation of PowerBlades GmbH results in an excess of acquisition costs over net assets acquired in the amount of EUR 157 thousand, which is recognised as goodwill.

In second quarter 2007, REpower Investitions- & Projektierungs GmbH & Co. KG initiated a project to erect a wind farm with 5-megawatt class turbines. The project is the company's only operation. The company has been measured in the interim financial statements in accordance with IFRS 5. All its assets and liabilities are treated as held for sale and reported separately. As of the balance sheet date, the company's six months earnings and its total expenses and income were immaterial to the presentation of the Group's income situation.

Investments measured at equity

REpower Portugal Sistemas Eolicos S.A., Portugal and REpower North (China) Ltd., People's Republic of China, are included in the interim financial statements as at 30 September 2007 at equity.

The parent company holds a 50% interest in the assets and profits of each of the two companies. Both companies operate as production and distribution companies for the development of the sales markets in their respective countries.

REpower Systems AG

All companies to be consolidated

In the reporting period, the scope of consolidation included the following German and international companies, which were fully consolidated.

Group share in the nominal capital

	30.09.07 [in %]	31.12.06 [in %]
Sales corporations		
REpower España S.L., Madrid, Spain	100.00	100.00
REpower S.A.S., Courbevoie, France	100.00	100.00
Fermes Eoliennes de France S.A.S., Suresnes, Lyon, France	100.00	100.00
REpower Italia srl., Milan, Italy	100.00	100.00
REpower Australia Pty Ltd., Melbourne, Australia	100.00	100.00
REpower Diekat A.E., Athen, Greece	60.00	60.00
REpower UK Ltd., Edinburgh, United Kingdom	67.00	67.00
REpower USA Corp., Portland/Oregon, USA	100.00	-
Wind farm project and operating corporations		
REpower Betriebs- und Beteiligungs GmbH, Rendsburg	100.00	100.00
REpower Investitions- und Projektierungs GmbH & Co. KG, Rendsburg	100.00	100.00
Windpark Großvargula Betriebs GmbH, Trampe	100.00	100.00
Manufacturing facilities		
PowerBlades GmbH, Lemwerder	51.00	-

Balance sheet disclosures

Total assets increased by EUR 210.6 million as against year-end 2006. This change is primarily due to an increase in inventories of EUR 145.1 million and future receivables from contract orders of EUR 40.6 million. The main changes between the balance sheet date as of 30 September 2007 and the balance sheet date as of 31 December 2006 are explained below.

Assets

Overall, current assets rose by EUR 191.4 million, an increase of 54.4%. The individual items saw various changes that are largely due to the increased order backlog and the higher production in connection with the company growth generated as at 30 September 2007 and forecast to the year-end.

As a result of the high order backlog, inventories rose as at the balance sheet date by EUR 145.1 million. This rise related to both raw materials and supplies and work in progress as against 31 December 2006. At the same time, future receivables from contract orders rose in the reporting period by EUR 40.6 million which can be seen as directly related to the higher sales from the PoC measurement. Receivables from assets for sale of certain assets of EUR 5.3 million primarily relate to the REpower Investitions- & Projektierungs GmbH & Co. KG project.

Non-current assets increased by EUR 19.2 million as at the balance sheet date. This change is primarily attributable to the EUR 12.7 million rise in property, plant and equipment (particularly as a result of an increase in assets under construction due to the construction of blade moulds in the amount of EUR 3.1 million and EUR 2.8 million for construction of the Bremerhaven production site) and the EUR 4.6 million rise in intangible assets as a result of the capitalisation of development costs.

Shareholders' Equity and liabilities

The change in shareholders' equity and liabilities of EUR 210.6 million consisted primarily of a rise in the subscribed capital and additional paid-in capital of EUR 114.3 million and payments received of EUR 86.6 million.

REpower Systems AG

Overall, **current liabilities** increased as a result of the higher order backlog. There were different reasons for the development of the individual balance sheet items:

Trade payables decreased partly as a result of the greater use taking cash discount. The EUR -10.2 million decline in other liabilities primarily related to the payment of sales tax liabilities reported as of 31 December 2006, which were settled in financial year 2007. At the same time, advance payments received from customers on orders increased by EUR 86.6 million. These advance payments only relate to orders which were not included as of the balance sheet date and which were measured according to the percentage of completion method. The increase in provisions by EUR 22.5 million compared with 31 December 2006 is primarily due to deferred outstanding supplier invoices and subsequent costs for wind turbines which were reported in sales as at 30 September 2007. Customer payments on future maintenance and service agreements are reported as deferred sales.

The changes in **non-current liabilities** mainly relate to deferred tax liabilities from temporary differences between tax profits and the carrying amounts in accordance with IFRS. The changes to the imminent company tax reform in Germany as at 1 January 2008 were taken into account in the deferred tax liabilities. The Group tax rate for the parent company and the domestic subsidiaries was reduced from the previous 40% to 35%. Insofar as the use of deferred taxes cannot be expected until after 1 January 2008, the effects of the change to the tax rate are taken into account in the interim financial statements.

Shareholders' Equity increased by EUR 120.4 million as of the balance sheet date. This change is primarily based on the capital increase implemented on 11 April 2007 by 891,579 shares which led to a cash out-flow of EUR 110.9 million. As a result of the stock option programmes launched, an appropriation was made to the additional paid-in capital in the amount of EUR 4.1 million. The net income for the period as at 30 September 2007 of EUR 5.0 million is taken into account in the retained earnings.

Unaudited notes to the income statement

The structure of the consolidated income statement corresponds to the principles set out in IFRS 1, as was also the case for the classification as of 31 December 2006.

In the first nine months of 2007, the Group generated total performance of EUR 394.1 million from the sale of wind turbines and from service and licence proceeds. As against the same period of the previous year (EUR 297.4 million), total performance was up by EUR 96.7 million. This corresponds to a relative increase in total performance of 32.5% year-on-year. This increased total operating revenue results on the one hand from the improved sales per MW, and on the other hand from the stock of wind turbines to be measured in line with the PoC method which has significantly grown year-on-year.

The **cost of materials** rose by EUR 69.5 million. In relation to total performance, the cost of materials amounted to 81.5% and fell by 3.1% year-on-year. This fall is firstly due to an increase of turbine prices for the customers and secondly to the rise in licence and sales revenues. **Staff costs** rose by EUR 13.9 million due to an increase in the number of employees. **Depreciation of property, plant and equipment and amortisation of intangible assets** increased by EUR 1.3 million year-on-year as a result of higher investments and amortisation of development costs. Taking into consideration an increase in **other operating expenses** of EUR 8.4 million, the operating result of EUR 7.9 million as at the balance sheet date was EUR 4.5 million lower year-on-year.

As a result of the higher inflow of cash from the capital increase, **net financial income** increased by EUR 2.6 million compared to the same period of the previous year.

Overall, the Group posted net income for the period of EUR 5.0 million as of the balance sheet date 30 September 2007 (previous year: EUR 1.0 million).

Unaudited Notes to the cash flow statement

The cash flow statement as of 30 September 2007 was compared with the cash flow statement as of the same date of the previous year. The cash flow statement at the balance sheet date reflects the cash flow between the consolidated financial statements as at 30 September 2007 and the consolidated financial statements as at 31 December 2006.

As at the balance sheet date, the cash flow statement shows a net inflow of EUR 2.2 million (previous year: net inflow of EUR 80.2 million).

REpower Systems AG

In the first nine months of 2007, net cash used in **operating activities** amounted to EUR -95.7 million. As a result of the increase in current assets, particularly inventories (cash outflow of EUR -145.1 million), and the reduction of trade payables (cash outflow of EUR -23.4 million), other current liabilities (cash outflow of EUR -10.2 million) as well as the increase in future receivables from contract orders (cash outflow of EUR -40.6 million), cash outflow totalled EUR -219.3 million. This cash outflow was only partially compensated for by inflows from the reduction in payments received (cash inflow: EUR 86.6 million) and the increase in other provisions (cash inflow: EUR 22.5 million).

With respect to **investing activities**, there were outflows of EUR -18.2 million for payments in property, plant and equipment. These were offset by inflows from interest income amounting to EUR 4.1 million.

The inflow of funds is mainly due to **financing activities**. Payments of EUR 110.9 million were received as a result of the capital increase.

Unaudited notes to segment reporting

The information on segment revenue, segment assets and segment investments is presented below in line with the principles of IAS 34 and taking standard industry factors into consideration. The comparative prior-period figures are also shown for the purposes of comparison.

The Group operates in the development, production and distribution of wind turbines. The primary segment reporting format is geographic in nature. This means that REpower Systems AG distinguishes between its German and international segments. As the Group only manufactures one product, no secondary segment is required.

Segment reporting of REpower Systems Group for the first nine months of 2007 in compliance with IFRS

The segment revenue, in comparison with the prior period:

EUR (million)	**Segment revenue**	
	01.01.07-30.09.07	**01.01.06-30.09.06**
Germany	99.2	101.8
Outside Germany	273.8	190.8
Total	**373.0**	**292.6**

The segment assets, in comparison with the prior period:

EUR (million)	**Segment assets**	
	30.09.07	**30.09.06**
Germany	611.5	326.6
Outside Germany	7.7	18.3
Total	**619.2**	**344.9**

The segment investments, in comparison with the prior period:

EUR (million)	**Segment investments**	
	30.09.07	**30.09.06**
Germany	**17.9**	12.9
Outside Germany	0.3	0.4
Total	**18.2**	**13.3**

REpower Systems AG

Unaudited statement of changes in consolidated shareholders' equity

	Subscribed capital	Share issue for capital increase	Additional paid-in capital	Currency translation	Retained earnings	Minority interests	Total
	in EUR	in EUR	in EUR	in EUR	in EUR	in EUR	in EUR
Balance at January 1, 2007	**8,101,797**	**16,200**	**165,346,006**	**-30,461**	**14,374,915**	**21,332**	**187,829,789**
Capital increase	891,579	-16,200	110,501,383				111,376,762
Transaction costs related to the capital increase			-286,527				-286,527
Exchange differences on subsidiaries consolidated				-5,901			-5,901
Acquisition of minority interests of PowerBlades GmbH						306,250	306,250
Share option plans			4,065,542				4,065,542
Net income for the period					4,991,708		4,991,708
Net loss assigned to minority interests					16,886	- 16,886	0
Balance at September 30, 2007	**8,993,376**	**0**	**279,626,405**	**-36,362**	**19,383,510**	**310,696**	**308,277,624**
Balance at January 1, 2006	**5,941,198**	**0**	**86,670,543**	**-18,505**	**7,312,200**	**30,492**	**99,935,928**
Capital increase	2,160,599		79,711,864				81,872,463
Transaction costs related to the capital increase			-1,732,551				-1,732,551
Share option plans			301,703				301,703
Exchange differences on subsidiaries consolidated				-1,780			-1,780
Net income for the period					982,520		982,520
Net income assigned to minority interests					19,299	- 19,299	0
Balance at September 30, 2006	**8,101,797**	**0**	**164,951,559**	**-20,285**	**8,314,019**	**11,193**	**181,358,283**

DECLARATION

The Company certifies that all relevant provisions of Chapter XIII-A of the SEBI Guidelines have been complied with and no statement made in this Placement Document is contrary to the provisions of Chapter XIII-A of the SEBI Guidelines and that all approvals and permissions required to carry on its business have been obtained, are currently valid and have been complied with. The Company further certifies that all the statements in this Placement Document are true and correct.

EXECUTIVE DIRECTOR

December 18, 2007

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