

CONFIDENTIAL

SE Blades Technology BV
Jan Tinbergenstraat 290
7559 ST Hengelo Ov

- 2014/2015 -

Draft

Annual report 2014/2015

August 20, 2015

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1	No opinion included	20
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1 ANNUAL REPORT OF THE MANAGING DIRECTORS

In accordance with article 2:396 part 7 of the Dutch Civil Code no report of the Managing Directors for 2014/2015 has been prepared.

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1 BALANCE SHEET AS PER MARCH 31, 2015

(after recognition of the loss)

		March 31, 2015		March 31, 2014	
		€	€	€	€
ASSETS					
Fixed assets					
Tangible fixed assets (1)					
Office inventory			608,055		907,078
Current assets					
Inventories (2)					
			20,175		25,200
Receivables, prepayments and accrued income (3)					
Trade receivables		2,127,266		10,177,563	
Receivables from group companies		1,814,662		1,952,617	
Taxes and social securities		32,739		17,777	
Other receivables, deferred assets		11,736,123		12,015,802	
			15,710,790		24,163,759
Cash and cash equivalents (4)					
			289,920		153,855
		<u>16,628,940</u>		<u>25,249,892</u>	

Issued share capital	18,000
Other reserves	<u>1,123,023</u>
Current liabilities	(6)
Trade creditors	630,679
Payables to group companies	13,478,387
Taxes and social securities	180,255
Other liabilities, accruals and deferred income	<u>1,198,596</u>

2 PROFIT AND LOSS ACCOUNT 2014/2015

		2014/2015		2013/2014	
		€	€	€	€
Nett turnover	(7,8)	5,288,055		7,409,544	
Cost price	(9)	309,617		255,974	
Gross turnover result			4,978,438		7,153,570
			4,978,438		7,153,570
Expenses					
Wages and salaries	(10)	2,367,812		2,874,213	
Social security charges	(11)	347,534		344,737	
Pension costs	(12)	323,340		366,303	
Other personnel costs	(13)	152,145		188,152	
Amortisation and depreciation	(14)	403,303		442,709	
Other operating expenses		1,284,285		1,710,863	
			4,878,419		5,926,977
Operating result			100,019		1,226,593
Interest and similar income	(15)	-		113,393	
Interest and similar expenses	(16)	-948,467		-855,879	
Financial income and expenses			-948,467		-742,486
Result from general operations before tax			-848,448		484,107
Taxation on result from general operations			-		-
Result after tax			-848,448		484,107

3 NOTES TO THE STATEMENTS

Activities

The activities of SE Blades Technology BV, with registered office in Hengelo (O), mainly consist of the exploitation and development of durable windenergy

Group structure

SE Blades Technology BV is a member of the AE Rotor Holding BV group. The ultimate parent company of this group is Suzlon Energy Limited in Pune (India).

Registered office

SE Blades Technology BV has its registered office at Jan Tinbergenstraat 290, 7559 ST, Hengelo (Ov).

GENERAL ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE ANNUAL ACCOUNTS

The annual accounts have been prepared in accordance with Title 9 Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

The annual accounts have been prepared based on the historical cost. Valuation of assets and liabilities and determination of the result takes place under the historical cost convention.

Assumption of continuity

SE Blades Technology (SBT), as cost center, entirely depends on the financial development of Suzlon Energy Limited (SEL), the 5th largest wind turbine company in the world (based on installed capacity).

The overall situation of the wind industry with worldwide overcapacity and a downturn in market demand starting early 2013, together with the financial burden from the earlier purchase of Repower by SEL, has adversely influenced the financial situation of SEL.

In this context, it is of key importance that SEL has been accepted in the CDR (Capital Debt Restructuring) program starting in October 2012 and became in full effective during the financial year 2013/14. This CDR is a model of the Indian National Central Bank for the promotion of Indian economy. The objective of this program is to support private India companies with a long term development potential by restructuring of financial obligations, i.e. through temporary suspending of interest and capital payments. Important to note is that only companies with a long term positive business perspective will be accepted in this program.

Simultaneously with this CDR program, SEL also initiated an overall internal restructuring and cost reduction program in its entities, with the target to reduce fixed and operating cost and staff until end of FY2013-14. Also SBT has to meet their defined targets and has finalized the restructuring and cost reduction efforts in FY2013-14 even below what was demanded.

In view of all circumstances, the accounting policies used in these financial statements are based on the expectation that the Company will be able to continue as a going concern.

Movement of accounting policies

Due to changed insights the work in progress is now reclassified as revenues to be invoiced. This change has no consequences on the equity or profit and loss.

Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Dutch Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

Comparative figures

For the sake of an improved understanding of the figures in the balance sheet and profit and loss, some accounts have been reclassified. The comparative figures have been adjusted accordingly.

The accounting policies are consistent with those used in the previous year.

Conversion of foreign currency

Receivables, liabilities and obligations denominated in foreign currency are translated at the exchange rates prevailing at balance sheet date. The exchange differences resulting from the conversion as of balance sheet date, taking into account possible hedge transactions, are recorded in the profit and loss account.

Receivables, liabilities and obligations denominated in foreign currency are translated at the exchange rates prevailing at balance sheet date. Transactions in foreign currency during the financial year are recognised in the annual account at the exchange rates prevailing at transaction date. The exchange differences resulting from the conversion as of balance sheet date, taking into account possible hedge transactions, are recorded in the profit and loss account.

Foreign group companies and non-consolidated participating interests outside the Netherlands qualify as carrying on of business operations in a foreign country, with a functional currency different from that of the company. For the conversion of the annual account of these foreign entities the balance sheet items are translated at the exchange rate at balance sheet date and the profit and loss account items at the exchange rate at transaction date. The conversion differences that arise are directly deducted from or added to group equity.

PRINCIPLES OF VALUATION OF ASSETS AND LIABILITIES

Tangible fixed assets

Tangible fixed assets are presented at acquisition price less cumulative depreciation and, if applicable, less impairments in value. Depreciation is based on the estimated useful life and calculated as a fixed percentage of cost, taking into account any residual value. Depreciation is provided from the date an asset comes into use.

Inventories

Inventories of raw materials, consumables and goods for resale are valued at acquisition price or lower nett realizable value. The lower nett income value is determined by the individual assessment of the inventories.

Receivables and deferred assets

Upon initial recognition the receivables on and loans to participations and other receivables are valued at fair value and then valued at amortised cost, which equals the face value, after deduction of any provisions. The fair value and amortised cost equal the face value. Any provisions for the risk of doubtful debts are deducted. These provisions are determined based on individual assessment of the receivables.

Cash and cash equivalents

The cash is valued at face value. If cash equivalents are not freely disposable, then this has been taken into account in the valuation.

Other assets and liabilities

Liabilities are valued at nominal value, unless determined differently.

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PRINCIPLES FOR THE DETERMINATION OF THE RESULT

General

The result is defined as the difference between the revenue from goods delivered and services performed on one hand and, on the other hand, the costs and expenses for that year, valued at historical costs.

Nett turnover

The nett turnover consists of revenue from the sale of goods and services during the reporting period after deducting discounts, rebates and value added taxes.

Income from the sale of goods is accounted when the significant risks and rewards of ownership have been transferred to the buyer. The cost of these goods is accounted in the same period.

The income for services is included proportionally to the level in which the services were performed based on the costs for the service up to the balance sheet date in relation to the estimated costs for all services to be provided. The costs for these services are accounted for in the same period.

Pensions

SE Blades Technology BV has applied the liability method for pension plans. The premiums payable for the financial year are charged to the result.

Amortisation and depreciation

The depreciation of the intangible fixed assets is calculated using fixed percentages of the purchase price or the research and development costs.

The depreciation on tangible fixed assets is calculated by using a fixed rate on the acquisition cost based on the expected life cycle. Financial profit and losses on disposal of tangible fixed assets are recorded under amortisation/depreciation, profit only to the extent that the profit is not deducted from replacement investments.

Operating costs

Costs are recognised based on the historical cost convention and are allocated to the reporting year to which they relate.

Financial income and expenses

Financial income and expenses comprise interest income and expenses for loans (issued and received) during the current reporting period.

Taxes

In accordance with the Guidelines for Annual Reporting SE Blades Technology BV and AE Rotor Holding BV agreed the following. It should be taken into account that SE Blades Technology BV en AE Rotor Holding BV form a tax entity for corporate income tax. The Guidelines give several opportunities about the processing of corporate income tax between mother en daughter. SE Blades Technology BV and AE Rotor Holding BV agreed that AE Rotor Holding BV (mother) will carry the total tax charge.

In this context SE Blades Technology will not process corporate income tax in the financial statements.

4 NOTES TO THE BALANCE SHEET AS OF MARCH 31, 2015

ASSETS

FIXED ASSETS

1. Tangible fixed assets

	Office inventory
	€
<i>Book value as of April 1, 2014</i>	
Purchase price	3,672,868
Cumulative depreciation and impairment	-2,765,790
	<u>907,078</u>
<i>Movement</i>	
Investments	104,280
Depreciation	-403,303
	<u>-299,023</u>
<i>Book value as of March 31, 2015</i>	
Purchase price	3,777,148
Cumulative depreciation and impairment	-3,169,093
Book value as of March 31, 2015	<u>608,055</u>
<i>Depreciation rates</i>	%
Office inventory	5-50%

CURRENT ASSETS

	3/31/2015	3/31/2014
	€	€
2. Inventories		
Raw materials and consumables	20,175	25,200
3. Receivables, prepayments and accrued income		
Trade receivables		
Suzlon Energy Limited, India	2,127,266	10,177,563
A provision for doubtful debts is not required.		
Receivables from group companies		
Suzlon Wind Energy Corporation, Chicago	313,000	663,220
SE Blades Limited	78,385	78,385
Suzlon Energy GmbH	916,664	952,664
Senvion SE	82,848	82,848
Suzlon Energy Ltd (Branch)	423,765	175,500
	1,814,662	1,952,617
Taxes and social securities		
Value added tax	32,739	17,777
Other receivables, deferred assets		
Deferred assets		
Other deferred assets	10,260	126
Rent	-	66,436
Insurance	1,110	7,990
Contributions and subscriptions	16,600	48,949
Subsidies	29,750	-
Revenues to be invoiced	11,677,577	11,891,829
Personnel expenses	826	472
	11,736,123	12,015,802

	<u>3/31/2015</u>	<u>3/31/2014</u>
	€	€
4. Cash and cash equivalents		
Rabobank, current accounts	238,799	153,586
Rabobank, savings account	51,000	-
Cash	121	269
	<u>289,920</u>	<u>153,855</u>

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EQUITY AND LIABILITIES

5. Equity

	3/31/2015	3/31/2014
	€	€
Issued share capital		
Subscribed and paid up 1,800 ordinary shares at par value € 10.00	18,000	18,000
The statutory share capital amounts to € 90,000.		
The shareholder of the company is AE Rotor Holding BV (100%).		
	2014/2015	2013/2014
	€	€
Other reserves		
Book value as of April 1	1,971,471	1,112,331
Allocation of financial year nett result	-848,448	484,107
	1,123,023	1,596,438
Correction corporate income tax 2012/2013	-	375,033
Book value as of March 31	1,123,023	1,971,471

In accordance with the Guidelines for Annual Reporting SE Blades Technology BV and AE Rotor Holding BV agreed the following. It should be taken into account that SE Blades Technology BV and AE Rotor Holding BV form a tax entity for corporate income tax. The Guidelines give several opportunities about the processing of corporate income tax between mother en daughter. SE Blades Technology BV and AE Rotor Holding BV agreed that AE Rotor Holding BV (mother) will carry the total tax charge.

In this context SE Blades Technology will not process corporate income tax in the financial statements.

Therefore the processed tax charge in de financial statements 2012/2013 at the amount of € 375.033 is corrected in the equity in 2013/2014. It should be taken into account that the comparative figures should be adjusted for this amount (result and capital) to make a fair comparison.

6. Current liabilities

	3/31/2015	3/31/2014
	€	€
Trade creditors		
Creditors	630,679	634,941
Payables to group companies		
Suzlon Wind Energy S.L., Espana	56,634	-
AE Rotor Holding BV	4,941,740	12,693,102
Suzlon Energy BV	969,232	831,175
Suzlon Rotor Corporation	268,123	211,546
SE Drive Technik GmbH	503,355	503,355
RETC Renewable Energy Technology	97,601	97,601
Suzlon Energy A/S, Denmark (former: Suzlon Wind Energy A/S)	6,641,702	6,973,184
	<u>13,478,387</u>	<u>21,309,963</u>
Taxes and social securities		
Wage tax	167,296	281,117
Pension contributions	4,274	135,779
Other taxes	8,685	8,685
	<u>180,255</u>	<u>425,581</u>
Other liabilities, accruals and deferred income		
Vacation money	118,126	123,262
Vacation days	219,604	274,405
Accountants costs	7,200	4,800
Wage costs	149,340	144,448
Audit costs	21,625	18,500
Payroll costs	1,000	1,000
Miscellaneous accruals and deferred income	339,780	38,618
Deferred Subsidy	75,512	-
GI/IR Clearing service vendors	16,101	14,104
Bonuses	250,308	270,799
	<u>1,198,596</u>	<u>889,936</u>

OFF BALANCE SHEET COMMITMENTS**Contingent liabilities***Tax entity*

The company constitutes a tax entity for corporate income tax with AE Rotor Holding BV and Valum Holding BV; consequently the company is severally liable for the resulting debts.

The company constitutes a tax entity for VAT with AE Rotor Holding BV, Suzlon Energy BV and Suzlon Energy Limited (Dutch Establishment) consequently the company is severally liable for the resulting debts.

The Dutch tax office imposed an additional assessment to AE Rotor Holding BV amounting € 1.634.909. Owing to the tax entity SE Blades Technology can be held liable for this tax debt. AE Rotor Holding BV has agreed a payment plan with the Dutch tax office for this debt.

Claim

A claim was made by a creditor for the amount of € 435.000. An amount of € 343,150 is already included in the creditors. The legal department in India is treating this matter.

The management expects the amount of € 435.000 to be sufficient in this case.

Long-term financial obligations*Rental commitments buildings*

The company has rental commitments, which relate to the rent of the office/building. The commitments amount to € 388.000 (on a yearly basis excluding Dutch VAT).

5 NOTES TO THE PROFIT AND LOSS ACCOUNT 2014/2015**7. Nett turnover**

The revenues decreased in 2014/2015 compared to 2013/2014 with 28.6 %.

	2014/2015	2013/2014
	€	€
8. Nett turnover		
Turnover India	-836	4,358,639
Turnover Netherlands	5,503,143	2,748,300
Turnover Germany	-	69,086
Revenues to be invoiced	-214,252	233,519
	<u>5,288,055</u>	<u>7,409,544</u>
9. Cost price		
Cost of raw materials and consumables	304,592	255,974
Movement in inventory Raw Materials	5,025	-
	<u>309,617</u>	<u>255,974</u>
10. Wages and salaries		
Gross salaries	2,275,490	2,658,768
Holiday allowance	166,140	193,116
Movement in holiday entitlement not taken	-10,986	61,804
Overtime allowance	33,252	2,681
Salaries allowance	35,665	12,158
Gross salaries- 30% agreement	-	31,960
	<u>2,499,561</u>	<u>2,960,487</u>
Sickness benefits	-11,395	-
Subsidy	-120,330	-101,165
Restructuring costs	-24	14,891
	<u>2,367,812</u>	<u>2,874,213</u>
11. Social security charges		
Misc social security contributions	<u>347,534</u>	<u>344,737</u>
12. Pension costs		
Staff pension contributions	<u>323,340</u>	<u>366,303</u>

	2014/2015	2013/2014
	€	€
13. Other personnel costs		
Travelling expenses	92,402	124,395
Canteen expenses	5,658	4,491
Clothing expenses	521	849
Education expenses	6,922	5,292
Employee benefit fund	3,954	4,814
Flight ticket expenses	9,981	32,464
Recruitment expenses	19,757	-
Other personnel expenses	12,950	15,847
	<u>152,145</u>	<u>188,152</u>

Staff

At partnership during 2014/2015, on average 39 employees were employed (2013/2014: 37).

14. Amortisation and depreciation

Tangible fixed assets	403,303	441,780
	<u>403,303</u>	<u>441,780</u>
Loss on sale of tangible fixed assets	-	929
	<u>403,303</u>	<u>442,709</u>

Accommodation expenses

Rent buildings	296,640	305,772
Utilities	40,663	21,822
Maintenance buildings	4,941	3,895
Property tax	5,993	5,755
Insurance policies	18,389	33,457
Cleaning expenses	28,311	31,708
Container costs	1,782	1,156
Other housing expenses	34,765	39,064
	<u>431,484</u>	<u>442,629</u>

Office expenses

Small purchases	12,347	12,128
Repair and maintenance of office equipment	54,023	160,776
Telephone, fax and internet expenses	29,957	39,826
Contributions and subscriptions	5,103	10,337
Magazines	674	720
Postage	3,067	2,742
Office supplies	10,563	5,599
	<u>115,734</u>	<u>232,128</u>

	2014/2015	2013/2014
	€	€
<i>Car expenses</i>		
Rent	18,516	66,403
<i>Selling and distribution expenses</i>		
Other cost of sales	136	273
<i>General expenses</i>		
Outsourcing	173,509	632,055
Compilation and audit expenses	29,111	35,319
Consultancy fees	83,245	20,878
License fee	24,773	101,070
Costs of intellectual property	15,121	8,523
Project fees / License fees 2013/2014	300,000	-
Other general expenses	92,656	171,585
	718,415	969,430
Financial income and expenses		
15. Interest and similar income		
Interest receivable Suzlon Energy BV	-	4,910
Currency translation differences	-	108,483
	-	113,393
16. Interest and similar expenses		
Interest on bank overdraft	1,952	2,526
Other interest	10,062	33,979
Interest payable AE Rotor Holding BV	531,436	819,374
Interest payable Suzlon Energy BV	5,416	-
Currency translation differences	399,601	-
	948,467	855,879

Signing of the financial statements

Hengelo (O), August 20, 2015

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