

Financial Statements

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

March 31, 2015

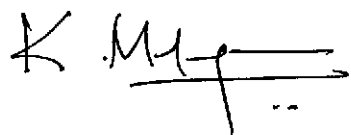


A free translation from Portuguese into English of financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil

Suzlon Energia Eólica do Brasil Ltda.

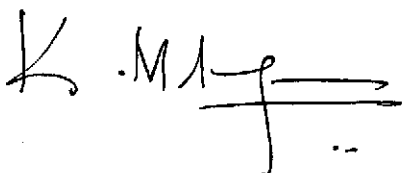
Balance sheets
March 31, 2015 and 2014
(In thousands of reais)

	Note	2015	2014
Assets			
Current assets			
Cash and cash equivalents	4	237	2,680
Short-term investments	5	-	15,624
Trade accounts receivable	6	19,154	50,813
Inventories	7	27,412	502,959
Taxes recoverable	8	12,498	21,576
Related parties	11	71,397	-
Advances to suppliers	9	7,171	63,322
Prepaid expenses		28	808
Other receivables	10	221	15,650
Total current assets		138,118	673,432
Noncurrent assets			
Long term investment	5	6,553	-
Trade accounts receivable	6	-	-
Taxes recoverable	8	1,295	29,759
Advances to suppliers	9	-	4,652
Related parties	11	-	260,606
Deferred income tax and social contribution taxes	12	-	-
Judicial deposits		68	15
Other receivables		-	-
Property, plant and equipment	13	3,383	6,431
Deferred assets	14	-	-
Total noncurrent assets		11,299	301,463
Total assets		149,417	974,895


(K. Malmabayam)
CEO - SEOB

	Note	2015	2014
Liabilities and negative equity			
Current liabilities			
Trade accounts payable	15	22,014	15,764
Loans and financing	16	114,857	119,705
Salaries and charges payable		3,044	6,754
Taxes payable	8	38,110	23,895
Advances from customers	17	396	603,675
Provision for onerous contracts	18	42,977	62,508
Other accounts payable	20	4,885	31,565
Total current liabilities		<u>226,283</u>	<u>863,866</u>
Noncurrent liabilities			
Related parties	11	375,866	447,866
Loans and financing	16	3,422	-
Provision for contingencies	21	36,153	4,739
Provision for warranties	19	38,560	17,627
Other liabilities		-	-
Total noncurrent liabilities		<u>454,001</u>	<u>470,232</u>
Negative equity	22		
Capital		969	969
Accumulated losses		(531,836)	(360,172)
Total negative equity		<u>(530,867)</u>	<u>(359,203)</u>
Total liabilities and negative equity		<u>149,417</u>	<u>974,895</u>

See accompanying notes.



(K. Malmarayam)

CEO - SEOB

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

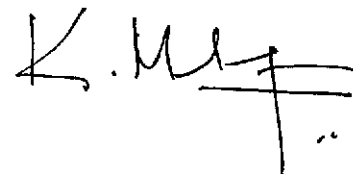
Statements of operations

Years ended March 31, 2015 and 2014

(In thousands of reais, except loss per share, in reais)

	Note	2015	2014
Net sales revenue	23	695,230	326,087
Cost of goods and services	24	<u>(682,983)</u>	<u>(327,288)</u>
Gross loss		12,247	(1,201)
Operating income (expenses)			
General and administrative expenses	25	(32,480)	(41,420)
Financial income (expenses)	26	(113,156)	(31,097)
Other operating income (expenses), net	27	<u>(38,275)</u>	<u>(147,635)</u>
		<u>(183,911)</u>	<u>(220,152)</u>
Loss before income and social contribution taxes		(171,664)	(221,353)
Deferred income and social contribution taxes	12	-	<u>(2,115)</u>
Loss for the year		<u>(171,664)</u>	<u>(223,468)</u>
Loss per share - R\$		(177.16)	(230.62)
Number of units of interest at the year end	22	968,995	968,995

See accompanying notes.



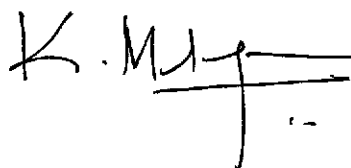
(K. Malmaruzam)
CEO - SEOB

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Statements of comprehensive income (loss)
Years ended March 31, 2015 and 2014
(In thousands of reais, except loss per share, in reais)

	<u>2015</u>	<u>2014</u>
Loss for the year	(171,664)	(223,468)
Other comprehensive income (loss)	-	-
Total comprehensive income (loss) for the year	<u>(171,664)</u>	<u>(223,468)</u>

See accompanying notes.




(K. Medmaruzam)
CEO - SEOB

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Statements of changes in equity
Years ended March 31, 2015 and 2014
(In thousands of reais, except loss per share)

	Capital	Accumulated losses	Total negative equity
Balances at March 31, 2013	369	(136,704)	(136,335)
Capital increase	600	-	600
Loss for the year	-	(223,468)	(223,468)
Balances at March 31, 2014	969	(360,172)	(359,203)
Capital increase	-	-	-
Loss for the year	-	(171,664)	(171,664)
Balances at March 31, 2015	969	(531,836)	(530,867)

See accompanying notes.



(K. Malarayam)
CEO - SEOB

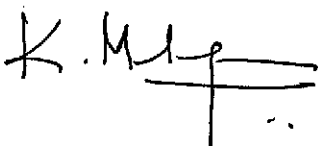
SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Cash flow statements
Years ended March 31, 2015 and 2014
(In thousands of reais)

	2015	2014 (Restated)
Cash flows from operating activities		
Loss for the year	(171,664)	(223,468)
Depreciation and impairment loss – property, plant and equipment	3,109	2,320
Amortization and impairment loss – deferred assets	-	4,519
Deferred income tax and social contribution taxes	-	2,115
Gain on disposal of property, plant and equipment	252	627
Financial income (loss)	(1,656)	(11,297)
Foreign exchange variations, net	79,789	8,933
Interest and monetary variation	37,521	19,497
Changes in provisions, benefits and incentives	(4,157)	20,816
Working capital adjustments		
Interest received	56	
Interest paid	(26,932)	(2,876)
(Increase) decrease in operating assets		
Trade accounts receivable	31,603	(31,960)
Inventories	543,179	20,229
Taxes recoverable	6,883	(18,904)
Advances to suppliers	60,803	(35,506)
Prepaid expenses	780	5,381
Other receivables	15,429	1,141
Increase (decrease) in operating liabilities		
Trade accounts payable	6,250	(17,653)
Social liabilities	(3,710)	1,845
Tax obligations	14,215	12,614
Advances from customers	(603,279)	141,482
Other accounts payable	(26,680)	22,109
Other liabilities	-	(301)
Net cash flow from operating activities	(38,209)	(78,337)
Investing activities		
Capital increase	-	600
Short-term investments	10,727	1,184
Acquisition of property, plant and equipment	(313)	(1,297)
Acquisition of temporary investments	-	-
Income from sale of derivative instruments	-	-
Net cash used in investing activities	10,414	487
Cash flow from financing activities		
Receipts from judicial deposits	(53)	5,190
Receivables from related parties	243,409	208,337
Payment to related parties	(209,313)	(183,475)
Loans and financing taken out	28,809	118,490
Repayment of loans and financing	(37,500)	(78,959)
Net cash flow used in financing activities	25,352	69,583
(Decrease) increase in cash and cash equivalents	(2,443)	(8,267)
Cash and cash equivalents at beginning of year	2,680	10,947
Cash and cash equivalents at end of year	237	2,680
(Decrease) increase in cash and cash equivalents	(2,443)	(8,267)

See accompanying notes.

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 (K. Malmström)
 CEO - SEOB

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements

Years ended March 31, 2014 and 2013

(In thousands of reais, unless otherwise stated)

1. Operations

Suzlon Energia Eólica do Brasil Ltda., established in Fortaleza, state of Ceará, is engaged in equipment import, manufacturing, assembly, sale, trading, installation, development, engineering, operation and maintenance, as well as activities and businesses relating to the wind power industry. Goods, including industrial equipment and machinery, as well as spare parts and pieces, shall not be moved around Company headquarters, which shall operate on a temporary basis, but shall rather be stored in warehouses or deposits.

Financial restructuring

At March 31, 2015, the Company recorded loss of R\$171,664. The current liabilities of the Company are in excess of the current assets in R\$88,165. These conditions indicate the existence of significant uncertainty, which may cast doubt as to the Company's ability to continue as a going concern. Projects Faisas and QGER is completed in current financial year and so, the Company is engaging solely in operation and maintenance services. These financial statements were prepared under the going concern assumption.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements (Continued)
Years ended March 31, 2014 and 2013
(In thousands of reais, unless otherwise stated)

2. Summary of significant accounting practices

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

Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the probabilistic treatment inherent to the estimation process. The Company reviews its estimates and assumptions at least once a year.

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

2.1 Transactions denominated in foreign currency

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

Transactions and balances

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

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements (Continued)
Years ended March 31, 2015 and 2014
(In thousands of reais, unless otherwise stated)

2. Summary of significant accounting practices (Continued)

2.2 Revenue recognition

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

Sales of products

Sales revenue is recognized when significant risks and rewards of ownership of the products are transferred to the buyer, which generally occurs upon delivery thereof.

Sales of services

Revenue from sales of services are recognized in P&L when it can be reliably measured, all risks and rewards inherent to the provision of services are transferred to the buyer

Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, financial income or expense is recorded by using the effective interest rate. Interest income is included in the financial income account in the statement of operations.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements (Continued)
Years ended March 31, 2015 and 2014
(In thousands of reais, unless otherwise stated)

2. Summary of significant accounting practices (Continued)

2.3 Taxes

Current income and social contribution taxes

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

Sales tax

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

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

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

2.4 Financial instruments

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

For 2015, the Company has not engaged transactions with derivative financial instruments.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements (Continued)
Years ended March 31, 2015 and 2014
(In thousands of reais, unless otherwise stated)

2. Summary of significant accounting practices (Continued)

2.4 Financial instruments (Continued)

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

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

2.5 Present value adjustment of assets and liabilities

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

2.6 Cash and cash equivalents

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investing or any other purposes. The Company considers cash equivalents a short-term investment readily convertible into a known cash amount, posing insignificant risk of change in value. Accordingly, an investment normally qualifies as cash equivalent when it is redeemable in the short term, for instance, within three months or less from the investment date.

2.7 Trade accounts receivable

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

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements (Continued)
Years ended March 31, 2015 and 2014
(In thousands of reais, unless otherwise stated)

2. Summary of significant accounting practices (Continued)

2.8 Inventories

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

Costs incurred to take each product to its current location and condition are accounted for as follows:

Raw materials - acquisition cost based on average cost.

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

Net realizable value corresponds to the selling price in the normal course of business, less estimated costs of completion and estimated costs necessary for the realization of the sale.

2.9 Property, plant and equipment

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

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

Depreciation is calculated on a straight-line basis over the useful life of the assets, at rates that take into account the estimated useful life of the assets, as described in Note 13.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements (Continued)
Years ended March 31, 2015 and 2014
(In thousands of reais, unless otherwise stated)

2. Summary of significant accounting practices (Continued)

2.9 Property, plant and equipment (Continued)

An item of property, plant and equipment is written off when sold or when no future economic benefit is expected to arise from its use or sale. Gains or losses, if any, resulting from assets written off (calculated as the difference between the net sales value and the book value of the assets) is included in the statement of operations for the year in which the assets are written off.

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

2.10 Deferred charges

As allowed by Law No. 11638/07, the Company decided to maintain the deferred charges balance until fully amortized. The balance is stated at cost, less accumulated amortization, which is calculated at average rates of 20% p.a.

2.11 Impairment of nonfinancial assets

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

The recoverable amount of an asset or a specific cash-generating unit is defined as the higher of value in use and net sales value.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements (Continued)
Years ended March 31, 2015 and 2014
(In thousands of reais, unless otherwise stated)

2. Summary of significant accounting practices (Continued)

2.11 Impairment of nonfinancial assets (Continued)

In assessing the value in use of an asset, estimated future cash flows are discounted to present value using a pre-tax discount rate, reflecting the weighted average cost of capital (WACC) for the industry in which the cash-generating unit operates. The net sales value is determined, where possible, based on a firm sales contract in a transaction on an arm's length basis, between knowledgeable and interested parties, adjusted by expenses attributable to the sale of the asset, or, when there is no firm sales contract, based on the market price quoted in an active market, or observable at the latest transaction involving similar assets.

2.12 Provisions

General

Provisions are recognized when the Company has a present (legal or constructive) obligation arising from past events, the settlement of which is likely to result in an outflow of economic benefits, and for which a reliable estimate can be made.

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

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements (Continued)

Years ended March 31, 2015 and 2014

(In thousands of reais, unless otherwise stated)

3. Significant accounting judgments, estimates and assumptions

Judgments

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

Estimates and assumptions

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

Taxes

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

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements (Continued)
Years ended March 31, 2015 and 2014
(In thousands of reais, unless otherwise stated)

3. Significant accounting judgments, estimates and assumptions (Continued)

Fair value of financial instruments

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

Impairment of nonfinancial assets

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

Provisions for tax, civil and labor risks

The Company does not have any contingencies assessed by its legal advisors as probable losses. Therefore, no provision for loss has been set up. Assessment of the likelihood of loss includes analysis of available evidence, the hierarchy of laws, available case law, the most recent court decisions and their relevance in the legal system, as well as the opinion of external legal advisors.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements (Continued)
Years ended March 31, 2015 and 2014
(In thousands of reais, unless otherwise stated)

4. Cash and cash equivalents

	2015	2014
Cash	13	78
Banks	224	1,977
Short-term investments	-	625
	<u>237</u>	<u>2,680</u>

Short-term investments recorded as cash equivalents include, basically, marketable securities classified as available, primarily represented by investments in Bank Deposit Certificates (CDBs) redeemable within 90 days, remunerated at annual rates of 10% of the Interbank Deposit Certificate (CDI).

5. Investments

	2015	2014
Debentures	6,541	15,535
Certificate accounts with lottery prizes	12	89
	<u>6.553</u>	<u>15,624</u>

The balance of R\$6,541 refers to debentures held under repurchase agreements pledged as collateral to the project contract Martifer Faisas, which is remunerated at approximately 100% of the Interbank Deposit Certificates (CDI).

6. Trade accounts receivable

	2015	2014
Trade accounts receivable – Martifer	3,679	43,006
Trade accounts receivable – Faisas	14,463	
Trade accounts receivable – OMS	1,012	7,807
(-) Impairment loss	-	-
	<u>19,154</u>	<u>50,813</u>
Current	19,154	50,813
Noncurrent	-	-

At March 31, 2014, impairment loss on trade accounts receivable was fully written off. The Company performs an individual analysis of customers to set up an allowance for doubtful accounts.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements (Continued)
Years ended March 31, 2015 and 2014
(In thousands of reais, unless otherwise stated)

6. Trade accounts receivable (Continued)

	<u>Impairment loss</u>
On April 1, 2013	918
Write-offs	(918)
At March 31, 2014	-
Write-offs	-
At March 31, 2015	-

At March 31, 2015, trade accounts receivable from Faisas is overdue.

7. Inventories

	<u>2015</u>	<u>2014</u>
Work-in-process (Project costs)	-	99,140
Raw and secondary materials	25,462	472,463
Inventories held by third parties	2,211	2,130
Imports in transit	2,881	-
	30,554	573,733
Provision for loss	(3,142)	(70,774)
	27,412	502,959

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements (Continued)
Years ended March 31, 2015 and 2014
(In thousands of reais, unless otherwise stated)

7. Inventories (Continued)

Inventories decreased significantly since the Company recognized the revenue of Faisas and QGER Project during current financial year.

Changes in provision for inventory losses are presented as follows:

	<u>Impairment loss</u>
On April 1, 2013	1,716
Set up	69,058
At March 31, 2014	70,774
Write-offs	67,632
At March 31, 2015	3,142

The Company set up a provision related to the realization of its inventories, since these must be recorded according to their net realizable value corresponding to the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements (Continued)
 Years ended March 31, 2015 and 2014
 (In thousands of reais, unless otherwise stated)

8. Taxes recoverable and payable

Assets

	2015	2014
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	576	7,284
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	2,841	8,933
State VAT (ICMS)	8,749	12,368
Federal VAT (IPI)	1,034	901
Withholding Income Tax (IRRF)	2,202	1,495
Corporate Income Tax (IRPJ)	20,425	25,425
Social Contribution Tax on net Profit (CSLL)	4,877	4,598
Other	331	331
	<u>41,035</u>	<u>61,335</u>
(-) Impairment loss	<u>(27,242)</u>	<u>(10,000)</u>
	13,793	51,335
Current assets	<u>12,498</u>	<u>21,576</u>
Noncurrent assets	<u>1,295</u>	<u>29,759</u>

Liabilities

	2015	2014
PIS	1,763	6,644
COFINS	9,005	7,187
ICMS	456	425
IPI	252	112
ISS	6,237	3,377
IRRF	1,745	3,549
INSS	5,885	2,182
REFIS	6,843	-
Other	5,926	419
	<u>38,110</u>	<u>23,895</u>

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

The balance of income and social contribution taxes recoverable arises from prior years' losses not yet offset due to operating loss for the year. The Company expects to recover these taxes after completion of the administrative proceeding related to the tax delinquency notice served by the Brazilian IRS, as described in Note 21.

For the current year, the Company performed an analysis on tax credits and identified the amount of R\$40,659 related to the income tax and other taxes whose realization is uncertain and recorded an allowance for impairment loss.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements (Continued)
Years ended March 31, 2015 and 2014
(In thousands of reais, unless otherwise stated)

9. Advances to suppliers

	2015	2014
Transportation suppliers	-	21,917
Project services and equipment suppliers	-	32,274
Advances – Bicbanco (*)	25,562	25,562
Other advances	7,171	9,783
	<u>32,733</u>	<u>89,536</u>
(-) Impairment loss	(25,562)	(21,562)
	<u>7,171</u>	<u>67,974</u>
Current	7,171	63,322
Noncurrent	-	4,652

(*) The balance of advance to suppliers refers to a loan taken out by the supplier IMPEL/CEDIN, from Bicbanco bank, under which the Company, as a guarantor for the transaction, undertook certain liabilities, amortizing a number of its installments and respective charges. To this advance, the Company recognized a provision for loss in the amount of R\$ 25,562.

10. Other receivables

	2015	2014
Martifer Faisas	-	14,965
Advances to employees	91	347
Other accounts receivable	130	338
	<u>221</u>	<u>15,650</u>

On October 13, 2012, Suzlon Brasil acquired the total shares of Martifer Faisas project, which comprise 5 wind farms from which energy generation over 120 MW is expected. The project was purchased in the amount of R\$5,000 and classified as temporary investment. However, this investment was disposed of in June 2013 for the amount of R\$47,775 and all this amount is received/adjusted against other payable to Faisas till now.

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements (Continued)
Years ended March 31, 2015 and 2014
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11. Related parties

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

a) Transactions with related parties

	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Suzlon Nicarágua	1,385	977
Suzlon Wind Energy Corporation		-
SE Electricals Ltd		147
Suzlon Energy Limited	669	10,244
Suzlon Energy Uruguay	622	-
Suzlon Wind International Ltd	-	71,964
Suzlon Energy B.V.	68,721	177,274
	<u>71,397</u>	<u>260,606</u>
<u>Liabilities</u>		
Suzlon Energy Limited	38,807	37,208
Suzlon Energy A/S	8,025	8,069
SE Electricals Ltd	1,881	1,126
Suzlon Wind Energy Corporation	5,396	3,358
Suzlon Energy Australia Pty Ltd	39,915	27,268
Suzlon Wind International Ltd	31,606	91,613
Suzlon Wind Energy España Slu	2,242	2,170
SE Blades Limited	4,728	3,338
Suzlon Energy B.V.	243,249	273,640
Suzlon Generators Limited	17	76
	<u>375,866</u>	<u>447,866</u>
<u>Statement of operations</u>		
Sales		1,224
Purchases / cost of sales		(38,528)
Foreign exchange variation, net		(79,789)
Financial income (expenses), net		(3,324)
		<u>(120,417)</u>

SUZLON ENERGIA EÓLICA DO BRASIL LTDA.

Notes to financial statements (Continued)
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11. Transactions with related parties (Continued)

a) Transactions with related parties (Continued)

Balance of related parties under liabilities increased significantly due to the financial situation of the Company described in Note 1. Resources arising from related parties support the Company to assist in funding operations.

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

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

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

b) Company's key management personnel compensation

Key management personnel compensation paid for the year ended March 31, 2015 totaled R\$2,234 (R\$2,489 in 2014).

12. Deferred income tax and social contribution taxes

At March 31, 2015 and 2014, the amount of income and social contribution tax expense is broken down as follows:

	<u>2015</u>	<u>2014</u>
<u>Deferred assets</u>		
Deferred income tax		-
Deferred social contribution tax		-
		-
		-
Income and social contribution tax expenses		<u>(2,115)</u>

As the Company incurred loss for 2015 and 2014, we are not presenting the calculation of the effective rate.

In financial year 2013-14, the Company performed an analysis of the deferred tax recoverability, finding R\$2,115, the realization of which is not certain, and recorded its write-off.

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Notes to financial statements (Continued)
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13. Property, plant and equipment

a) Balance is broken down as follows:

	Annual depreciation rates	2015		2014	
		Cost	Accumulated depreciation	Total	Total
Machinery and equipment	10%	3,747	(1,858)	1,889	2,189
Tooling	10%	2,376	(1,889)	487	338
Furniture and fixtures	10%	1,633	(899)	733	879
IT equipment	20%	1,771	(1,611)	160	463
Vehicles	20%	1,415	(1,415)	0	6
Improvements	20%	53	-	60	479
Other	20%	411	(351)	54	2,077
		<u>11,406</u>	<u>(8,023)</u>	<u>3,383</u>	<u>6,431</u>

b) Changes in balances

	2015	2014
Opening balance	6,431	8,081
<u>Acquisitions</u>		
Machinery and equipment	61	345
Tooling	208	237
Furniture and fixtures	1	-
IT equipment	43	41
Improvements	-	311
Other	-	363
	<u>313</u>	<u>1,297</u>
(-) Depreciation	(3,109)	(2,320)
(-) Disposals	(252)	(627)
Closing balance	<u>3,383</u>	<u>6,431</u>

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Notes to financial statements (Continued)
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14. Deferred charges

	2015	2014
Pre-operating expenses	17,168	17,168
Foreign exchange variation, net	15,490	15,490
Tax expenses	1,471	1,471
Short-term investment yield	(3,935)	(3,935)
Other revenues	(104)	(104)
	30,090	30,090
Accumulated amortization	(30,090)	(30,090)
	-	-

Deferred charges had been amortized since January 2010, when the Company started its activities, and are fully amortized for the current year.

15. Trade accounts payable

	2015	2014
Trade accounts payable	22,014	15,764
	22,014	15,764

These refer to trade accounts payable mainly for project execution activities. Trade accounts payable do not incur interest and is usually settled within 45 to 90 days.

16. Loans and financing

	Index	2015	2014
Banco ABC Brasil	100% CDI + 10.30% p.a.	6,691	11,474
Banco Pine	12% p.a.	-	12,975
Banco Pine	100% CDI + 6% p.a.	2,482	20,032
Banco Fibra S.A.	100% CDI + 6.50% p.a.	-	-
Banco BIC	100% CDI + 12% p.a.	5,177	3,779
Queiroz Galvão	100% CDI + 7.50% p.a.	103,929	71,445
		118,279	119,705

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

Covenants

The Company had no contracts with clauses requiring financial indices.

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Notes to financial statements (Continued)
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17. Advances from customers

	2015	2014
Bons Ventos Serra I	-	2,541
Faisas	-	313,161
Queiroz Galvão	-	287,435
Martifer	-	-
Other	396	538
	<u>396</u>	<u>603,675</u>

18. Provision for onerous contracts

	2015	2014
Queiroz Galvão	42,977	62,508
	<u>42,977</u>	<u>62,508</u>

The provision for onerous contracts is the estimated present obligation that the Company has to pay to its customers for non-observance of contractual terms. These are determined based on analysis performed individually according to each agreement. The Company reversed a provision in the amount of R\$19,531 for the year ended March 31, 2015.

19. Provision for warranties

	2015	2014
Martifer	14,026	17,627
Faisas	21,620	-
QGER	2,914	-
	<u>38,560</u>	<u>17,627</u>

The Company assures its customers the quality of its products, taking responsibility for possible replacements and repairs resulting from defects presented. Based on historical data of expenses of this nature, the Company recorded a new provision for Faisas and QGER Project in the amount of R\$31,220 for the year ended March 31, 2015.

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Notes to financial statements (Continued)
Years ended March 31, 2015 and 2014
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20. Other accounts payable

	2015	2014
Provision for interest on advances	-	14,979
Provision for future expenses on projects completed	-	5,399
Other accounts payable	4,885	11,187
	4,885	31,565

21. Provision for contingencies

Civil, tax and labor claims

The Company is involved in legal discussions of civil, tax and labor natures. For cases in which is likely that cash disbursements will be required to settle the obligation, provision has been recorded, whose value on March 31, 2015, totals BRL 36.153.

The Company also maintains other processes ongoing which, in the opinion of the external lawyers patrons of the causes is of possible loss, but not probable, in the amount approximately of BRL 19.028 on March 31, 2015 (BRL 1.585 on March, 31, 2014) for which the Management believes provision is not necessary for any losses.

Changes in the provision for civil, tax and labor claims are as follows:

	2015	2014
Balance at beginning of year	4.739	-
Additions	31.414	4.739
Balance at the end of year	36.153	4.739

Provisions for federal infraction not recognized

On October 24, 2014 was issued against the company a federal infractions ("Tax Assessment of IRPJ and CSLL reflexes, COFINS and PIS") that is an administrative process where the federal revenue imposes a penalty to the Company totaling BRL 345.628. Based on the corresponding tax assessment analysis and supported by the opinion of its lawyers, who consider the risk of loss as possible, but not probable, the Company's management has made no provision of these processes.

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Notes to financial statements (Continued)
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22. Equity

At March 31, 2015 and 2014, capital amounts to R\$969 (R\$969 in 2014), divided into 968,995 (R\$968,995 in 2014) common registered units of interest, with no par value, held as follows:

	2015	
	Number of units of interest	Capital
Suzlon Wind Energy A/S – Denmark	837,757	938
AE Rotor Holding B.V.	131,237	131
Malmarugan Kothandaraman	1	-
	<u>968,995</u>	<u>969</u>

	2014	
	Number of units of interest	Capital
Suzlon Wind Energy A/S – Denmark	837,758	838
AE Rotor Holding B.V.	131,237	131
	<u>968,995</u>	<u>969</u>

Through the Certificate of Amendment to the Articles of Organization dated January 13, 2015, the Company approved as follows:

a) Transfer of One units of share from Suzlon Wind Energy A/S – Denmark to Malmarugan Kothandaraman

23. Operating revenue, net

	2015	2014
<u>Gross operating revenue</u>		
Sales of products	659,553	310,515
Rendering of services	41,156	17,721
	<u>700,709</u>	<u>328,236</u>
<u>Deductions</u>		
Taxes on revenue	(5,479)	(2,149)
Total operating revenue, net	<u>695,230</u>	<u>326,087</u>

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Notes to financial statements (Continued)
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24. Cost of goods and services

	2015	2014
Cost of projects	(672,503)	(322,620)
OMS services	(10,480)	(4,668)
	<u>(682,983)</u>	<u>(327,288)</u>

25. General and administrative expenses

	2015	2014
Personnel	(19,488)	(25,316)
Amortization	-	(4,519)
Accumulated	(3,109)	(2,320)
Rent	(1,236)	(2,703)
Transportation	(816)	(1,266)
Advisory expenses	(5,311)	(1,739)
Other	(2,520)	(3,557)
	<u>(32,480)</u>	<u>(41,420)</u>

26. Financial income (expenses)

	2015	2014
Short-term investment yield	1,656	1,231
Interest receivable – agreements with customers	56	10,052
Foreign exchange variation, net	(79,760)	(8,933)
Interest on bank loans	(29,061)	(16,867)
Interest and fines	(2,197)	(15,962)
Bank fees and charges	(2,938)	(632)
Financial income (expenses), net	(912)	14
	<u>113,156</u>	<u>(31,097)</u>

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Notes to financial statements (Continued)
Years ended March 31, 2015 and 2014
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27. Other income (expenses), net

	2015	2014
Provision for losses - advances to suppliers	(4,000)	-
Provision for losses - taxes recoverable	(27,242)	(5,000)
Provision for losses – PIS & COFINS	(3,417)	-
Allowance for doubtful accounts	-	-
Provision for onerous contracts	33,256	(62,508)
Provision for realization of taxes	-	(69,058)
Provision for contingencies	(31,414)	(4,739)
Gains on disposal of temporary investments	-	-
Revenue from warranty	-	-
Other expenses, net	(5,458)	(6,330)
	<u>(38,275)</u>	<u>(147,635)</u>

28. Financial instruments and risk management objectives and policies

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

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

a) Financial instruments

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

Cash and cash equivalents - these are stated at market value, which approximates book value. Short-term investments included in cash and cash equivalents are classified as available for trading and are not realized for speculative purposes in derivatives or any other risk assets. The market value is reflected in the amounts recorded in the balance sheets.