



Baker McKenzie.

Baker & McKenzie Amsterdam N.V.
Attorneys at law, Tax advisors
and Civil-law notaries

P.O. Box 2720
1000 CS Amsterdam
The Netherlands

Tel: +31 20 551 7555
www.bakermckenzie.nl

20150440/FIS

ISSUED AS A TRUE COPY of the annual report of Mitsubishi Electric Europe B.V. for the fiscal year ending March 31, 2016, that has been shown to me and that has been returned to its presenter after having been compared with the original, by me Kim Francis Tan, civil-law notary in Amsterdam, the Netherlands. This statement explicitly contains no judgement as to the contents of this document.

Amsterdam, the Netherlands, December 16, 2016.



APOSTILLE

Convention de La Haye du 5 octobre 1961

1. Country: THE NETHERLANDS
This public document
2. Has been signed by: mr. K.F. Tan
3. Acting in the capacity of: civil law notary in
Amsterdam
4. Bears the seal/stamp of:
mr. K.F. Tan
Certified
5. At Amsterdam
6. On 19 december 2016
7. By the clerk of the Court of Amsterdam
8. No
9. Seal/Stamp: 58645
10. Signature
mw. L.G. van der Horst



ANNUAL REPORT

**MITSUBISHI ELECTRIC EUROPE B.V.
AMSTERDAM, THE NETHERLANDS**

Year ended March 31, 2016



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Managing Directors' Report

The managing directors are pleased to submit their report together with the financial statements of Mitsubishi Electric Europe B.V. for the year ended March 31, 2016. The independent auditor's report is included in 'Other Information'.

General information

Mitsubishi Electric Europe B.V., Schiphol-Rijk, the Netherlands (Hereinafter 'the Company', 'MEU' or 'the Group') was incorporated on April 17, 1996 and operates as the European sales organization of Mitsubishi Electric Corporation ('MELCO'), Tokyo, Japan, its sole shareholder. The registered office of MEU is located at Capronilaan 46, Schiphol-Rijk, the Netherlands.

MEU carries out its operations primarily through branches in France, Germany, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Spain, Sweden and the United Kingdom as well as through subsidiaries in Turkey and the Russian Federation.

Principal activities

The principal activities of MEU are as follows:

- A The sales and service of industrial, electrical and electronic equipment as well as consumer electric products and electronic and information technology systems and components.
- B The engineering design, project management and internal construction relating to power substations, building service modules, large screen display systems.

We refer to page 98 for the complete list with the Company's branches, subsidiaries, associates and investments and their locations.

Financial information

Activities and results

In the business year ended March 31, 2016, overall nominal sales amounted to EUR 2.662,1 million (previous business year: EUR 2.467,0 million). Higher net sales (EUR 195,1 million / 7,9 %) were achieved in most business areas, reflecting organic growth as well the effect of acquisition/integration activities. For the acquisition of MIBA AS in July 2015, reference is made to note 5 of the accompanying financial statements.

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Following the sales development, the cost of sales increased by EUR 161,6 million compared with the previous business year to EUR 2.202,3 million, representing 82,7% of net sales (previous business year: 82,7%).

Operating expenses, i.e. the total of selling general and administrative expenses, other operating income and other operating expenses, increased compared to the previous year in line with the increased business volume, totaling at EUR 406,1 million (previous business year: EUR 393,9 million).

Net finance income amounted to EUR 0,7 million (previous business year: expense of EUR 0,1 million). The improvement is mainly due to higher dividends received amounting to EUR 1,4 million as of March 31, 2016 (previous business year: EUR 0,5 million).

Accounting for the aforementioned factors, a profit before tax of EUR 54,1 million was achieved in 2015/2016 (previous business year: EUR 32,2 million).

The profit after tax amounted to EUR 37,0 million (previous business year: EUR 12,5 million).

Statement of financial position

Total assets amounted to EUR 1.452,8 million as at March 31, 2016, being EUR 53,3 million higher compared to March 31, 2015 (EUR 1.399,6 million). The increase includes cash and cash equivalents achieved through the increased business operations, as well as business investments into non-current assets, especially the new office building in Germany.

On July 15, 2015 MEU acquired 100,0% of the shares in MIBA AS, a limited liability company seated in Ytre Enebakk/Oslo, Norway. MIBA AS has been the distributor for air-conditioning and heat pump products of MEU for the Norwegian market. The acquisition has been recognized using the purchase method of accounting. The identified assets and liabilities were initially consolidated at fair value. Such fair values included intangible assets related to customer relationship of EUR 3.330 thousand and goodwill amounting to EUR 38 thousand. On October 15, 2015 MIBA AS was legally merged into the Company.

Total equity increased by EUR 26,7 million compared to the previous business year to EUR 279,7 million, which includes the profit for the period of EUR 37,0 million, dividend payments of EUR 5,0 million and other comprehensive expenses of EUR 5,3 million. In total, the full equity ratio was 19,3 % (previous year: 18,1%).



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Cash flow

The business year ended March 31, 2016, showed a positive net cash flow provided by operating activities of EUR 87,8 million. Net cash used in investing activities was EUR 45,2 million and the net cash used in financing activities was EUR 5,3 million. The effect of movement in exchange rates amounted to EUR 2,7 million reduction. Consequently, the end of fiscal year cash and cash equivalents balance amounted to EUR 295,7 million, an increase by EUR 34,7 million year on year.

The net cash provided by operating activities (EUR 87,8 million) has been EUR 99,0 million higher compared to previous year's level. This increase was supported by the improved level of net working capital.

Net cash used in investing activities (EUR 45,2 million) was EUR 8,7 million lower than last year. The investing activities primarily include the investments into the new office building that was under construction in Germany until December 2015 as well as the business acquisition in Norway.

Net cash used in financing activities this year was EUR 5,3 million, compared to net cash provided by financing activities of 53,6 million last year. The change mainly relates to non-current loans in the amount of EUR 37 million taken from affiliates in previous business year. In the current business year, non-current loans increased only by EUR 3 million. Financing activities are primarily operated through affiliated companies.

Financial and non-financial performance indicators

The financial performance indicators are described under the heading 'Financial information'. There were no structural changes in the financial performance indicators as the Group's activities and performance did not significantly change in the financial year ended March 31, 2016.

Customer and employee satisfaction are important to the Group and are closely monitored and measured in the business operations.

Liquidity and need for external financing

The Group's liquidity position improved to a level of EUR 295,7 million, compared to EUR 261,0 million last year. The cash and cash equivalents balance of EUR 295,7 million contains an amount of EUR 112,7 million relating to short-term deposits to Mitsubishi Electric Finance Europe PLC (March 31, 2015: EUR 123,0 million). As MEU is profitable and is likely to remain cash positive in the foreseeable future, there will be no general need for additional external financing of the business operations.



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Personnel related information

The average number of personnel employed during the year was 2.337 FTE (2014/2015: 2.221). At year end 2.414 FTE were employed (March 31, 2015: 2.252). In the purchasing, sales and marketing department 1.289 FTE and in the administrative department 1.125 FTE were employed. We refer to note 25 of the financial statements for further details on personnel related information such as staff categories, number of staff employed as at reporting date, and staff employed outside of the Netherlands.

Information on male / female partitioning of board members

The Board of Managing Directors consists of seven male members and therefore a balanced partitioning as anticipated by the Netherlands Civil Code cannot be met. The Company does not have the intention to change the composition of the Board of Managing Directors in the near future. The Managing Directors are selected and appointed based upon their knowledge, experience, and competences.

Information regarding the aspects of corporate social responsibility

The MELCO Group promotes its corporate social responsibility ('CSR') activities based on the conviction that all business activities must take CSR into consideration. The MELCO Group's Corporate Mission and Seven Guiding Principles form its basic CSR policies.

We are committed to the MELCO Group's CSR policies, details of which can be found on MELCO Group's website (www.mitsubishielectric.com/company/csr).

We are vigilant in our enforcement of corporate ethics and compliance and constantly work to improve educational programs and strengthen our internal control system. At the same time, we pursue initiatives related to quality management, environmental preservation, philanthropy and improved communication with all stakeholders.



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Risk management and risk profile

The Board of Managing Directors, under the supervision of parent company MELCO, has overall responsibility and sets rules for the Group's risk management and control systems. They are reviewed regularly to reflect changes in market conditions and the Group's activities. The Board of Managing Directors oversees the adequacy and functioning of the entire system of risk management and internal control, assisted by ('MELCO') Group departments.

The Management and the Managing Directors regularly assess material risks to which the Group is exposed to and take the necessary actions to manage and/or mitigate such risks satisfactorily. It is, and had been throughout the financial year, the Group's policy that no trading in financial instruments shall be undertaken.

The risks can be divided into the various categories below.

Strategic risks

MEU's involvement in the sales and service of industrial, electrical and electronic equipment, consumer electric products and electronic and information technology systems and components, and the engineering design, project management and internal construction relating to power substations, building service modules, large screen display systems in a large number of countries leads to a number of unavoidable strategic risks that occur naturally. These include geopolitical risks, industrial risks, market risks and risks in connection with social responsibility and environmental behavior.

Inherent to this strategy is that MEU will take risks and be exposed to a variety of factors that directly or indirectly affect the Group's results. However, we believe that by being active in a number of segments, each with its own market dynamics, we obtain a certain degree of 'counter cyclicity' between the activities and hence a somewhat more stable result development.

Operational risks

Naturally, the Group is exposed to operational risks caused by e.g. supplier risks, IT risks, and risks related to business and work processes. Management is closely monitoring operational risk factors to which the Group is exposed to through a variety of internal control measures to manage such risks effectively.



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Financial risk

Financial risks include foreign currency risks, interest rate risks, price risks, credit risks, and liquidity risks. The Group is exposed to developments in the currency markets and to interest-rate developments. With respect to exchange rates, MEU is affected primarily by changes in the value relation between EUR and JPY, USD, RUB, TRY, SKR and GBP. We refer to note 6 of the financial statements for further details about financial instruments and related risk management.

Regulatory risks

The business areas are geographically represented in a variety of countries and the Group is therefore naturally exposed to a number of legal risks, tax risks and risks in connection with the reporting to public authorities or other external reporting. Management is closely monitoring the development concerning the regulatory environment to manage such risks.

Research and development information

MEU does not perform development activities within the production environments. Research activities are performed on specific client requests.

Prospects

With a wide range of products that are competitive and enjoying growth in markets, MEU is able to provide solutions that fulfill customer needs in different areas, which is the key to future growth. To raise overall profitability, the Group will continue to enhance the formidable competitiveness especially in the areas of quality, costs and services.

Current business environment is reflecting a situation of uncertainty in several relevant markets and a continuing risk of recessionary conditions.

Confronted with this business environment, MEU as part of the MELCO Group, places great emphasis on promoting growth strategies to boost its competitiveness and strengthen its business structure.

Based on this MEU is expecting to achieve positive results in business year 2016/2017, comparable to 2015/2016.

Management is not aware of any other events that could have a significant influence on expectations concerning future activities, investments, financing, staffing and profitability. However, if necessary the Group will react on business opportunities.



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Information concerning application of code of conduct

MEU is committed to MELCO Group's Corporate Code of Conduct. The Corporate Code of Conduct of MELCO Group sets forth the ethical codes to be observed by MELCO Group itself, its corporate officers, and its employees in the conduct of business activities on a global basis, based on MELCO Group's corporate philosophy. The Board of Managing Directors takes measures in case of instances of non-compliance with the code of conduct.






Subsequent events

There have been no events after reporting date which have a significant impact on, or should be disclosed in, the 2015/2016 financial statements. Regular tax audits are ongoing. However, management is not aware of significant matters from these audits at the moment.

Amsterdam, September 30, 2016

Board of Managing Directors

Y. Saito
K. Yamanaka
H. Furuta
H. Kondo
H. Kan
Y. Suwa
M. Konishi

 山中晃太郎

 菅秀俊





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Consolidated statement of financial position
Year ended March 31, 2016 (before profit appropriation)

Assets

	Notes	March 31, 2016 EUR'000	March 31, 2015 EUR'000
Non-current assets			
Property, plant and equipment	7		
Land and buildings		70.772	12.099
Plant and equipment		18.028	13.050
Assets under construction		3.196	39.109
Total property, plant and equipment		<u>91.996</u>	<u>64.258</u>
Intangible assets and goodwill	8	42.454	48.487
Investments in non-controlling interests and associated companies	9	7.573	7.764
Deferred tax assets	24	16.127	18.142
Total non-current assets		<u>158.150</u>	<u>138.651</u>
Current assets			
Inventories	10	486.827	471.585
Trade and other receivables	11	512.185	528.336
Cash and cash equivalents	12	<u>295.650</u>	<u>260.985</u>
Total current assets		<u>1.294.662</u>	<u>1.260.906</u>
Total assets		<u><u>1.452.812</u></u>	<u><u>1.399.557</u></u>

The notes on pages 14 to 70 are an integral part of these consolidated financial statements.

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Equity and liabilities

	Notes	March 31,2016 EUR'000	March 31,2015 EUR'000
Equity			
Share capital	13	83.981	83.981
Share premium	13	48.224	48.224
Foreign currency translation reserve	13	-9.293	-2.242
Retained earnings		104.978	93.177
Unappropriated result		34.759	12.403
Total equity attributable to owners of the Company		262.649	235.543
Non-controlling interest	13	17.030	17.420
Total equity		279.679	252.963
Non-current liabilities			
Pension liabilities	14	24.530	34.543
Provisions	16	4.563	2.395
Non-current loans and borrowings from affiliates	15	40.000	36.997
Other non-current liabilities		1.318	535
Deferred tax liabilities	24	9.309	9.649
Total non-current liabilities		79.720	84.119
Current liabilities			
Current loans and borrowings from third parties	15	28.050	27.841
Current loans and borrowings from affiliates	15	15.652	16.450
Trade and other payables to affiliates	6	796.851	760.756
Trade payables to third parties	6	59.365	59.633
Other current liabilities	6	159.701	166.708
Income tax payable	24	14.343	9.285
Provisions	16	19.451	21.802
Total current liabilities		1.093.413	1.062.475
Total equity and liabilities		1.452.812	1.399.557

The notes on pages 14 to 70 are an integral part of these consolidated financial statements.



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Consolidated statement of profit or loss
Year ended March 31, 2016

	Notes	March 31, 2016 EUR'000	March 31, 2015 EUR'000
Revenue	18	2.662.050	2.466.963
Cost of sales		<u>-2.202.312</u>	<u>-2.040.698</u>
Gross profit		459.738	426.265
Selling, general and administrative expenses	19	-424.700	-408.527
Other operating income	20	25.816	28.198
Other operating expenses	21	<u>-7.227</u>	<u>-13.563</u>
		-406.111	-393.892
Results from operating activities		53.627	32.373
Finance income	22	407	470
Finance costs	22	-1.177	-1.120
Other net finance income	22	<u>1.425</u>	<u>530</u>
Net finance income (cost)		655	-120
Share result of investments	23	<u>-191</u>	<u>-83</u>
Profit (loss) before income tax		54.091	32.170
Income tax expenses	24	<u>-17.105</u>	<u>-19.725</u>
Profit (loss) for the year		<u>36.986</u>	<u>12.445</u>
Attributable to:			
Equity holders of the parent		34.759	12.403
Non-controlling interests		<u>2.227</u>	<u>42</u>
		<u>36.986</u>	<u>12.445</u>

The notes on pages 14 to 70 are an integral part of these consolidated financial statements.



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Consolidated statement of other comprehensive income
Year ended March 31, 2016

	Notes	March 31, 2016 EUR'000	March 31, 2015 EUR'000
Profit (loss) for the year		36.986	12.445
Other comprehensive income			
Foreign currency translation differences foreign operations		-9.668	5.761
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		-9.668	5.761
Net actuarial losses IAS 19	14	5.312	-23.208
Deferred tax effect on IAS 19	24	-901	3.664
		<u>4.411</u>	<u>-19.544</u>
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		4.411	-19.544
Total other comprehensive income for the year		<u>-5.257</u>	<u>-13.783</u>
Total comprehensive income for the year		<u><u>31.729</u></u>	<u><u>-1.338</u></u>
Attributable to:			
Equity holders of the parent		32.119	-2.911
Non-controlling interests		-390	1.573
		<u>31.729</u>	<u>-1.338</u>

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Consolidated statement of changes in equity
Year ended March 31, 2016

In thousand of EUR	Share capital	Share premium	Foreign currency translation reserve	Retained Earnings	Unappro- priated results	Total	Non- controlling interest	Total equity
Balance at April 1, 2014	83,975	42,989	-6,472	103,932	12,520	236,944	3,181	240,125
Appropriation of prior year result	0	0	0	12,520	-12,520	0	0	0
Profit of the year	0	0	0	0	12,403	12,403	42	12,445
Other comprehensive income								
Foreign currency translation differences foreign operations	0	0	4,230	0	0	4,230	1,531	5,761
Net actuarial losses IAS 19 (revised 2011)	0	0	0	-23,208	0	-23,208	0	-23,208
Deferred taxes on IAS 19 (revised 2011)	0	0	0	3,664	0	3,664	0	3,664
Total other comprehensive income	0	0	4,230	-19,544	0	-15,314	1,531	-13,783
Total comprehensive income for the year	0	0	4,230	-19,544	12,403	-2,911	1,573	-1,338
Transactions with owners of the Company, recognized directly in equity								
Contribution in kind	6	5,235	0	0	0	5,241	0	5,241
Dividends to owners of the Company, paid to Mitsubishi Electric Corp. (Tokyo, Japan)	0	0	0	-3,731	0	-3,731	0	-3,731
Changes in ownership interests in subsidiaries:								
Acquisition of subsidiary with non-controlling interests	0	0	0	0	0	0	12,666	12,666
Balance at March 31, 2015	83,981	48,224	-2,242	93,177	12,403	235,543	17,420	252,963
Balance at April 1, 2015	83,981	48,224	-2,242	93,177	12,403	235,543	17,420	252,963
Appropriation of prior year result	0	0	0	12,403	-12,403	0	0	0
Profit of the year	0	0	0	0	34,759	34,759	2,227	36,986
Other comprehensive income								
Foreign currency translation differences foreign operations	0	0	-7,051	0	0	-7,051	-2,617	-9,668
Net actuarial losses IAS 19 (revised 2011)	0	0	0	5,312	0	5,312	0	5,312
Deferred taxes on IAS 19 (revised 2011)	0	0	0	-901	0	-901	0	-901
Total other comprehensive income	0	0	-7,051	4,411	0	-2,640	-2,617	-5,257
Total comprehensive income for the year	0	0	-7,051	4,411	34,759	32,119	-390	31,729
Transactions with owners of the Company, recognized directly in equity								
Dividends to owners of the Company, paid to Mitsubishi Electric Corp. (Tokyo, Japan)	0	0	0	-5,013	0	-5,013	0	-5,013
Balance at March 31, 2016	83,981	48,224	-9,293	104,978	34,759	262,649	17,030	279,679



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Consolidated statement of cash flows
Year ended March 31, 2016

Notes	March 31, 2016 EUR'000	March 31, 2015 EUR'000
Cash flows from operating activities		
Profit (loss) before income tax	54.091	32.170
Adjustments:		
• Loss/(gain) on disposal of non-current assets	7,8 340	586
• Depreciation, amortization and reversal (impairment) loss on non-current assets	7,8 14.838	12.167
• Decrease/(increase) in trade and other receivables	11,14 24.385	-120.849
• Decrease/(increase) in inventories	10 -10.582	-28.958
• Decrease/(increase) in trade and other liabilities	6 24.292	103.438
• Decrease/(increase) in provisions and employee benefits	14,16 -4.884	2.703
• Foreign exchange differences	-3.641	3.196
• Finance costs	22 -1.177	-1.120
• Finance income	22 1.832	470
• Income taxes paid	-11.619	-14.967
Net cash (used in)/ provided by operating activities	87.875	-11.163
Cash flows from investing activities		
Acquisition property, plant and equipment	7 -37.793	-24.747
Acquisition of intangible assets	8 -1.474	-4.008
Investment in subsidiaries and associated companies/business acquisitions	9,33 -5.971	-25.122
Net cash (used in)/ provided by investing activities	-45.238	-53.877
Cash flows from financing activities		
Changes in financing balances	-253	55.653
Dividends paid	-5.013	-3.731
Proceeds of issue share premium	0	1.660
Net cash (used in)/ provided by financing activities	-5.266	53.582
Net (decrease)/ increase in cash and cash equivalents	37.371	-11.458
Cash and cash equivalents at beginning of period	260.985	248.337
Effect of movement in exchange rates	-2.706	24.106
Cash and cash equivalents at end of period	295.650	260.985

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Notes to the consolidated financial statements
Year ended March 31, 2016

1 Reporting entity

Mitsubishi Electric Europe B.V., Schiphol-Rijk, the Netherlands (Hereinafter 'the Company' or 'MEU' or 'the Group') was incorporated on April 17, 1996 and operates as the European sales organization of Mitsubishi Electric Corporation ('MELCO'), Tokyo, Japan. The registered office of MEU is located at Capronilaan 46, Schiphol-Rijk, Amsterdam, the Netherlands.

The consolidated financial statements of the Company as at and for the year ended March 31, 2016 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in associates.

MEU's sole shareholder is MELCO, a company whose registered address is 2-7-3, Marunouchi, Chiyoda-ku, Tokyo 100-8310, Japan and from whom consolidated financial statements can be requested. The financial information of MEU is included in the consolidated financial statements of MELCO.

The principal activities of MEU are as follows:

- A The sales and service of industrial, electrical and electronic equipment as well as consumer electric products and electronic and information technology systems and components.
- B The engineering design, project management and internal construction relating to power substations, building service modules, large screen display systems.

MEU carries out its operations primarily through branches in France, Germany, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Spain, Sweden and the United Kingdom as well as through subsidiaries in Turkey and the Russian Federation.

We refer to the 'Other Information' for the complete overview of the Company's branches, representation offices, subsidiaries, associates and their locations.



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2 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

The consolidated financial statements were authorized for issue by the Board of Managing Directors on September 30, 2016.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair values;
- The defined benefit liability is recognized as explained in note 3 under the heading 'Employee benefits'.

Functional and presentation currency

The consolidated financial statements are presented in EUR. Operations with a functional currency other than EUR were translated to the Company's presentation currency. All financial information presented in EUR has been rounded to the nearest thousand, unless stated otherwise.

Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.



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Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 6 - Financial risk management and financial instruments
- Note 7 - Property, plant and equipment
- Note 8 - Intangible assets and goodwill
- Note 14 - Employee benefits
- Note 16 - Provisions
- Note 17 - Commitments and contingencies

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by MEU.



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Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognized in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.



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Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Investment in associates (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20,0% and 50,0% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.



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Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign entities

The financial information of the subsidiaries is fully consolidated in the consolidated financial statements and the financial information of the branches is fully aggregated in the consolidated financial statements of the Company. Internal transactions and balances and unrealized profits on internal transactions are eliminated on consolidation/aggregation.

The subsidiaries and the branches are considered to be foreign entities for reporting purposes, because the activities are not an integral part of the enterprise which is e.g. evidenced by the fact that the costs of the branches are primarily paid or settled in the local (functional) currency of the country of residence.

Foreign currency

Transactions and balances in foreign currencies

Transactions in foreign currencies are translated to the respective functional currency of the Company's branches at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.



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Foreign operations

Subsidiaries and branches maintain their accounting records in their respective functional currencies. For inclusion in the Company's consolidated financial statements the assets and liabilities of foreign operations are translated to presentation currency EUR at the foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to EUR at rates approximating to the foreign exchange rates ruling at the dates of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

Financial instruments

Non-derivative financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, and loans and receivables.



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Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available for sale, and prevent the Group from classifying investment securities as held to maturity for the current and the following two financial years.

Held-to-maturity financial assets comprise debentures.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables.



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Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.



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Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Repurchase, and reissue of share capital (treasury shares)

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Separable embedded derivatives

Changes in the fair value of separated embedded derivatives are recognized immediately in profit or loss.

Other non-trading derivatives

The Group does not hold derivative financial instruments designated in a hedge relationship that qualify for hedge accounting. When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognized immediately in profit or loss.



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Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized net within other income/other expenses in profit or loss. When translated assets are sold, any related amount included in the foreign currency translation reserve is transferred to retained earnings.

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land and Assets under construction are not depreciated.

The estimated useful lives for the current and comparative years are as follows:

- Buildings - based on contract (rental or useful life, on average 10 - 33 years)
- Plant and equipment
 - Technical equipment: 3 to 13 years
 - Office equipment: 3 to 13 years
 - Cars: 4 to 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.



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Intangible assets

Goodwill that arises upon the acquisition of investments is included in intangible assets. Goodwill is measured at cost less accumulated impairment losses.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Amortization is based on the cost of an asset less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

- Other intangible assets
 - Customer relationships: 5 to 10 years
 - Other (e.g. software): 5 to 6 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Investments in non-controlling interests

Investments in non-controlling interests are measured at cost less accumulated impairment losses.



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Leased assets

Assets held under finance leases or leased properties, which are leases where substantially all the risks and rewards of ownership have passed to the Company are capitalized in the statement of financial position at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and depreciated over their useful lives or the shorter lease period. The present value of the minimal lease payments of future obligations under leases is included as a liability in the statement of financial position.

The interest element of the lease obligation is charged to the profit and loss account over the period of the lease.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realizable value. The weighted average cost method is applied and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Construction contracts

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction contracts in progress are presented as part of trade and other receivables in the statement of financial position for all contracts in which costs incurred plus recognized profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the difference is presented as deferred income/revenue in the statement of financial position.

If a specific finance project has been concluded for work in progress, interest charges are attributed to the cost price of this work. A provision is recognized for expected losses on contracts, which occurs when total contract costs exceed total contract revenue.



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Contract revenue and contract costs are recognized as revenue and expenses, respectively, when the outcome of a construction contract can be estimated reliably.

Revenue arising from fixed price contracts is recognized in accordance with the percentage of completion method. The stage of completion is measured by reference to the actual costs incurred to date as a percentage of the total expected costs for each contract.

Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.



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Financial assets measured at amortized cost

The Company considers evidence of impairment for financial assets measured at amortized cost (loans and receivables and held-to-maturity investment securities) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit ('CGU') exceeds its estimated recoverable amount.



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The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Company's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

The KPMG logo consists of the letters 'KPMG' in a bold, blue, sans-serif font. Each letter is contained within a separate blue square, which are arranged in a horizontal row.

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Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair values of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in potential asset to the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognized immediately in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.



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Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

- Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be

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measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. Usually transfer occurs when the product is received at the customer's warehouse; however, for some international shipments transfer occurs upon loading the goods onto the relevant carrier at the port.

- Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

- Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.
- Other income is gains from sale of property, plant and equipment, intangible assets, and investments in non-controlling interests, net of sales tax. They are recognized in profit or loss when ownership has been transferred to the buyer.
- Finance income comprises dividend income, interest income, and changes in the fair value of financial assets designated at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest rate method unless collectability is in doubt. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.



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Expenses

- Costs of sales include allowances for inventories.
- Finance cost comprises interest expenses, unwinding of the discount on provisions, changes in the fair value of financial assets designated at fair value through profit or loss, and impairment losses recognized on financial assets. Interest expenses are recognized as they accrue in profit or loss, using the effective interest rate method. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.



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Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Cash flow statement

The cash flow statement is prepared using the indirect method. Changes in balance sheet items that have not resulted in cash flows, such as translation differences and other non-cash items have been eliminated for the purpose of preparing this statement. Dividends paid to ordinary shareholders are included in financing activities. Interest paid is included in operating activities. Cash consists of current (including short-term deposit) accounts with banks and cash in hand.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. However, IFRS 9 is currently not endorsed yet by the EU.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

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IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. However, IFRS 15 is currently not endorsed yet by the EU.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

IFRS 11 Joint Arrangements.

Amendments regarding the accounting for acquisitions of an interest in a joint operation. Applicable to annual periods beginning on or after 1 January 2016.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

Amendments regarding the clarification of acceptable methods of depreciation and amortization. Applicable to annual periods beginning on or after 1 January 2016.



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4 Determination fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

Intangible assets

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.



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Forward exchange contracts

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Other non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5 Acquisition of subsidiaries, associates and investments

On July 15, 2015, MEU acquired 100,0% of the shares in MIBA AS, a limited liability company seated in Ytre Enebakk/Oslo, Norway. MIBA AS has been the distributor for air-conditioning and heat pump products of MEU for the Norwegian market.

The acquisition has been recognized using the purchase method of accounting. The cash consideration transferred amounted to EUR 7.811 thousand. Identifiable assets of EUR 14.020 thousand were acquired and liabilities of EUR 6.209 thousand assumed.



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The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

	EUR'000
Property, plant and equipment	86
Intangible assets	3.368
Inventories	4.660
Trade receivables	2.862
Cash and cash equivalents	1.840
Other current assets	1.205
Trade and other payables	6.209

The identified assets and liabilities were initially consolidated at fair value. Such fair values included intangible assets related to customer relationship of EUR 3.330 thousand and goodwill amounting to EUR 38 thousand. The fair value relating to inventories and trade receivables was measured using the net realizable value. The fair value of the intangible asset related to customer relationships was measured by considering the present value of net cash flows expected to be generated by the customer relationships.

Goodwill arising from the acquisition has been recognized as follows:

	EUR'000
Consideration transferred	7.811
Fair value of identifiable net assets	7.773
Goodwill	38

The goodwill is attributable to the synergies expected to be achieved from integrating MIBA AS into the Group's existing business. On October 15, 2015 MIBA AS was legally merged into the Company.



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6 Financial risk management and financial instruments

Overview

The Company's principal instruments, other than derivatives, comprise loans/deposits with Mitsubishi Electric Finance Europe PLC and bank loans/deposits. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The Company also enters into derivative transactions principally forward currency contracts. The purpose is to manage the currency risks arising from the Company's operations.

It is, and had been throughout the financial year, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarized below. The Company also monitors the market price risk arising from all financial instruments. The magnitude of this risk that has arisen over the period is detailed below. The Company's accounting policies in relation to financial instruments are set out in note 3.

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Foreign currency risk and Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in the following exchange rate, with all other variables held constant, on the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

The following table also demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables constant, of the Company's profit before tax (through the impact on floating rate borrowings).

2016	Variance +10% in EUR'000 on PBT	Variance -10% in EUR'000 on PBT
Exchange rate		
EUR/USD	-1.060	1.060
EUR/GBP	744	-744
EUR/JPY	-1.677	1.677
EUR/SKR	409	-409
EUR/RUB	-316	316
EUR/TRY	-1.322	1.322
	<u>-3.222</u>	<u>3.222</u>
2016	Variance +1% in EUR'000 on PBT	Variance -1% in EUR'000 on PBT
Interest rate	<u>0</u>	<u>0</u>
2015	Variance +10% in EUR'000 on PBT	Variance -10% in EUR'000 on PBT
Exchange rate		
EUR/USD	-911	911
EUR/GBP	-70	70
EUR/JPY	52	-52
EUR/SKR	496	-496
EUR/RUB	286	-286
EUR/TRY	834	-834
	<u>687</u>	<u>-687</u>
2015	Variance +1% in EUR'000 on PBT	Variance -1% in EUR'000 on PBT
Interest rate	<u>2</u>	<u>-2</u>



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Fair values

Set out below is a comparison by category of carrying amounts and fair values of the Company's financial assets and liabilities.

Classes of Financial Assets	Fair Value 2016 in EUR'000	Carrying amount 2016 in EUR'000	Fair Value 2015 in EUR'000	Carrying amount 2015 in EUR'000
Derivatives	405	405	406	406
Investments	7.573	7.573	7.764	7.764
Cash & cash equivalents	295.650	295.650	260.985	260.985
Trade receivables 3rd parties	434.749	434.749	463.076	463.076
Trade & other receivables affiliates	32.243	32.243	24.196	24.196
Other debtors	29.717	29.717	26.126	26.126
	<u>800.337</u>	<u>800.337</u>	<u>782.553</u>	<u>782.553</u>

Classes of Financial Liabilities	Fair Value 2016 in EUR'000	Carrying amount 2016 in EUR'000	Fair Value 2015 in EUR'000	Carrying amount 2015 in EUR'000
Non-current loans and borrowings from affiliates	40.000	40.000	36.997	36.997
Derivatives	357	357	298	298
Trade payables 3rd parties	59.365	59.365	59.633	59.633
Trade & other payables to affiliates	796.851	796.851	760.756	760.756
Current loans and borrowings from third parties	28.050	28.050	27.841	27.841
Current loans and borrowings from affiliates	15.652	15.652	16.450	16.450
Other creditors	102.583	102.583	101.293	101.293
	<u>1,042.858</u>	<u>1,042.858</u>	<u>1,003.268</u>	<u>1,003.268</u>

Basis for determining fair values and fair value hierarchy levels

The significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above are discussed in note 4.

The derivatives set out above consist of short term foreign currency exchange contracts. Their fair value has been obtained from external market confirmations (fair hierarchy level 2).

The different fair value hierarchy levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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Interest rate risk

The Company's exposure to interest rate risk relates to changes in market interest rates primarily to the Company's borrowings. Wherever practical, interest payable profiles are matched to the underlying asset categories. The Company's policy is to manage its interest cost by strict cash flow and working capital management to reduce the need for funding. Due to the Company's strict cash flow and working capital management the interest rate risk for MEU is considered to be low.

Cash and cash equivalents include short-term deposits to Mitsubishi Electric Finance Europe PLC for an amount of EUR 112.745 thousand at March 31, 2016 (March 31, 2015: EUR 123.003 thousand). The effective interest rates on these deposits range between 0,05 % and 0,2 % (March 31, 2015: 0,05% and 1,5 %).

Loans and borrowings include short-term loans for an amount of EUR 15.652 thousand (March 31, 2015: EUR 16.450) and long-term loans for an amount of EUR 40.000 thousand (March 31, 2015: EUR 36.997) from Mitsubishi Electric Finance Europe PLC. The effective interest rates on these loans range between 0,3 % and 1,3 % (March 31, 2015: 0,3% and 1,34%).

Foreign currency risk

The Group has currency translation exposures. Such exposures arise from sales or purchases of goods in currencies other than the unit's functional currency. As a result, the Company had significant currency exposures in respect of its monetary assets and liabilities during the year. To mitigate this risk, management agreed with their major customers to invoice them in the same transactional currency as the purchases. The Company also uses forward exchange contracts to hedge foreign currency exchange exposures arising on known material receipts and payments in foreign currencies. The Company did not apply special hedge accounting in the years ended March 31, 2016 and 2015.

Price risk

The Group's exposure to price risk is low since most of the purchased goods are bought from affiliated factories with which longer-term price agreements have been negotiated.



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Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The Company sets individual customer credit limits and these are closely monitored. Credit control is taken seriously by the Company and policies are in place to limit any affect by a defaulting party.

Trade receivables are recognized net of a provision for doubtful debts. Periodically, the Company reviews the collectability of the trade receivables taking into account the history of the customer, recent financial performance and proposals to pay the amounts due. An estimate for doubtful debts is made when the collection of the full amount is no longer probable. The majority of the trade receivables are related to customers located in Europe.

The amounts receivable are due within normal trade terms, which generally range between 30 and 90 days. At the reporting date there were no significant concentrations of credit risk.

With respect to cash and cash equivalent balances at banks the credit risk is mitigated by the Company's policy to conclude financial instruments only with banks with high reputation and first class credit ratings. MEU considers the probability of bank default to be very low.

The carrying amount of financial assets represents the maximum credit exposure.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's aim is to maintain a balance between continuity of funding and flexibility through the use of overdrafts and short-term loans. The Company's policy is to match the maturity of assets and liabilities as far as possible.



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Contractual maturities

The table below summarizes the maturity profile of the Company's financial liabilities at March 31, 2016 based on contractual undiscounted payments.

	On demand EUR '000	Less than 3 months EUR '000	3 to 12 months EUR'000	1-5 years EUR '000	>5 years EUR '000	Total EUR '000
March 31, 2016						
Non-current loans and borrowings from affiliates	0	0	0	40.000	0	40.000
Current loans and borrowings from third parties	17.163	10.264	623	0	0	28.050
Current loans and borrowings from affiliates	10.000	5.652	0	0	0	15.652
Trade and other payables 3rd parties	7.556	38.319	13.490	0	0	59.365
Trade and other payables affiliates	43.351	498.641	254.859	0	0	796.851
Other creditors	10.532	83.584	8.824	0	0	102.940
	88.602	636.460	277.796	40.000	0	1.042.858

The equivalent disclosure for the prior year is as follows:

	On demand EUR '000	Less than 3 months EUR '000	3 to 12 months EUR'000	1-5 years EUR '000	>5 years EUR '000	Total EUR '000
March 31, 2015						
Non-current loans and borrowings from affiliates	0	0	0	36.997	0	36.997
Current loans and borrowings from third parties	0	27.841	0	0	0	27.841
Current loans and borrowings from affiliates	0	16.450	0	0	0	16.450
Trade and other payables 3rd parties	4.954	51.704	2.975	0	0	59.633
Trade and other payables affiliates	1.418	570.769	188.557	12	0	760.756
Other creditors	15.787	59.438	23.469	2.897	0	101.591
	22.160	726.202	215.001	39.906	0	1.003.268



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Capital management

There were no major changes in the Company's approach to capital management during the year. The Board of Managing Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of business and acquisitions. Capital is herein defined as equity attributable to equity holders of the Company.

The Company is not subject to externally imposed capital requirements and does not purchase its own shares.



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7 Property, plant and equipment

March 31, 2016

	Assets under construction EUR '000	Office buildings including land EUR '000	Other buildings including land EUR '000	Plant and equipment EUR '000	Total EUR'000
Cost					
Opening balance	39.109	15.285	5.947	50.947	111.287
Purchases	27.479	18	261	10.121	37.879
Transfer of completed assets under construction	-63.276	61.768	10	1.498	0
Disposals**	-72	0	0	-9.681	-9.753
Effect of movements in exchange rates	-44	-1.282	-42	-1.335	-2.703
Closing balance	3.196	75.789	6.176	51.550	136.710
Depreciation					
Opening balance	0	6.441	2.691	37.897	47.029
Depreciation charge for the year*	0	1.023	122	5.996	7.141
(Reversal) impairment losses	0	1.500	0	0	1.500
Disposals**	0	0	0	-9.416	-9.416
Effect of movements in exchange rates	0	-552	-32	-955	-1.540
Closing balance	0	8.412	2.781	33.522	44.714
Net book value at March 31, 2016	3.196	67.377	3.395	18.028	91.996

March 31, 2015

	Assets under construction EUR '000	Office buildings including land EUR '000	Other buildings including land EUR '000	Plant and equipment EUR '000	Total EUR'000
Cost					
Opening balance	19.803	14.057	5.725	48.202	87.787
Purchases	20.345	0	20	4.750	25.115
Transfer of completed assets under construction	-1.106	195	0	911	0
Disposals**	0	0	-174	-4.365	-4.539
Effect of movements in exchange rates	67	1.033	376	1.448	2.924
Closing balance	39.109	15.285	5.947	50.947	111.287
Depreciation					
Opening balance	0	5.554	2.621	34.750	42.925
Depreciation charge for the year*	0	398	123	5.512	6.033
Disposals**	0	0	-96	-3.866	-3.962
Effect of movements in exchange rates	0	489	43	1.501	2.033
Closing balance	0	6.441	2.691	37.897	47.029
Net book value at March 31, 2015	39.109	8.844	3.255	13.050	64.258

*The charge of the year is included in Selling, General and Administrative expenses.

**The book loss of the year is included in Other operating expenses.



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8 Intangible assets and goodwill

	Goodwill EUR '000	Customer relationship EUR '000	Other** EUR '000	Total EUR '000
March 31, 2016				
Cost				
Opening balance	25.051	28.243	21.378	74.672
Purchase	38	3.330	1.473	4.841
Disposals	0	0	-193	-193
Effect of movement in exchange rates	-2.312	-2.189	-857	-5.358
Closing balance	<u>22.777</u>	<u>29.384</u>	<u>21.801</u>	<u>73.962</u>
Amortization and impairment losses				
Opening balance	0	8.273	17.912	26.185
Amortization charge for the year*	0	4.249	1.755	6.004
Disposals	0	0	-191	-191
Effect of movement in exchange rates	0	130	-620	-490
Closing balance	<u>0</u>	<u>12.652</u>	<u>18.856</u>	<u>31.508</u>
Net book value at March 31, 2016	<u>22.777</u>	<u>16.732</u>	<u>2.945</u>	<u>42.454</u>

	Goodwill EUR '000	Customer relationship EUR '000	Other** EUR '000	Total EUR '000
March 31, 2015				
Cost				
Opening balance	10.871	6.990	19.437	37.298
Purchase	13.059	20.307	1.623	34.989
Disposals	0	0	-793	-793
Effect of movement in exchange rates	1.121	946	1.111	3.178
Closing balance	<u>25.051</u>	<u>28.243</u>	<u>21.378</u>	<u>74.672</u>
Amortization and impairment losses				
Opening balance	0	3.797	15.854	19.651
Amortization charge for the year*	0	4.106	1.948	6.054
Disposals	0	0	-782	-782
Effect of movement in exchange rates	0	371	892	1.263
Closing balance	<u>0</u>	<u>8.273</u>	<u>17.912</u>	<u>26.185</u>
Net book value at March 31, 2015	<u>25.051</u>	<u>19.970</u>	<u>3.466</u>	<u>48.487</u>

*The amortization charge for the year is included in Selling, General and Administrative expenses.

**The position 'Other' comprises mainly computer software.



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On July 15, 2015, MEU acquired 100,0% of the shares in MIBA AS, a limited liability company seated in Ytre Enebakk/Oslo, Norway. MIBA AS has been the distributor for air-conditioning and heat pump products of MEU for the Norwegian market. The acquisition has been recognized using the purchase method of accounting. The identified assets and liabilities were initially consolidated at fair value. Such fair values included intangible assets related to customer relationship of EUR 3.330 thousand and goodwill amounting to EUR 38 thousand. On October 15, 2015 MIBA AS was legally merged into the Company.

For the purpose of impairment testing, goodwill was allocated to the Company's relevant operating division, which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes. The goodwill recorded as of March 31, 2016 in the total amount of EUR 22.777 thousand relates with EUR 12.154 to Living Environment Systems division and with EUR 10.623 to Factory Automation division.

The recoverable amount of these cash-generating units was based on its value in use. The value in use was determined by discounting the future cash flows generated from the continuing use of the respective unit. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources. The calculation was based on the following key assumptions:

Cash flows were projected based on past experiences, actual operating results and the 5-year business plan. The terminal growth rate was estimated at 2,0% for the LES division and between 1,0% and 2,0% for the FA division, dependent on the country / region. This terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

A pre-tax discount rate of 16,6% (2014/2015: 17,8%) for the LES division and 12,8% (2014/2015:14,0%) for the FA division was applied in determining the recoverable amount of the cash-generating unit. The pre-tax discount rate is in line with the Company's estimated pre-tax weighted average cost of capital as at the date of impairment testing, with a debt leveraging of 15,0% at a market interest rate of 8,1% (2014/2015: 8,3%) for the LES division and with a debt leveraging of 10% at a market interest rate of 3,4% (2014/2015: 4,2%) for the FA division.

No impairment loss was recognized in 2015/2016 and 2014/2015 financial year.



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9 Investments in non-controlling interests and associated companies

Company name	Acquisition date	% share	March 31,	March 31,
			2016	2015
			EUR '000	EUR '000
Mitsubishi Electric Air Conditioning Systems Europe Ltd (Livingstone, UK)	Feb-15	10,0%	2.684	2.684
Mitsubishi Electric Automation Projects GmbH (Fuldabrück/Germany)	Apr-13	30,0%	1.161	1.352
Mitsubishi Electric Automotive Czech s.r.o. (Slany, Czech Republic)	Feb-15	10,0%	1.263	1.263
Advanced Worx 112 (Proprietary) Limited (Johannesburg/Republic of South Africa)*	Mar-11	14,9%	1.168	1.168
Mitsubishi Electric Klimat Transportation Systems S.p.A. (Padua, Italy)	Feb-15	10,0%	821	821
Mitsubishi Electric Automotive Europe B.V. (Amsterdam, Netherlands)	Feb-15	10,0%	295	295
Ascenseurs Mitsubishi France (Nanterre, France)	Feb-15	10,0%	107	107
Mitsubishi Electric R&D Centre Europe B.V. (Amsterdam, Netherlands)	Feb-15	10,0%	74	74
			<u>7.573</u>	<u>7.764</u>

*Trading as Adroit Technologies.



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Equity-accounted investees

The Group has a 30,0% share in Mitsubishi Electric Automation Projects GmbH (hereinafter ME-Automation Projects GmbH), which is involved in turnkey I&C systems, consisting of the entire field instrumentation, the switchgear, the remote control and control technology with the process management system PMSX@pro and the relevant services such as project management, engineering, installation, commissioning, service and maintenance. ME-Automation Projects GmbH is a private entity that is not listed on any public exchange. The Group's interest in ME-Automation Projects GmbH is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarized financial information of the Group's investments in ME-Automation Projects GmbH:

March 31, 2016	<u>Total EUR'000</u>
Opening balance	1.352
Group's ownership of net profit (loss) current year	<u>-191</u>
Carrying amount of the investment	<u><u>1.161</u></u>

March 31, 2015	<u>Total EUR'000</u>
Acquisition cost	1.420
Group's ownership of post-aquisition net profit (loss)	<u>-68</u>
Carrying amount of the investment	<u><u>1.352</u></u>



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10 Inventories

	March 31, 2016	March 31, 2015
	EUR '000	EUR '000
Aircon & Refrigerating Systems	269.377	251.304
Automotive Equipment	108.971	112.217
Industrial Products	39.713	40.683
Industrial Automation Systems	29.713	27.970
Home Appliances & Digital Media	19.267	20.707
Semiconductors	10.998	14.585
Building Systems	4.848	1.264
Industrial Sewing Machines	2.528	2.222
Electronic Systems	846	594
Public Use System	458	38
Power Systems	108	0
	<u>486.827</u>	<u>471.584</u>

Inventories are stated net of a provision for obsolete stock of EUR 23.933 thousand (March 31, 2015: EUR 24.831 thousand). Provisions have been made for all segments. The expense in this respect amounted to EUR 7.695 thousand (March 31, 2015: EUR 4.357 thousand) and is included in Cost of Sales.

11 Trade and other receivables

	March 31, 2016	March 31, 2015
	EUR '000	EUR '000
Trade receivables 3rd parties	434.749	463.076
Trade receivables affiliated companies	32.243	24.196
	<u>466.992</u>	<u>487.273</u>
Trade receivables	466.992	487.273
Prepaid expenses	15.168	11.899
Other current assets	30.025	29.165
	<u>512.185</u>	<u>528.336</u>

Trade receivables are non-interest bearing and are generally on 30 - 90 days' terms.

As at March 31, 2016, trade receivables and other receivables at carrying value of EUR 23.732 thousand (March 31, 2015: EUR 30.985 thousand) were impaired and provided for.



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Movements in the provision for impairment of trade receivables were as follows:

	Individually impaired EUR '000	Collectively impaired EUR '000	Total EUR '000
At April 1, 2014	25.572	3.085	28.657
Charge for the year*	5.074	0	5.074
Utilised	-2.997	-201	-3.198
Unused amounts reversed	-913	0	-913
Translation adjustment	1.268	97	1.365
At March 31, 2015	28.004	2.981	30.985
	Individually impaired EUR '000	Collectively impaired EUR '000	Total EUR '000
At April 1, 2015	28.004	2.981	30.985
Charge for the year*	4.899	0	4.899
Utilised	-10.504	-302	-10.806
Unused amounts reversed	-1.253	0	-1.253
Acquired in a business combination	0	197	197
Translation adjustment	-242	-48	-290
At March 31, 2016	20.904	2.828	23.732

*The charge of the year is included in Selling, General and Administrative expenses.

As at March 31, 2016 and 2015, the aging analysis of trade receivables is as follows:

	Past due but not impaired						Total EUR'000
	Neither past due nor impaired EUR'000	> 30 days	30-60 days	60-90 days	90-120 days	>120 days	
		EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	
March 31, 2016	447.888	18.030	181	102	55	736	19.104
March 31, 2015	456.780	19.531	4.888	1.497	1.561	3.016	30.493

The Company's exposure to credit risk and foreign currency risk is disclosed in note 6.



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12 Cash and cash equivalents

Cash and cash equivalents comprise bank balances and call deposits with original maturities of three months or less. All bank balances are available upon immediate demand.

The cash and cash equivalents balance of EUR 295,7 million contains an amount of EUR 112,7 million relating to short-term deposits to Mitsubishi Electric Finance Europe PLC (March 31, 2015: EUR 123,0 million).

The Company's exposure to interest rate risk and foreign currency risk is disclosed in note 6.

13 Shareholder's equity

Share capital

	Ordinary shares March 31, 2016 EUR'000
On issue at April 1, 2015 – fully paid	83.981
Issued for cash	0
On issue at March 31, 2016 – fully paid	83.981

The authorized share capital amounts to EUR 150 million, consisting of 150.000 ordinary shares of EUR 1.000 each. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

At March 31, 2016, the issued share capital included 83.981 issued and fully paid ordinary shares (March 31, 2015: 83.981).



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Share premium

The share premium relates to surplus from the issuance of shares as far nominal value of the shares is exceeded and capital contributions from the shareholder.

Foreign currency translation reserve

The translation reserve (March 31, 2016: EUR -9.293 thousand, March 31, 2015: -2.242 thousand) comprises all foreign exchange differences arising from the translation of the financial statements of the branches and subsidiaries from their functional currency into the presentation currency (EUR).

The foreign currency translation reserve is a non-distributable reserve.

Dividends

The following dividends were declared and paid by the Company for the year ended March 31, 2016.

	March 31, 2016 EUR'000	March 31, 2015 EUR'000
Dividend to owners of the Company, paid to Melco, Tokyo, Japan.	5.013	3.731

In the financial year 2015/2016, the dividend paid out amounted to EUR 33.42 per qualifying ordinary share.

Non-controlling interest

MEU holds 70,0% of the shares of Mitsubishi Electric Turkey Elektrik Ürünleri Anonim Sirketi ('METR'), a limited liability company seated in Istanbul/Turkey, which was founded in the structure of MEU and consolidated for the first time at March 31, 2013. 30,0% of the shares in METR are hold by MELCO. The 30,0% share of MELCO amounts to EUR 14.740 thousand at March 31, 2015 (EUR 14.790 thousand at March 31, 2015).

MEU holds 70,0% of the shares of Mitsubishi Electric (Russia) LLC ('MER'), founded on June 23, 2014 in Moscow/Russia. 30,0% of the shares in MER are hold by MELCO. The 30,0% share of MELCO amounts to EUR 2.290 thousand at March 31, 2015 (EUR 1.660 thousand at March 31, 2015).



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14 Employee benefits

Pension benefit plans

The Company has defined benefit pension plans and defined contribution pension plans, covering a number of its employees, both of which require contributions to be made to separate administration funds.

The following tables summarize the components of net benefit expense recognized in the statement of comprehensive income and the funded status and amounts recognized in the statement of financial position for the respective plans.

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Net benefit expense	<u> </u>	<u> </u>
Charged to Profit or Loss		
Current service cost	-694	-792
Interest cost on benefit obligation	-4.825	-4.953
Interest income on plan assets	3.961	4.646
Employee contribution	114	26
Additional charges	<u>169</u>	<u>294</u>
	-1.275	-779
Charged to Other Comprehensive Income		
Net actuarial gain/(loss) recognized in the year	<u>5.312</u>	<u>-23.208</u>
	5.312	-23.208
Actual return on plan assets	<u><u>-834</u></u>	<u><u>3.686</u></u>
	March 31, 2016	March 31, 2015
Benefit asset/(liability)	<u>EUR '000</u>	<u>EUR '000</u>
Present value of funded obligations	-142.653	-161.538
Present value of unfunded obligations	-4.052	-4.133
Fair value of plan assets	<u>122.175</u>	<u>131.128</u>
	<u><u>-24.530</u></u>	<u><u>-34.543</u></u>



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Movements are as follows:

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
At April 1	-34.543	-11.672
Benefit expenses	4.104	-23.983
Contributions	4.354	3.784
Others	-155	-354
Exchange adjustment	1.666	-2.390
Utilization	44	72
At March 31	<u>-24.530</u>	<u>-34.543</u>

The presentation in the statement of financial position is as follows:

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Pension Liabilities	<u>-24.530</u>	<u>-34.543</u>

The pension liability is related to the pension plans operated for the following branches:

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
UK Hatfield Branch	-17.661	-27.114
Ireland Branch	-1.599	-2.234
Italy Branch	-2.324	-2.426
France Branch	-1.728	-1.707
Netherlands Branches	-1.218	-1.062
	<u>-24.530</u>	<u>-34.543</u>



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The principal assumption used in determining the main pension benefit obligations for the Company's plans are shown below (expressed as weighted averages):

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Discount rate	3,1%	2,9%
Expected rate of return in assets	0,1%	0,1%
Future salary increase	0,3%	0,2%
Future pension increase	2,9%	3,0%
Future price inflation	2,0%	2,0%

Assumptions regarding future mortality are based on published statistics and mortality tables.

Total pension expenses recognized in the statement of comprehensive income can be summarized as follows:

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Charged to profit or loss		
Pension cost of benefit plans	-1.275	-779
Pension costs of contribution plans	-7.416	-6.015
	<u>-8.691</u>	<u>-6.794</u>
Charged to Other Comprehensive Income		
Pension cost of benefit plans	5.312	-23.208
	<u>5.312</u>	<u>-23.208</u>

Pension expenses charged to profit or loss are included in the statement of comprehensive income in Selling, General and Administrative expenses.



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15 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest bearing loans and borrowings from third parties and affiliates, which are measured at amortized cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see note 6.

The loans from affiliates represent loans from Mitsubishi Electric Finance Europe PLC and can be summarized in the following way:

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Non-current loans and borrowings:		
German Branch - building loan	40.000	36.997
	<u>40.000</u>	<u>36.997</u>
Current loans and borrowings:		
Irish Branch	10.000	9.450
Dutch Branch	4.200	7.000
Norwegian Branch	1.013	0
MER	439	0
	<u>15.652</u>	<u>16.450</u>

The table below provides an overview of the short-term interest bearing loans and borrowings from third parties:

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
UK Branch - current account	15.060	6.472
METR - current account	10.110	14.130
French Branch - current account	2.103	2.327
Irish Branch - current account	777	397
Spanish Branch - current account	0	4.515
	<u>28.050</u>	<u>27.841</u>

For details on the range of interest rates on the interest bearing loans we refer to note 6.



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16 Provisions

	Warranties EUR '000	Waste electrical and electronic equipment EUR '000	Restruc- turing EUR '000	Other EUR '000	Total EUR '000
At April 1, 2015	13.780	2.973	1.877	5.567	24.197
Additions during the year	30.459	1.181	1.090	5.573	38.303
Utilised	-29.238	-74	-1.258	-4.428	-34.998
Released	-2.852	-1.620	-62	-615	-5.149
Business Combinations	1.815	0	0	0	1.815
F/X rate adjustment	-161	0	0	7	-154
March 31, 2016	13.803	2.460	1.647	6.104	24.014
Current part	11.471	2.460	0	5.520	19.451
Non current part	2.332	0	1.647	584	4.563
March 31, 2016	13.803	2.460	1.647	6.104	24.014

The movements of provisions are included in other operating expenses.

Warranties

A provision for warranty is recognized for all products under warranty at the reporting date based on past experience of the level of repairs and returns. It is expected that these costs will be incurred partly in the next financial year. This portion is shown as current part.

Waste electrical and electronic equipment

A provision for liabilities associated with participation in the market for Waste Electrical and Electronic Equipment ('WEEE') is recognized based on assumptions in relation to historical waste, regarding the level of market participation, the quantity of products disposed of and the expected cost of disposal. In relation to future waste, assumptions about the age profile of products in the market and the cost of disposal were made. It is expected that the majority of these cost will be incurred during the next financial year; therefore they are shown as current part.



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Restructuring

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

A restructuring provision is recorded mainly for various severance payments. It is expected that these costs will be incurred in the next financial year; therefore they are shown as current part.

17 Commitments and contingencies

Commitments

The short-term outstanding commitments at March 31, 2016 amount to EUR 1.615 thousand (March 31, 2015: EUR 21.750 as long-term) and relate to capital expenditures for the construction of the new office building in Germany. There are no non-current commitments as of March 31, 2016.

Contingencies

Regular tax audits are ongoing. There are no significant impacts on future statements of profit or loss expected.

Operating lease commitments

The total of future minimum lease payments under non-cancelable operating leases is as follows as at March 31, 2016 and 2015:

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Within one year	14.093	12.523
After one year but less than five years	24.387	20.658
More than five years	3.843	4.591
	<u>42.323</u>	<u>37.772</u>



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18 Revenue

The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, representing a strategic business unit that offers different products and serves different markets.

The Air-Conditioner and Refrigerating Systems division is a supplier of Room Air Conditioners, Package Air Conditioners, Heat Pumps, Compressors and Air Ventilation Systems, dehumidifiers as well as controls and regulation systems for commercial and domestic air conditioning and heating solutions. The Automotive Equipment division is a supplier of electronic car audio and navigation systems and electrical automotive equipment. The Factory Automation division is a supplier of Controllers, Inverters, Servomotors, Electrical-Discharge Machines and Industrial Robots. The Home Appliances and Digital Media division is a supplier of Printers for photo and medical applications, Display Monitors, Display Walls and Cubes. The Semi-Conductor division is a supplier of Power Devices, High Frequency and Opto Devices and Liquid Crystal Displays.

Business divisions 2015/2016

	Air Conditioners and Refrigerating Systems EUR '000	Automotive Equipment EUR '000	Factory Automation EUR '000	Home Appliances and Digital Media EUR '000	Semi- conductors EUR '000	Others EUR '000	Total EUR '000
Sales to affiliated customers	75	0	2.151	494	10	70.443	73.173
Sales to third parties	1.097.589	991.477	293.498	59.108	99.642	47.563	2.588.877
	<u>1.097.664</u>	<u>991.477</u>	<u>295.649</u>	<u>59.602</u>	<u>99.652</u>	<u>118.006</u>	<u>2.662.050</u>

Business divisions 2014/2015

	Air Conditioners and Refrigerating Systems EUR '000	Automotive Equipment EUR '000	Factory Automation EUR '000	Home Appliances and Digital Media EUR '000	Semi- conductors EUR '000	Others EUR '000	Total EUR '000
Sales to affiliated customers	64	582	1.394	439	0	71.715	74.195
Sales to third parties	1.013.677	888.100	275.598	66.101	96.889	52.403	2.392.768
	<u>1.013.741</u>	<u>888.683</u>	<u>276.992</u>	<u>66.540</u>	<u>96.889</u>	<u>124.118</u>	<u>2.466.963</u>

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The Company's operating businesses are organized to geographic areas. Revenues are attributed to geographic areas based on where the Company's customers are located. The position 'Others' mainly represents sales of the European Purchase Center.

Geographical areas

	Europe		Others		Consolidated	
	March 31, 2016 EUR '000	March 31, 2015 EUR '000	March 31, 2016 EUR '000	March 31, 2015 EUR '000	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Sales to affiliated customers	0	4	73.173	74.192	73.173	74.195
Sales to third parties	2.393.895	2.221.246	194.982	171.522	2.588.877	2.392.768
Total revenue	2.393.895	2.221.250	268.155	245.714	2.662.050	2.466.963

Sales to third parties within Europe as of March 31, 2016 include sales in the Netherlands in the amount of EUR 55.784 thousand (as of March 31, 2015: EUR 54.615 thousand).

19 Selling, general and administrative expenses

Included in the amount of EUR 424.700 thousand (2014/2015: EUR 408.527 thousand) selling, general and administrative expenses are depreciation and amortization of EUR 13.147 thousand (2014/2015: EUR 12.087 thousand), selling expenses of EUR 81.520 thousand (2014/2015: EUR 83.859 thousand), advertising expenses of EUR 35.497 thousand (2014/2015: EUR 33.563 thousand) and personnel expenses consisting of:

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Wages and salaries	171.400	156.444
Social security costs	26.894	24.107
Pension costs of defined benefit and defined contribution plans	8.691	6.794
	<u>206.985</u>	<u>187.345</u>



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20 Other operating income

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Marketing and advertising activities (agreements with MELCO Japan and other affiliated companies)	25.816	27.678
Other income	0	520
	<u>25.816</u>	<u>28.198</u>

21 Other operating expenses

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Other operating expenses to affiliated companies	7.474	4.456
Loss/(gain) on foreign currency exchanges	-369	8.492
Loss/(gain) on disposal of long-term assets	122	20
Other expenses	0	596
	<u>7.227</u>	<u>13.563</u>

22 Net finance result

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Finance income	407	470
Finance costs	-1.177	-1.120
Other net finance income	1.425	530
	<u>655</u>	<u>-120</u>

Finance income mostly consists of interest income on short term deposits. Finance costs primarily consist of interest costs on short and long term loans and overdrafts.



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Other net finance income refers to dividends received from the following companies:

Company name	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Mitsubishi Electric Air Conditioning Systems Europe Ltd	787	427
Mitsubishi Electric Automotive Czech s.r.o.	363	0
Mitsubishi Electric R&D Centre Europe B.V.	123	0
Mitsubishi Electric Automotive B.V.	101	0
Advanced Worx 112 (Proprietary) Limited	39	103
Ascenseurs Mitsubishi France	12	0
	<u>1.425</u>	<u>530</u>

23 Share result of investments

Company name	%share of equity	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Mitsubishi Electric Automation Projects GmbH	30,0%	-191	-83
		<u>-191</u>	<u>-83</u>



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24 Income taxes

Deferred tax balances as at March 31, 2016 relate to the following:

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Deferred tax assets		
Inventory valuation	2.438	3.032
Provisions and accruals	7.592	9.443
Provision for doubtful debts	1.889	1.630
Tax loss carry forward	3.131	3.131
Intangible assets	956	703
Leasing liability	69	69
Other items	52	134
	<u>16.127</u>	<u>18.142</u>
	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Deferred tax liabilities		
Tax losses of foreign branches used in the past	4.061	4.729
Provisions and accruals	1.587	16
Inventory valuation	122	320
Property, plant and equipment and intangible assets	3.442	4.567
Other items	97	17
	<u>9.309</u>	<u>9.649</u>

The movements in deferred tax balances during the year have been recognized in profit or loss (deferred tax expense EUR 77 thousand) and in other comprehensive income (deferred tax expense EUR 901 thousand). EUR 345 thousand (deferred tax liability) was acquired in course of a business combination. Forex effect amounts to EUR 352 thousand (deferred forex expense).

Deferred tax assets have not been recognized in respect of the following items:

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Unrecognized deferred tax assets	<u>5.263</u>	<u>6.015</u>



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The unrecognized deferred tax assets for tax losses of EUR 5.263 thousand (as of March 31, 2015: EUR 6,015 thousand) relate to the Spanish Branch and do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available (in the future) against which the Company can utilize the benefits there from.

Major components of tax expense recognized in income for the year ended were:

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Current:		
Domestic	1.795	2.174
Foreign	<u>15.233</u>	<u>15.660</u>
	17.028	17.834
Deferred:		
Domestic	-688	-349
Foreign	<u>765</u>	<u>2.240</u>
	77	1.891
Income tax expense	<u><u>17.105</u></u>	<u><u>19.725</u></u>

Recognized in the statement of comprehensive income:

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Current tax expenses		
Current year	16.505	18.033
Adjustments previous years	<u>523</u>	<u>-198</u>
	17.028	17.834
Deferred tax expenses		
Origination and reversal of temporary differences	829	-993
Income/Expense of tax losses recognized	<u>-752</u>	<u>2.884</u>
	77	1.891
Income tax expenses	<u><u>17.105</u></u>	<u><u>19.725</u></u>



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A reconciliation of the domestic tax rate to the Company's effective tax rate applicable to income from ordinary activities for the years ended March 31, 2016 and 2015 was as follows:

	March 31, 2016 %	March 31, 2015 %	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Domestic tax rate	25,00	25,00	13.523	8.043
Effect of tax rates in foreign jurisdictions	1,42	3,93	770	1.264
Adjustment in respect to current income tax of previous years	0,97	-0,62	523	-199
Recognition of previously unrecognized tax losses	-1,17	8,71	-635	2.802
Effect of non-deductible expenses	6,17	19,39	3.340	6.238
Others	-0,77	4,90	-416	1.576
Effective tax rate	<u>31,62</u>	<u>61,31</u>	<u>17.105</u>	<u>19.725</u>

The charge for income taxes includes Dutch and foreign income taxes. The local statutory standard tax rate for the Netherlands is 25,0% for profit exceeding EUR 200 thousand. The local statutory standard tax rate for profits up to EUR 200 thousand is 20,0%.

25 Staffing levels

The number of employees (converted into full-time equivalents) during the 2015/2016 and 2014/2015 financial years was as follows:

	Whole Company		Outside of Netherlands	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Average number of employees	2.337	2.221	2.295	2.181
Total number of employees	<u>2.414</u>	<u>2.252</u>	<u>2.371</u>	<u>2.211</u>



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The breakdown by department was as follows:

	Whole Company		Outside of Netherlands	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Purchasing, sales and marketing departments	1.289	1.166	1.255	1.134
Administrative departments	1.125	1.086	1.116	1.077
Total number of employees	<u>2.414</u>	<u>2.252</u>	<u>2.371</u>	<u>2.211</u>

26 Related-party disclosures

Identity of related parties

The Company has a related party relationship with entities within the MELCO group, its branches and its directors and executive officers.

Transactions with key management personnel

All except one of the directors are executives from the parent company. The non-cash benefits and post-employment benefits for these directors are born by the parent company.

The key management personnel (directors') compensations are as follows:

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Short-term employee benefits	<u>1.533</u>	<u>1.930</u>
Post-employment benefits	<u>208</u>	<u>264</u>
	<u>1.741</u>	<u>2.194</u>

No loans, advances and guarantees were granted by MEU to directors.

Total remuneration is included in 'personnel expenses' (see note 19).

Control of the Company

The Company is a wholly owned subsidiary of Mitsubishi Electric Corporation ('MELCO'), the Company's ultimate parent.



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Related party transactions

During the financial year, the Company entered into transactions with related parties. Those transactions, along with related balances at March 31, 2016 and 2015 and for the years then ended, are presented in the following table:

	Melco Japan		Other		Total	
	March 31, 2016 EUR'000	March 31, 2015 EUR'000	March 31, 2016 EUR'000	March 31, 2015 EUR'000	March 31, 2016 EUR'000	March 31, 2015 EUR'000
Sales of goods	71.026	71.997	2.146	2.198	73.172	74.195
Purchase of goods	1.315.949	1.321.259	648.275	522.129	1.964.224	1.843.388
Trade and other receivables	30.554	20.482	1.689	3.058	32.243	23.540
Trade and other payables	569.092	572.737	227.759	188.023	796.851	760.759
Other operating income (net) from Affiliated companies	20.817	22.121	-2.475	1.101	18.342	23.222
Financial income (loss)	0	0	1.296	307	1.296	307

Transactions with other entities are relating to transactions with MELCO affiliates. The main part of related party transactions is related to purchase of goods from the manufacturing companies. Trade and other receivables mainly relates to sourcing activities for MELCO and the manufacturing companies.

Other operating income (net) from affiliated companies is mainly related to reimbursements of expenses.

Transactions with related parties are conducted in the ordinary course of business and on terms equivalent to those that prevail in arm's-length transactions.



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27 Fees of the auditor

With reference to Section 2; 382a (1) and (2) of the Netherlands Civil Code, the following fees for the financial year have been charged by KPMG Accountants N.V. and other KPMG member firms to the Company:

	KPMG Accountants N.V. EUR'000	Other KPMG network EUR'000	Total EUR'000
2015/2016			
Statutory audit of annual accounts	116	724	840
Other assurance services	0	446	446
Tax advisory services	0	138	138
Total	116	1.308	1.424

	KPMG Accountants N.V. EUR'000	Other KPMG network EUR'000	Total EUR'000
2014/2015			
Statutory audit of annual accounts	116	724	840
Other assurance services	0	98	98
Tax advisory services	0	85	85
Total	116	907	1.023



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Company balance sheet
Year ended at March 31, 2016 (before profit appropriation)

Assets	Notes	March 31, 2016 EUR'000	March 31, 2015 EUR'000
Non-current assets			
Property, plant and equipment	31		
Land and buildings		70.772	12.099
Plant and equipment		17.250	12.493
Assets under construction		2.764	39.109
Total property, plant and equipment		90.786	63.701
Intangible assets	32	13.249	11.643
Investments in controlling interests	33	39.739	40.645
Investments in non-controlling interests and associated companies	34	7.573	7.764
Deferred tax assets	49	16.127	17.524
Total non-current assets		167.474	141.277
Current assets			
Inventories	35	453.543	426.994
Trade and other receivables	36	475.223	490.264
Cash and cash equivalents	37	291.929	255.152
Total current assets		1.220.695	1.172.410
Total assets		1.388.169	1.313.687



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Equity and liabilities

	Notes	March 31,2016 EUR'000	March 31,2015 EUR'000
Equity			
Share capital	38	83.981	83.981
Share premium	38	48.224	48.224
Foreign currency translation reserve	38	-10.039	-2.988
Retained earnings		105.724	93.923
Unappropriated result		34.759	12.403
Total equity attributable to owners of the Company		262.649	235.543
Non-current liabilities			
Pension liabilities	14	24.530	34.543
Provisions	40	4.321	2.395
Non-current loans and borrowings from affiliates	39	40.000	36.997
Other non-current liabilities		8	0
Deferred tax liabilities	49	5.676	5.131
Total non-current liabilities		74.535	79.066
Current liabilities			
Current loans and borrowings from third parties	39	17.940	13.711
Current loans and borrowings from affiliates	39	15.213	16.450
Trade and other payables to affiliates	41	785.235	733.084
Trade payables to third parties	41	48.368	53.926
Other current liabilities	41	149.954	151.858
Income tax payable		14.882	8.455
Provisions	40	19.393	21.594
Total current liabilities		1.050.985	999.078
Total equity and liabilities		1.388.169	1.313.687



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Company income statement
Year ended March 31, 2016

	Notes	March 31, 2016 EUR'000	March 31, 2015 EUR'000
Revenue	43	2.527.316	2.359.281
Cost of sales		<u>-2.109.288</u>	<u>-1.967.905</u>
Gross profit		418.028	391.376
Selling, general and administrative expenses	44	-390.674	-377.955
Other operating income	45	25.226	24.946
Other operating expenses	46	<u>-10.278</u>	<u>-8.074</u>
		-375.726	-361.083
Results from operating activities		42.302	30.293
Finance income	47	353	295
Finance costs	47	-563	-246
Other net finance income	47	<u>1.425</u>	<u>530</u>
Net finance income (cost)		1.215	579
Share result of investments	48	<u>5.005</u>	<u>15</u>
Profit (loss) before income tax		48.522	30.887
Income tax expenses	49	<u>-13.763</u>	<u>-18.484</u>
Profit (loss) for the year		<u><u>34.759</u></u>	<u><u>12.403</u></u>



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Notes to the company financial statements
Year ended March 31, 2016

28 General

The company financial statements are part of the 2015/2016 financial statements of Mitsubishi Electric Europe B.V., Schiphol-Rijk, the Netherlands (Hereinafter 'the Company' or 'MEU').

29 Principles for the measurement of assets and liabilities and the determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, the Company makes use of the option provided in section 2:362 (8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of the Company are the same as those applied for the consolidated EU-IFRS financial statements. Participating interests, over which significant influence is exercised, are stated on the basis of the equity method. These consolidated EU-IFRS financial statements are prepared according to the standards laid down by the International Accounting Standards Board and endorsed by the European Union (hereinafter referred to as EU-IFRS). Please see pages 14 to 35 for a description of these principles.

The share in the result of participating interests consists of the share of the Company in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are not incorporated insofar as they can be deemed to be unrealized.

30 Financial risk management and financial instruments

For the description of MEU's financial risk management and financial instruments, we refer to note 6 to the consolidated financial statements. There are no significant differences between the Company's and the Group's financial risk management and financial instruments.

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31 Property, plant and equipment

March 31, 2016

	Assets under construction EUR '000	Office buildings including land EUR '000	Other buildings including land EUR '000	Plant and equipment EUR '000	Total EUR'000
Cost					
Opening balance	39.109	15.285	5.946	49.650	109.990
Purchases	27.069	18	261	9.540	36.888
Transfer of completed assets under construction	-63.276	61.768	10	1.498	0
Disposals**	-72	0	0	-9.667	-9.739
Effect of movements in exchange rates	-66	-1.282	-42	-1.145	-2.535
Closing balance	2.764	75.789	6.175	49.876	134.604
Depreciation					
Opening balance	0	6.441	2.691	37.156	46.288
Depreciation charge for the year*	0	1.023	122	5.720	6.865
(Reversal) impairment losses	0	1.500	0	0	1.500
Disposals**	0	0	0	-9.403	-9.403
Effect of movements in exchange rates	0	-552	-33	-847	-1.432
Closing balance	0	8.412	2.780	32.626	43.818
Net book value at March 31, 2016	2.764	67.377	3.395	17.250	90.786

March 31, 2015

	Assets under construction EUR '000	Office buildings including land EUR '000	Other buildings including land EUR '000	Plant and equipment EUR '000	Total EUR'000
Cost					
Opening balance	19.803	14.057	5.725	47.868	87.453
Purchases	20.345	0	20	3.815	24.180
Transfer of completed assets under construction	-1.106	195	0	911	0
Disposals**	0	0	-174	-4.365	-4.539
Effect of movements in exchange rates	67	1.033	376	1.420	2.895
Closing balance	39.109	15.285	5.946	49.650	109.990
Depreciation					
Opening balance	0	5.554	2.621	34.564	42.739
Depreciation charge for the year*	0	398	123	5.297	5.818
Disposals**	0	0	-96	-3.866	-3.962
Effect of movements in exchange rates	0	489	43	1.161	1.693
Closing balance	0	6.441	2.691	37.156	46.288
Net book value at March 31, 2015	39.109	8.844	3.255	12.493	63.701

*The charge of the year is included in Selling, General and Administrative expenses.

**The book loss of the year is included in Other operating expenses.



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32 Intangible assets

	Goodwill EUR '000	Customer relationship EUR '000	Other** EUR '000	Total EUR '000
March 31, 2016				
Cost				
Opening balance	7.322	5.187	21.137	33.646
Purchase	38	3.330	1.356	4.724
Disposals	0	0	-193	-193
Effect of movement in exchange rates	-112	-4	-856	-972
Closing balance	7.248	8.513	21.444	37.205
Amortization and impairment losses				
Opening balance	0	4.243	17.759	22.002
Amortization charge for the year*	0	1.006	1.679	2.685
Disposals	0	0	-191	-191
Effect of movement in exchange rates	0	130	-670	-540
Closing balance	0	5.379	18.577	23.956
Net book value at March 31, 2016	7.248	3.134	2.867	13.249
March 31, 2015				
Cost				
Opening balance	7.133	5.187	19.310	31.630
Purchase	0	0	1.509	1.509
Disposals	0	0	-793	-793
Effect of movement in exchange rates	189	0	1.111	1.300
Closing balance	7.322	5.187	21.137	33.646
Amortization and impairment losses				
Opening balance	0	3.598	15.826	19.424
Amortization charge for the year*	0	519	1.804	2.323
Disposals	0	0	-782	-782
Effect of movement in exchange rates	0	127	911	1.038
Closing balance	0	4.243	17.759	22.002
Net book value at March 31, 2015	7.322	943	3.378	11.643

*The amortization charge for the year is included in Selling, General and Administrative expenses.

**The position 'Other' comprises mainly computer software.



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For the purpose of impairment testing, goodwill was allocated to the Company's relevant operating division, which represents the lowest level within the Company at which the goodwill is monitored for internal management purposes. The recoverable amount of these cash-generating units was based on its value in use. The value in use was determined by discounting the future cash flows generated from the continuing use of the respective unit. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources. The calculation was based on the following key assumptions:

Cash flows were projected based on past experiences, actual operating results and the 5-year business plan. The terminal growth rate was estimated at 2,0% for the LES division and between 1,0% and 2,0% for the FA division, dependent on the country / region. This terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

A pre-tax discount rate of 16,6% (2014/2015: 17,8%) for the LES division and 12,8% (2014/2015:14,0%) for the FA division was applied in determining the recoverable amount of the cash-generating unit. The pre-tax discount rate is in line with the Company's estimated pre-tax weighted average cost of capital as at the date of impairment testing, with a debt leveraging of 15,0% at a market interest rate of 8,1% (2014/2015: 8,3%) for the LES division and with a debt leveraging of 10% at a market interest rate of 3,4% (2014/2015: 4,2%) for the FA division.

No impairment loss was recognized in 2015/2016 and 2014/2015 financial year.

33 Investments in controlling interests

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Mitsubishi Electric Turkey Elektrik Ürünleri A.Ş.	34.394	36.560
Mitsubishi Electric (Russia) LLC	5.345	4.085
	<u>39.739</u>	<u>40.645</u>

Investments in controlling interests represent a 70,0% share in the share capital of Mitsubishi Electric Turkey (Istanbul/Turkey) (March 31, 2016: EUR 34.394 thousand, March 31, 2015: EUR 36.560 thousand), acquired in March 2013 and a 70,0% share in the share capital of Mitsubishi Electric Russia (Moscow/Russian Federation) (March 31, 2016: EUR 5.345 thousand, March 31, 2015: EUR 4.085 thousand), acquired in September 2014.



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34 Investments in non-controlling interests and associated companies

Company name	Acquisition date	% share	March 31,	March 31,
			2016	2015
			EUR '000	EUR '000
Mitsubishi Electric Air Conditioning Systems Europe Ltd (Livingstone, UK)	Feb-15	10,0%	2.684	2.684
Mitsubishi Electric Automation Projects GmbH (Fuldabrück/Germany)	Apr-13	30,0%	1.161	1.352
Mitsubishi Electric Automotive Czech s.r.o. (Slany, Czech Republic)	Feb-15	10,0%	1.263	1.263
Advanced Worx 112 (Proprietary) Limited (Johannesburg/Republic of South Africa)*	Mar-11	14,9%	1.168	1.168
Mitsubishi Electric Klimat Transportation Systems S.p.A. (Padua, Italy)	Feb-15	10,0%	821	821
Mitsubishi Electric Automotive Europe B.V. (Amsterdam, Netherlands)	Feb-15	10,0%	295	295
Ascenseurs Mitsubishi France (Nanterre, France)	Feb-15	10,0%	107	107
Mitsubishi Electric R&D Centre Europe B.V. (Amsterdam, Netherlands)	Feb-15	10,0%	74	74
			<u>7.573</u>	<u>7.764</u>

*Trading as Adroit Technologies.



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35 Inventories

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Aircon & Refrigerating Systems	239.699	209.567
Automotive Equipment	108.971	112.217
Industrial Products	36.308	37.974
Industrial Automation Systems	29.512	27.826
Home Appliances & Digital Media	19.267	20.707
Semiconductors	10.998	14.585
Building Systems	4.848	1.264
Industrial Sewing Machines	2.528	2.222
Electronic Systems	846	594
Public Use System	458	38
Power Systems	108	0
	<u>453.543</u>	<u>426.994</u>

Inventories are stated net of a provision for obsolete stock of EUR 22.453 thousand (March 31, 2015: EUR 23.966 thousand). Provisions have been made for all segments. The expense in this respect amounted to EUR 6.802 thousand (March 31, 2015: EUR 4.518 thousand) and is included in Cost of Sales.

36 Trade and other receivables

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Trade receivables 3rd parties	411.015	437.262
Trade receivables affiliated companies	34.557	22.447
	<u>445.572</u>	<u>459.709</u>
Trade receivables	445.572	459.709
Prepaid expenses	6.345	8.251
Other current assets	23.306	22.304
	<u>475.223</u>	<u>490.264</u>

Trade receivables are non-interest bearing and are generally on 30-90 days' terms.



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As at March 31, 2016, trade receivables and other receivables at carrying value of EUR 23.347 thousand (March 31, 2015: EUR 30.555 thousand) were impaired and provided for.

Movements in the provision for impairment of trade receivables were as follows:

	Individually impaired EUR '000	Collectively impaired EUR '000	Total EUR '000
At April 1, 2014	25.507	3.085	28.592
Charge for the year*	4.670	0	4.670
Utilised	-2.949	-201	-3.150
Unused amounts reversed	-917	0	-917
Translation adjustment	1.262	97	1.359
At March 31, 2015	27.574	2.981	30.555
	Individually impaired EUR '000	Collectively impaired EUR '000	Total EUR '000
At April 1, 2015	27.574	2.981	30.555
Charge for the year*	4.777	0	4.777
Utilised	-10.504	-302	-10.806
Unused amounts reversed	-1.253	0	-1.253
Acquired in a business combination	0	197	197
Translation adjustment	-74	-49	-123
At March 31, 2016	20.520	2.827	23.347

*The charge of the year is included in Selling, General and Administrative expenses.

As at March 31, 2016 and 2015, the aging analysis of trade receivables is as follows:

	Neither past due nor impaired	> 30 days EUR'000	Past due but not impaired			>120 days EUR'000	Total EUR'000
			30-60 days EUR'000	60-90 days EUR'000	90-120 days EUR'000		
March 31, 2016	427.043	17.720	110	0	0	699	18.529
March 31, 2015	430.276	19.245	4.627	1.469	1.479	2.613	29.433

The Company's exposure to credit risk and foreign currency risk is disclosed in note 6.



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37 Cash and cash equivalents

Cash and cash equivalents comprise bank balances and call deposits with original maturities of three months or less. All bank balances are available upon immediate demand.

The cash and cash equivalents balance of EUR 291,9 million contains an amount of EUR 112,7 million relating to short-term deposits to Mitsubishi Electric Finance Europe PLC (March 31, 2015: EUR 123,0 million).

The Company's exposure to interest rate risk and foreign currency risk is disclosed in note 6.

38 Shareholder's equity

Share capital

	Ordinary shares March 31, 2016 EUR'000
On issue at April 1, 2015 – fully paid	83.981
Issued for cash	0
On issue at March 31, 2016 – fully paid	83.981

The authorized share capital amounts to EUR 150 million, consisting of 150.000 ordinary shares of EUR 1.000 each. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

At March 31, 2016, the issued share capital included 83.981 issued and fully paid ordinary shares (March 31, 2015: 83.981).

Share premium

The share premium relates to surplus from the issuance of shares as far nominal value of the shares is exceeded and capital contributions from the shareholder.



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Foreign currency translation reserve

The translation reserve (March 31, 2016: EUR -10.039 thousand, March 31, 2015: -2.988 thousand) comprises all foreign exchange differences arising from the translation of the financial statements of the branches from their functional currency into the presentation currency (EUR).

The foreign currency translation reserve is a non-distributable reserve.

Other comprehensive income

The other comprehensive income (March 31, 2016: EUR -2.640 thousand, March 31, 2015: EUR -15.314 thousand) is related to all gains and losses not recognized in the income statement arising from net actuarial gains and losses on defined benefit plans (March 31, 2016: EUR 5.312 thousand, March 31, 2015: EUR -23.208), deferred taxes regarding net actuarial gains and losses (March 31, 2016: EUR -901 thousand, March 31, 2015: EUR 3.664) and foreign currency translation (March 31, 2016: EUR -7.051 thousand, March 31, 2015: EUR 4.230 thousand).



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39 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest bearing loans and borrowings from third parties, which are measured at amortized cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see note 6.

The loans from affiliates represent loans from Mitsubishi Electric Finance and can be summarized in the following way:

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Non-current loans and borrowings:		
German Branch - building loan	40.000	36.997
	<u>40.000</u>	<u>36.997</u>
Current loans and borrowings:		
Irish Branch	10.000	9.450
Dutch Branch	4.200	7.000
Norwegian Branch	1.013	0
	<u>15.213</u>	<u>16.450</u>

The table below provides an overview by branches of the interest bearing loans and borrowings:

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
UK Branch - current account	15.060	6.472
French Branch - current account	2.103	2.327
Irish Branch - current account	777	397
Spanish Branch - current account	0	4.515
	<u>17.940</u>	<u>13.711</u>

For details on the range of interest rates on the interest bearing loans we refer to note 6.



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40 Provisions

	Warranties EUR '000	Waste electrical and electronic equipment EUR '000	Restruc- turing EUR '000	Other EUR '000	Total EUR '000
At April 1, 2015	13.749	2.973	1.700	5.567	23.989
Additions during the year	30.432	1.181	1.025	5.573	38.211
Utilised	-29.227	-74	-1.258	-4.428	-34.987
Released	-2.863	-1.620	-62	-615	-5.160
Business Combinations	1.815	0	0	0	1.815
F/X rate adjustment	-161	0	0	7	-154
March 31, 2016	13.745	2.460	1.405	6.104	23.714
Current part	11.413	2.460	0	5.520	19.393
Non current part	2.332	0	1.405	584	4.321
March 31, 2016	13.745	2.460	1.405	6.104	23.714

The movements of provisions are included in other operating expenses.



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41 Financial liabilities

The table below summarizes the maturity profile of the Company's financial liabilities at March 31, 2016 based on contractual undiscounted payments.

	On demand EUR '000	Less than 3 months EUR '000	3 to 12 months EUR'000	1-5 years EUR '000	>5 years EUR '000	Total EUR '000
March 31, 2016						
Non-current loans and borrowings from affiliates	0	0	0	40.000	0	40.000
Current loans and borrowings from third parties	17.163	777	0	0	0	17.940
Current loans and borrowings from affiliates	10.000	5.213	0	0	0	15.213
Trade and other payables 3rd parties	7.556	27.322	13.490	0	0	48.368
Trade and other payables affiliates	37.266	493.110	254.859	0	0	785.235
Other creditors	7.969	82.080	1.837	0	0	91.886
	<u>79.954</u>	<u>608.502</u>	<u>270.186</u>	<u>40.000</u>	<u>0</u>	<u>998.642</u>

The equivalent disclosure for the prior year is as follows:

	On demand EUR '000	Less than 3 months EUR '000	3 to 12 months EUR'000	1-5 years EUR '000	>5 years EUR '000	Total EUR '000
March 31, 2015						
Non-current loans and borrowings from affiliates	0	0	0	36.997	0	36.997
Current loans and borrowings from third parties	0	13.711	0	0	0	13.711
Current loans and borrowings from affiliates	0	16.450	0	0	0	16.450
Trade and other payables 3rd parties	4.954	45.997	2.975	0	0	53.926
Trade and other payables affiliates	1.418	548.421	183.233	12	0	733.084
Other creditors	15.787	55.459	13.151	1.810	0	86.207
	<u>22.159</u>	<u>680.038</u>	<u>199.359</u>	<u>38.818</u>	<u>0</u>	<u>940.375</u>

The financial liabilities presented in above tables do not include the non-financial liabilities. The non-financial liabilities are however included in the liability related financial statement items presented in the balance sheet.



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42 Commitments and contingencies

Commitments

The short-term outstanding commitments at March 31, 2016 amount to EUR 1.615 thousand (March 31, 2015: EUR 21.750 as long-term) and relate to capital expenditures for the construction of the new office building in Germany. There are no non-current commitments as of March 31, 2016.

Contingencies

Regular tax audits are ongoing. There are no significant adjustments expected.

Operating lease commitments

The total of future minimum lease payments under non-cancelable operating leases is as follows as at March 31, 2016 and 2015:

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Within one year	12.684	11.441
After one year but less than five years	23.003	17.257
More than five years	3.843	4.591
	<u>39.530</u>	<u>33.289</u>



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43 Revenue

The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, representing a strategic business unit that offers different products and serves different markets.

The Air-Conditioner and Refrigerating Systems division is a supplier of Room Air Conditioners, Package Air Conditioners, Heat Pumps, Compressors and Air Ventilation Systems, dehumidifiers as well as controls and regulation systems for commercial and domestic air conditioning and heating solutions. The Automotive Equipment division is a supplier of electronic car audio and navigation systems and electrical automotive equipment. The Factory Automation division is a supplier of Controllers, Inverters, Servomotors, Electrical-Discharge Machines and Industrial Robots. The Home Appliances and Digital Media division is a supplier of Printers for photo and medical applications, Display Monitors, Display Walls and Cubes. The Semi-Conductor division is a supplier of Power Devices, High Frequency and Opto Devices and Liquid Crystal Displays.

Business divisions 2015/2016

	Air Conditioners and Refrigerating Systems EUR '000	Automotive Equipment EUR '000	Factory Automation EUR '000	Home Appliances and Digital Media EUR '000	Semi- conductors EUR '000	Others EUR '000	Total EUR '000
Sales to affiliated customers	1.892	0	2.151	494	10	70.443	74.990
Sales to third parties	981.847	991.477	273.468	58.329	99.642	47.563	2.452.326
	<u>983.739</u>	<u>991.477</u>	<u>275.619</u>	<u>58.823</u>	<u>99.652</u>	<u>118.006</u>	<u>2.527.316</u>

Business divisions 2014/2015

	Air Conditioners and Refrigerating Systems EUR '000	Automotive Equipment EUR '000	Factory Automation EUR '000	Home Appliances and Digital Media EUR '000	Semi- conductors EUR '000	Others EUR '000	Total EUR '000
Sales to affiliated customers	110	582	1.394	439	0	71.715	74.240
Sales to third parties	920.087	888.101	261.662	65.899	96.889	52.403	2.285.041
	<u>920.197</u>	<u>888.683</u>	<u>263.056</u>	<u>66.338</u>	<u>96.889</u>	<u>124.118</u>	<u>2.359.281</u>

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The Company's operating businesses are organized to geographic areas. Revenues are attributed to geographic areas based on where the Company's customers are located. The position 'Others' mainly represents sales of the European Purchase Center.

Geographical areas

	Europe		Others		Consolidated	
	March 31, 2016 EUR '000	March 31, 2015 EUR '000	March 31, 2016 EUR '000	March 31, 2015 EUR '000	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Sales to affiliated customers	1.750	49	73.240	74.191	74.990	74.240
Sales to third parties	2.345.187	2.189.996	107.139	95.045	2.452.326	2.285.041
Total revenue	2.346.937	2.190.045	180.379	169.236	2.527.316	2.359.281

Sales to third parties within Europe as of March 31, 2016 include sales in the Netherlands in the amount of EUR 55.784 thousand (as of March 31, 2015: EUR 54.615 thousand).

44 Selling, general and administrative expenses

Included in the amount of EUR 390.674 thousand (2014/2015: EUR 377.955 thousand) selling, general and administrative expenses are depreciation and amortization of EUR 9.551 thousand (2014/2015: EUR 8.140 thousand), selling expenses of EUR 77.668 thousand (2014/2015: EUR 76.084 thousand), advertising expenses of EUR 29.556 thousand (2014/2015: EUR 29.983 thousand) and personnel expenses consisting of:

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Wages and salaries	160.547	148.324
Social security costs	25.470	23.032
Pension costs of defined benefit and defined contribution plans	8.691	6.794
	194.708	178.150



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45 Other operating income

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Marketing and advertising activities (agreements with MELCO Japan and other affiliated companies)	25.226	24.426
Other income	0	520
	<u>25.226</u>	<u>24.946</u>

46 Other operating expenses

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Other operating expenses to affiliated companies	9.820	4.455
Loss/(gain) on foreign currency exchanges	1.228	3.003
Loss/(gain) on disposal of long-term assets	-770	20
Other expenses	0	596
	<u>10.278</u>	<u>8.074</u>

47 Net finance result

	March 31, 2015 EUR '000	March 31, 2015 EUR '000
Finance income	353	295
Finance costs	-563	-246
Other net finance income	1.425	530
	<u>1.215</u>	<u>579</u>

Finance income mostly consists of interest income on short term deposits. Finance costs primarily consist of interest costs on short term loans and overdrafts.



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Other net finance income refers to the dividends received from the following companies:

Company name	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Mitsubishi Electric Air Conditioning Systems Europe Ltd	787	427
Mitsubishi Electric Automotive Czech s.r.o.	363	0
Mitsubishi Electric R&D Centre Europe B.V.	123	0
Mitsubishi Electric Automotive B.V.	101	0
Advanced Worx 112 (Proprietary) Limited	39	103
Ascenseurs Mitsubishi France	12	0
	<u>1.425</u>	<u>530</u>

48 Share result of investments

Company name	% share of equity	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Mitsubishi Electric Turkey Elektrik Ürünleri A.Ş.	70,0%	1.889	92
Mitsubishi Electric Russia LLC	70,0%	3.307	6
Mitsubishi Electric Automation Projects GmbH	30,0%	-191	-83
		<u>5.005</u>	<u>15</u>



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49 Income taxes

Deferred tax balances as at March 31, 2016 and 2015 relate to the following:

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Deferred tax assets		
Inventory valuation	2.438	2.859
Provisions and accruals	7.592	8.998
Provision for doubtful debts	1.889	1.630
Tax loss carry forward	3.131	3.131
Intangible assets	956	703
Leasing liability	69	69
Other items	52	134
	<u>16.127</u>	<u>17.524</u>
	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Deferred tax liabilities		
Tax losses of foreign branches used in the past	4.061	4.729
Provisions and accruals	659	16
Inventory valuation	122	320
Property, plant and equipment and intangible assets	737	49
Other items	97	17
	<u>5.676</u>	<u>5.131</u>

The movements in deferred tax balances during the year have been recognized in profit or loss (deferred tax income EUR 26 thousand) and in other comprehensive income (deferred tax expense EUR 901 thousand). EUR 345 thousand (deferred tax liability) was acquired in course of a business combination. Forex effect amounts to EUR 722 thousand (deferred forex expense).

Deferred tax assets have not been recognized in respect of the following items:

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Unrecognized deferred tax assets	<u>5.263</u>	<u>6.015</u>



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The unrecognized deferred tax assets for tax losses of EUR 5.263 thousand (as of March 31, 2015: EUR 6,015 thousand) relate to the Spanish Branch and do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available (in the foreseeable future) against which the Company can utilize the benefits there from.

Major components of tax expense recognized in income for the year ended were:

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Current:		
Domestic	1.795	2.174
Foreign	<u>11.994</u>	<u>14.049</u>
	13.789	16.223
Deferred:		
Domestic	-688	-349
Foreign	<u>662</u>	<u>2.609</u>
	-26	2.261
Income tax expense	<u><u>13.763</u></u>	<u><u>18.484</u></u>

Recognized in the income statement:

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Current tax expenses		
Current year	13.266	16.257
Adjustments previous years	<u>523</u>	<u>-34</u>
	13.789	16.223
Deferred tax expenses		
Origination and reversal of temporary differences	726	-623
Income/Expense of tax losses recognized	<u>-752</u>	<u>2.884</u>
	-26	2.261
Income tax expenses	<u><u>13.763</u></u>	<u><u>18.484</u></u>



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A reconciliation of the domestic tax rate to the Company's effective tax rate applicable to income from ordinary activities for the years ended March 31, 2016 and 2015 was as follows:

	March 31, 2016 %	March 31, 2015 %	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Domestic tax rate	25,00	25,00	12.132	7.722
Effect of tax rates in foreign jurisdictions	0,02	4,24	10	1.310
Adjustment in respect to current income tax of previous years	-0,11	-0,11	-53	-34
Recognition of previously unrecognized tax losses	-1,31	9,07	-636	2.802
Effect of non-deductible expenses	5,62	16,54	2.727	5.109
Others	-0,86	5,10	-417	1.575
Effective tax rate	28,36	59,84	13.763	18.484

The charge for income taxes includes Dutch and foreign income taxes. The local statutory standard tax rate for the Netherlands is 25,0% for profit exceeding EUR 200 thousand. The local statutory standard tax rate for profits up to EUR 200 thousand is 20,0%.

50 Staffing levels

The number of employees (converted into full-time equivalents) during the 2015/2016 and 2014/2015 financial years was as follows:

	Whole Company		Outside of Netherlands	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Average number of employees	2.056	2.016	2.015	1.975
Total number of employees	2.126	1.997	2.083	1.956



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The breakdown by department was as follows:

	Whole Company		Outside of Netherlands	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Purchasing, sales and marketing departments	1.138	1.044	1.105	1.011
Administrative departments	988	953	978	945
Total number of employees	<u>2.126</u>	<u>1.997</u>	<u>2.083</u>	<u>1.956</u>

51 Related-party disclosures

Identity of related parties

The Company has a related party relationship with entities within the MELCO group, its branches and its directors and executive officers.

Transactions with key management personnel

All except one of the directors are executives from the parent company. The non-cash benefits and post-employment benefits for these directors are born by the parent company.

The key management personnel (directors') compensations are as follows:

	March 31, 2016 EUR '000	March 31, 2015 EUR '000
Short-term employee benefits	<u>1.533</u>	<u>1.930</u>
Post-employment benefits	<u>208</u>	<u>264</u>
	<u>1.741</u>	<u>2.194</u>

No loans, advances and guarantees were granted by MEU to directors.

Total remuneration is included in 'personnel expenses' (see note 44).

Control of the Company

The Company is a wholly owned subsidiary of Mitsubishi Electric Corporation ('MELCO'), the Company's ultimate parent.



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Related party transactions

During the financial year, the Company entered into transactions with related parties. Those transactions, along with related balances at March 31, 2016 and 2015 and for the years then ended, are presented in the following table:

	Melco Japan		Other		Total	
	March 31, 2016 EUR'000	March 31, 2015 EUR'000	March 31, 2016 EUR'000	March 31, 2015 EUR'000	March 31, 2016 EUR'000	March 31, 2015 EUR'000
Sales of goods	71.026	71.996	3.964	1.845	74.990	73.841
Purchase of goods	1.309.932	1.311.663	632.128	505.362	1.942.060	1.817.025
Trade and other receivables	30.376	20.435	4.181	1.355	34.557	21.791
Trade and other payables	562.029	558.151	223.206	174.936	785.235	733.087
Other operating income (net) from Affiliated companies	19.935	22.121	-4.530	1.101	15.405	23.222
Financial income (net)	0	0	1.313	307	1.313	307

Transactions with other entities are relating to transactions with several MELCO affiliates. The main part of related party transactions is related to purchase of goods from the manufacturing companies. Trade and other receivables mainly relates to sourcing activities for MELCO and the manufacturing companies.

Other operating income (net) from affiliated companies is mainly related to reimbursements of expenses.

Transactions with related parties are conducted in the ordinary course of business and on terms equivalent to those that prevail in arm's-length transactions.



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Independent auditor's report

To: the General Meeting of Shareholders of Mitsubishi Electric Europe B.V.

Report on the financial statements

We have audited the accompanying financial statements for the year ended on 31 March 2016 of Mitsubishi Electric Europe B.V., Amsterdam, The Netherlands. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 March 2016, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 March 2016, the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

The Board of Managing Directors' responsibility

The Board of Managing Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the managing directors' report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Board of Managing Directors is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managing Directors, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Mitsubishi Electric Europe B.V. as at 31 March 2016 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Mitsubishi Electric Europe B.V. as at 31 March 2016 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the managing directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b – h has been annexed. Further, we report that the managing directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 30 September 2016

KPMG Accountants N.V.



A.P.A. Greebe RA