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ISSUED AS A TRUE COPY of an annual report of Mitsubishi Electric Europe B.V., year ended March 31, 2018, that has been shown to me and that has been returned to its presenter after having been compared with the original, by me, Johannes Cornelis Christiaan Paans, civil-law notary in Amsterdam, the Netherlands.

This statement explicitly contains no judgment as to the contents of this document.

Amsterdam, the Netherlands, November 7, 2018.

mr. J.C.C. Paans
NOTARIS te AMSTERDAM

APOSTILLE

(Convention de La Haye du 5 octobre 1961)

1. Country: THE NETHERLANDS
   This public document
2. has been signed by **mr. J.C.C. Paans**
3. acting in the capacity of notary at Amsterdam
4. bears the seal/stamp of aforesaid notary

Certified

5. in Amsterdam 6. on 07-11-2018
7. by the registrar of the district court of Amsterdam
8. no. 054981
9. Seal/stamp: 10. Signature:

J. Huiberts - Steelink

ANNUAL REPORT

MITSUBISHI ELECTRIC EUROPE B.V.
AMSTERDAM, THE NETHERLANDS

Year ended March 31, 2018

Document to which the KPMG report (1335129-18W00161215AVN) dated 28 September 2018 also refers.

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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, 2018. 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. The Company was established as a private company with limited liability and is listed under number 33279602 in the Dutch trade register of the Chamber of Commerce.

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 and representation offices.

Financial information

Activities and results

In the business year ended March 31, 2018, overall nominal sales amounted to EUR 3.084,9 million (previous business year: EUR 2.996,6 million). Higher net sales (EUR 88,3 million / 2,9 %) were achieved in most business areas on the basis of the strengthened business structures and the business investments executed in the recent years.

Following the sales development, the cost of sales increased by EUR 39,6 million compared with the previous business year to EUR 2.549,7 million, representing 82,7 % of net sales (previous business year: 83,8 %).

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 460,6 million (previous business year: EUR 429,9 million).

Net finance income amounted to EUR 0,4 million (previous business year: net finance cost of EUR 0,2 million).

Accounting for the aforementioned factors, a profit before tax of EUR 75,0 million was achieved in 2017/2018 (previous business year: EUR 56,4 million).

The profit after tax amounted to EUR 56,0 million (previous business year: EUR 37,9 million).

Statement of financial position

Total assets amounted to EUR 1.594,8 million as at March 31, 2018, being EUR 67,7 million lower compared to March 31, 2017 (EUR 1.662,6 million). The decrease is mainly caused by decrease in cash and cash equivalents, resulting in particular from the decrease in trade payables. In addition cash outflow for purchase of MEHITS entities effected the net cash balance (reference is made to Note 5 of the financial statements).

Total equity increased by EUR 13,1 million compared to the previous business year to EUR 304,5 million, which includes the profit for the period of EUR 56,0 million, dividend payments of EUR 11,8 million, other comprehensive expenses of EUR 1,7 million and a reduction in retained earnings resulting from the acquisition of MEHITS entities (EUR 32,8 million). In total, the full equity ratio was 19,0 % (previous year: 17,5 %).

Cash flow

The business year ended March 31, 2018, showed a positive net cash flow provided by operating activities of EUR 2,8 million. Net cash used in investing activities was EUR -41,9 million and the net cash used in financing activities was EUR -17,0 million. The effect of movement in exchange rates amounted to EUR 16,6 million decrease. Consequently, the end of fiscal year cash and cash equivalents balance amounted to EUR 323,6 million, a decrease by EUR 72,7 million year on year.

The net cash provided by operating activities (EUR 2,8 million) has been EUR 101,1 million lower compared to previous year´s level. This decrease results from the increase of the net working capital, in particular the increase in trade receivables as well as the significant decrease in trade payables, overcompensating the decrease in inventories. Net cash used in investing activities (EUR 41,9 million) was EUR million 31,4 higher than last year. Current year investments were mainly related to the acquisition of MEHITS entities.

Net cash used in financing activities this year was EUR 17,0 million, compared to net cash used in financing activities of EUR 10,8 million last year. The change mainly relates to decrease in short-term loans to third parties amounting to EUR 6,2 million. Financing activities are mainly 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, 2018.

Customer and employee satisfaction are important to the Group and are closely monitored and measured in the business operations on a branch/representation office and subsidiary level (decentralized). Due to specific activities of each office, no single set of non-performance indicators is prepared on a Group level (centralized).

Liquidity and need for external financing

The Group's liquidity position decreased to a level of EUR 323,6 million, compared to EUR 396,3 million last year. The cash and cash equivalents balance of EUR 323,6 million contains an amount of EUR 103,8 million relating to short-term deposits to Mitsubishi Electric Finance Europe PLC (March 31, 2017: EUR 212,4 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.

Personnel related information

The average number of personnel employed during the year was 2.635 FTE (2016/2017: 2.468). At year end 2.790 FTE were employed (March 31, 2017: 2.485). In the purchasing, sales and marketing department 1.420 FTE and in the administrative department 1.369 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 mentioned by article 391 of 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.

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 cyclicality' 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.

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, 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 2018/2019, comparable to 2017/2018.

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.

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

On 19 April, 2018, the Board of Directors agreed on 100% share purchase of MEHIT Italy Sales s.r.l., previously held by Mitsubishi Electric Hydronics & IT Cooling Systems S.p.A. The company specializes in air conditioning solutions, it will be integrated into MEU structure through cross border merger during business year 2018/2019.

There have been no other events after reporting date which have a significant impact on, or should be disclosed in, the 2017/2018 financial statements.

Amsterdam, September 28, 2018

Board of Managing Directors

Y. Saito
M. Horibe
M. Konishi
H. Puetz
E. Pellerin
A. Wagner
H. Kondo

Consolidated statement of financial position
As at March 31, 2018 (before profit appropriation)

Assets	Notes	March 31,2018 EUR'000	March 31,2017 EUR'000
Non-current assets			
Property, plant and equipment	7		
Land and buildings		68.463	69.905
Plant and equipment		21.167	20.717
Assets under construction		719	1.743
Total property, plant and equipment		90.349	92.365
Intangible assets and goodwill	8	27.211	33.272
Investments in associates and other investments	9	7.586	7.582
Deferred tax assets	24	14.203	18.140
Pension asset	14	1.233	0
Total non-current assets		140.582	151.359
Current assets			
Inventories	10	537.321	542.784
Trade and other receivables	11	593.363	572.111
Cash and cash equivalents	12	323.562	396.314
Total current assets		1.454.246	1.511.209
Total assets		1.594.828	1.662.568

The notes on pages 15 to 69 are an integral part of these consolidated financial statements.

Equity and liabilities	Notes	March 31,2018 EUR'000	March 31,2017 EUR'000
Equity			
Share capital	13	83.981	83.981
Share premium	13	48.224	48.224
Foreign currency translation reserve	13	-23.465	-14.829
Retained earnings		126.100	120.925
Unappropriated result		53.071	35.911
Total equity attributable to owners of the Company		287.911	274.212
Non-controlling interest	13	16.546	17.122
Total equity		304.457	291.334
Non-current liabilities			
Pension liabilities	14	10.331	28.910
Provisions	16	6.294	4.646
Non-current loans and borrowings from affiliates	15	40.000	40.000
Other non-current liabilities		405	31
Deferred tax liabilities	24	6.541	8.690
Total non-current liabilities		63.571	82.277
Current liabilities			
Current loans and borrowings from third parties	15	16.442	22.740
Current loans and borrowings from affiliates	15	19.325	18.358
Trade and other payables to affiliates	6	927.374	978.685
Trade payables to third parties	6	56.372	55.078
Other current liabilities	6	178.672	180.654
Income tax payable	24	11.522	11.191
Provisions	16	17.093	22.251
Total current liabilities		1.226.800	1.288.957
Total equity and liabilities		1.594.828	1.662.568

The notes on pages 15 to 69 are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss
For the year ended on March 31, 2018

	Notes	March 31,2018 EUR'000	March 31,2017 EUR'000
Revenue	18	3.084.886	2.996.583
Cost of sales		-2.549.665	-2.510.050
Gross profit		535.221	486.533
Other income	20	26.789	25.594
Selling, general and administrative expenses	19	-478.662	-450.583
Other expenses	21	-8.766	-4.898
		-460.639	-429.887
Operating profit		74.582	56.646
Finance income	22	906	652
Finance costs	22	-2.078	-2.427
Other net finance income	22	1.578	1.538
Net finance income (cost)		406	-237
Share of result of associates	23	4	9
Profit (loss) before income tax		74.992	56.418
Income tax expenses	24	-18.965	-18.567
Profit (loss) for the year		56.027	37.851
Attributable to:			
Equity holders of the parent		53.071	35.911
Non-controlling interests		2.956	1.940
		56.027	37.851

The notes on pages 15 to 69 are an integral part of these consolidated financial statements.

Consolidated statement of other comprehensive income
For the year ended on March 31, 2018

	Notes	March 31,2018 EUR'000	March 31,2017 EUR'000
Profit (loss) for the year		56.027	37.851
Other comprehensive income Items that will never be reclassified to profit or loss			
Net actuarial losses IAS 19	14	16.854	-8.699
Deferred tax effect on IAS 19	24	-2.950	1.319
		13.904	-7.380
Other comprehensive income Items that are or may be reclassified to profit or loss			
Foreign currency translation differences foreign operations		-12.168	-7.384
		-12.168	-7.384
Other comprehensive income, net of tax		1.736	-14.764
Total comprehensive income		57.763	23.087
Attributable to:			
Owners of the Company		58.339	22.995
Non-controlling interests		-576	92
		57.763	23.087

The notes on pages 15 to 69 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended on March 31, 2018

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 March 31, 2016	83.981	48.224	-9.293	104.978	34.759	262.649	17.030	279.679
Appropriation of prior year result	0	0	0	34.759	-34.759	0	0	0
Profit of the year	0	0	0	0	35.911	35.911	1.940	37.851
Other comprehensive income								
Foreign currency translation differences foreign operations	0	0	-5.536	0	0	-5.536	-1.848	-7.384
Net actuarial losses IAS 19 (revised 2011)	0	0	0	- 8.699	0	-8.699	0	-8.699
Deferred taxes on IAS 19 (revised 2011)	0	0	0	1.319	0	1.319	0	1.319
Total other comprehensive income	0	0	-5.536	-7.380	0	-12.916	-1.848	-14.764
Total comprehensive income for the year	0	0	-5.536	-7.380	35.911	22.995	92	23.087
Transactions with owners of the Company, recognized directly in equity								
Dividends paid to Mitsubishi Electric Corp. (Tokyo, Japan)	0	0	0	-11.432	0	-11.432	0	-11.432
Balance at March 31, 2017	83.981	48.224	-14.829	120.925	35.911	274.212	17.122	291.334
Appropriation of prior year result	0	0	0	35.911	-35.911	0	0	0
Profit of the year	0	0	0	0	53.071	53.071	2.956	56.027
Other comprehensive income								
Foreign currency translation differences foreign operations	0	0	-8.636	0	0	-8.636	-3.532	-12.168
Net actuarial losses IAS 19 (revised 2011)	0	0	0	16.854	0	16.854	0	16.854
Deferred taxes on IAS 19 (revised 2011)	0	0	0	-2.950	0	-2.950	0	-2.950
Total other comprehensive income	0	0	-8.636	13.904	0	5.268	-3.532	1.736
Total comprehensive income for the year	0	0	-8.636	13.904	53.071	58.339	-576	57.763
Acquisitions/business combinations, recognized in retained earnings	0	0	0	-32.817	0	-32.817	0	-32.817
Transactions with owners of the Company, recognized directly in equity								
Dividends paid to Mitsubishi Electric Corp. (Tokyo, Japan)	0	0	0	-11.823	0	-11.823	0	-11.823
Balance at March 31, 2018	83.981	48.224	-23.465	126.100	53.071	287.911	16.546	304.457

The notes on pages 15 to 69 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended on March 31, 2018

	Notes	March 31,2018 EUR'000	March 31,2017 EUR'000
Cash flows from operating activities			
Profit (loss) before income tax		74.992	56.418
Adjustments for:			
• Loss/(gain) on disposal of non-current assets	7,8	445	318
• Depreciation, amortization and reversal (impairment) loss on non current assets	7,8	15.153	13.781
• Foreign exchange differences		-7.667	-683
• Share of profit of equity-accounted investees, net of tax	23	-4	-9
		7.927	13.407
Changes in:			
• Decrease/(increase) in trade and other receivables	11	-22.486	-59.926
• Decrease/(increase) in inventories	10	5.463	-55.957
• Increase/(decrease) in trade and other liabilities	6	-36.915	176.197
• Increase/(decrease) in provisions and employee benefits	14,15	-8.185	-117
		-62.123	60.197
Cash generated from operating activities:			
• Interest received	22	906	652
• Interest paid	22	-2.078	-2.427
• Income taxes paid		-16.844	-24.351
		-18.016	-26.126
Net cash (used in)/ provided by operating activities		2.780	103.896
Cash flows from investing activities			
Dividends received	22	1.578	1.538
Acquisition of property, plant and equipment	7	-10.519	-11.113
Acquisition of intangible assets	8	-1.501	-875
Acquisition of/additions to subsidiaries, associates and other investments	9,33	-31.434	0
Net cash (used in)/ provided by investing activities		-41.876	-10.450

The notes on pages 15 to 69 are an integral part of these consolidated financial statements.

Cash flows from financing activities		
Proceeds from loans and borrowings	967	2.706
Repayment of loans and borrowings	-6.174	-2.109
Dividends paid	-11.823	-11.432
Net cash (used in)/ provided by financing activities	-17.030	-10.835
Net (decrease)/ increase in cash and cash equivalents	-56.126	82.611
Cash and cash equivalents at beginning of period	396.314	295.650
Effect of movement in exchange rates	-16.626	18.053
Cash and cash equivalents at end of period	323.562	396.314

The notes on pages 15 to 69 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
For the year ended on March 31, 2018

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 Company was established as a private company with limited liability and is listed under number 33279602 in the Dutch trade register of the Chamber of Commerce.

The consolidated financial statements of the Company as at and for the year ended March 31, 2018 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

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 and representation offices and their locations.

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 28, 2018.

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.

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.

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.

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 recognized 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 derecognizes 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 recognized 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.

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.

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.

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.

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.

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.

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.

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.

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.

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

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.

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.

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.

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.

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 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.

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.

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 2017, 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.

The Group has performed an assessment of the potential impact of adoption of IFRS 9 based on its positions at 31 March 2018. Based on this assessment, the Group does not believe that the new classification requirements, would have a material impact on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. 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.

During the financial year 2017/2018 the Group has completed preliminary assessments to identify the areas where IFRS 15 changes the Group's current accounting policies. Workshops with key sales personnel were held to analyze current contracts on sale of goods and rendering services as well as construction contracts. Based on these assessments of contracts conditions the Group does not expect that there will be a significant impact on its consolidated financial statements.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

The Group is currently in the process of determining to what extent lease commitments from existing lease contracts will result in the recognition of an asset and a liability for future payments and how this will affect Group's profit and classification of cash flows. The Group will further analyze the lease contracts in the financial year 2018/2019 to prepare an initial impact assessment.

Other amendments

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

— Annual Improvements to IFRSs 2014-2016 Cycle – Amendments to IFRS 1 and IAS 28. Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).

— Transfers of Investment Property (Amendments to IAS 40).

— Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

— IFRIC 22 Foreign Currency Transactions and Advance Consideration.

— IFRIC 23 Uncertainty over Income Tax Treatments.

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.

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

In the business year ended March 31, 2018 the Company acquired from Mitsubishi Electric Hydronics & IT Cooling S.p.A. ('MEHITS') 100,0% shares of several companies, specializing in air conditioning solutions. Assets/liabilities acquired through the share deals/asset deals were integrated into the individual MEU branches in France, UK/Hatfield, Germany (Belgium), Poland, Italy and Spain.

The details of acquired companies could be summarized as following:

MEHITS entity		MEU branch	Method of Integration	Acquisition date
Climaveneta France ("CV France")	->	MEU France	Share Transfer & Merger	July 1, 2017
RC Group France SAS ("RC France")	->	MEU France	Share Transfer & Merger	July 1, 2017
Climaveneta Deutschland ("CV Germany")	->	MEU Germany	Share Transfer & Merger	July 1, 2017
RC Group (UK) Ltd ("RCUK")	->	MEU UK/Hatfield	Share Transfer & Merger	Aug. 1, 2017
Aircotech Belgium ("Aircotech")	->	MEU Germany *(via MEU Belgium)*	Share Transfer & Merger	Oct.1, 2017
Climaveneta Polska ("CV Poland")	->	MEU Poland	Share Transfer & Merger	Oct.1, 2017
Climaveneta UK ("CV UK")	->	MEU UK/Hatfield	Asset Deal	Jan.1, 2018
Powermaster Products ("PMP")	->	MEU UK/Hatfield	Asset Deal	Jan.1, 2018
Powermaster Service ("PMS")	->	MEU UK/Hatfield	Asset Deal	Jan.1, 2018

During the acquisition the Company applied the concept of business combination under common control, which means:

- Assets/liabilities were taken over at their book values based on IFRS;
- No revaluation/fair value adjustments were applied when integrating the assets/liabilities into the MEU branches, but the book values were continued;
- No goodwill or customer base was recognized by MEU as a result of the business acquisition/integration.

The details of the applied approach and its resulting effect on retained earnings are summarized as follows:

	Acquired company							Total
	CV France	RC France	CV Germany	Aircotech Belgium	CV Poland	RC UK	CV UK/PMP/PMS	
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Cash paid	-2.801	-982	-2.014	-8.191	-1.896	-3.747	-20.119	-39.750
Net assets at the book value at the date of the share/business transfer	-1.714	642	1.500	2.624	-394	661	3.614	6.933
Total effect on Retained Earnings	-4.515	-340	-514	-5.567	-2.290	-3.086	-16.505	-32.817

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

	EUR'000
Property, plant and equipment	435
Intangible assets and goodwill	62
Inventories	1.574
Trade and other receivables	16.974
Cash and cash equivalents	8.316
Provisions, trade and other payables	20.428

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.

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).

2018	Variance +10% in EUR'000 on PBT	Variance -10% in EUR'000 on PBT
Exchange rate		
EUR/USD	-969	969
EUR/GBP	354	-354
EUR/JPY	-1.774	1.774
EUR/SKR	328	-328
EUR/RUB	-123	123
	-2.184	2.184

2018		
Interest rate	-367	367

2017	Variance +10% in EUR'000 on PBT	Variance -10% in EUR'000 on PBT
Exchange rate		
EUR/USD	-1.630	1.630
EUR/GBP	1.072	-1.072
EUR/JPY	-1.806	1.806
EUR/SKR	354	-354
EUR/RUB	0	0
	-2.010	2.010

2017	Variance +1% in EUR'000 on PBT	Variance -1% in EUR'000 on PBT
Interest rate	-1.348	1.348

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 2018 in EUR'000	Carrying amount 2018 in EUR'000	Fair Value 2017 in EUR'000	Carrying amount 2017 in EUR'000
Derivatives	65	65	134	134
Investments	7.586	7.586	7.582	7.582
Cash & cash equivalents	323.562	323.562	396.314	396.314
Trade receivables 3rd parties	520.427	520.427	500.311	500.311
Trade & other receivables affiliates	26.431	26.431	25.384	25.384
Other debtors	14.047	14.047	10.662	10.662
	892.116	892.116	940.387	940.387

Classes of Financial Liabilities	Fair Value 2018 in EUR'000	Carrying amount 2018 in EUR'000	Fair Value 2017 in EUR'000	Carrying amount 2017 in EUR'000
Non-current loans and borrowings from affiliates	40.000	40.000	40.000	40.000
Derivatives	228	228	269	269
Trade payables 3rd parties	56.372	56.372	55.078	55.078
Trade & other payables to affiliates	927.374	927.374	978.685	978.685
Current loans and borrowings from third parties	16.442	16.442	22.740	22.740
Current loans and borrowings from affiliates	19.325	19.325	18.358	18.358
Other creditors	82.220	82.220	81.991	81.991
	1.141.961	1.141.961	1.197.121	1.197.121

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).

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 103.819 thousand at March 31, 2018 (March 31, 2017: EUR 212.375 thousand). The effective interest rates on these deposits range between 0,05 % and 1,0% (March 31, 2017: 0,05 % and 0,1 %).

Loans and borrowings include short-term loans for an amount of EUR 19.325 thousand (March 31, 2017: EUR 18.358) and long-term loans for an amount of EUR 40.000 thousand (March 31, 2017: EUR 40.000) from Mitsubishi Electric Finance Europe PLC. The effective interest rates on these loans range between 0,3% and 1,34% (March 31, 2017: 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, 2018 and 2017.

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.

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.

Contractual maturities

The table below summarizes the maturity profile of the Company's financial liabilities at March 31, 2018 based on contractual undiscounted payments.

March 31, 2018	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
Non-current loans and borrowings from affiliates	0	0	0	40.000	0	40.000
Current loans and borrowings from third parties	11.307	5.135	0	0	0	16.442
Current loans and borrowings from affiliates	18.800	525	0	0	0	19.325
Trade and other payables 3rd parties	14.486	39.803	2.083	0	0	56.372
Trade and other payables affiliates	155.244	505.360	266.770	0	0	927.374
Other creditors	8.554	54.390	19.401	104	0	82.449
	208.391	605.213	288.254	40.104	0	1.141.962

The equivalent disclosure for the prior year is as follows:

March 31, 2017	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
Non-current loans and borrowings from affiliates	0	0	0	40.000	0	40.000
Current loans and borrowings from third parties	12.189	772	9.779	0	0	22.740
Current loans and borrowings from affiliates	0	7.758	10.600	0	0	18.358
Trade and other payables 3rd parties	16.304	36.626	2.148	0	0	55.078
Trade and other payables affiliates	6.669	807.223	164.793	0	0	978.685
Other creditors	12.060	55.586	14.614	0	0	82.260
	47.222	907.965	201.934	40.000	0	1.197.121

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.

7 Property, plant and equipment

March 31, 2018	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	1.743	76.470	4.408	55.785	138.406
Purchases	1.282	56	8	5.896	7.242
Acquired in business combinations	0	0	0	1.715	1.715
Transfer of completed assets under construction	-2.231	809	0	1.422	0
Disposals**	-21	0	0	-3.430	-3.451
Effect of movements in exchange rates	-54	-296	-9	-554	-913
Closing balance	719	77.039	4.407	60.834	142.999
Depreciation					
Opening balance	0	10.010	963	35.068	46.041
Depreciation charge for the year*	0	2.095	49	6.690	8.834
Acquired in business combinations	0	0	0	1.280	1.280
Disposals**	0	0	0	-3.028	-3.028
Effect of movements in exchange rates	0	-134	0	-343	-477
Closing balance	0	11.971	1.012	39.667	52.650
Net book value at March 31, 2018	719	65.068	3.395	21.167	90.349

March 31, 2017	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	3.196	75.789	6.176	51.550	136.711
Purchases	2.485	106	505	8.018	11.114
Reclasses	9	0	-1.652	1.643	0
Transfer of completed assets under construction	-3.887	1.691	0	753	-1.443
Disposals**	-6	-33	-587	-5.213	-5.839
Effect of movements in exchange rates	-54	-1.083	-34	-966	-2.137
Closing balance	1.743	76.470	4.408	55.785	138.406
Depreciation					
Opening balance	0	8.412	2.781	33.522	44.715
Depreciation charge for the year*	0	2.077	203	5.923	8.203
Reclasses	0	0	-1.420	1.420	0
Disposals**	0	-1	-580	-5.016	-5.597
Effect of movements in exchange rates	0	-478	-21	-781	-1.280
Closing balance	0	10.010	963	35.068	46.041
Net book value at March 31, 2017	1.743	66.460	3.445	20.717	92.365

*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.

8 Intangible assets and goodwill

March 31, 2018	Goodwill EUR'000	Customer relationship EUR'000	Software EUR'000	Total EUR'000
Cost				
Opening balance	20.091	29.380	22.752	72.223
Purchase	0	0	2.798	2.798
Acquired in business combinations	0	0	265	265
Disposals	0	0	-915	-915
Effect of movement in exchange rates	-2.631	0	-211	-2.842
Closing balance	17.460	29.380	24.689	71.529
Amortization and impairment losses				
Opening balance	0	19.808	19.143	38.951
Amortization charge for the year*	0	2.788	2.048	4.836
Acquired in business combinations	0	0	203	203
Disposals	0	0	-894	-894
Effect of movement in exchange rates	0	1.364	-142	1.222
Closing balance	0	23.960	20.358	44.318
Net book value at March 31, 2018	17.460	5.420	4.331	27.211

March 31, 2017	Goodwill EUR'000	Customer relationship EUR'000	Software EUR'000	Total EUR'000
Cost				
Opening balance	22.777	29.384	21.801	73.962
Purchase	0	0	875	875
Transfer of completed assets under construction	0	0	1.443	1.443
Disposals	0	0	-664	-664
Effect of movement in exchange rates	-2.686	-4	-703	-3.393
Closing balance	20.091	29.380	22.752	72.223
Amortization and impairment losses				
Opening balance	0	12.652	18.856	31.508
Amortization charge for the year*	0	4.087	1.491	5.578
Disposals	0	0	-587	-587
Effect of movement in exchange rates	0	3.069	-617	2.452
Closing balance	0	19.808	19.143	38.951
Net book value at March 31, 2017	20.091	9.572	3.609	33.272

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

During the financial year ended as at March 31, 2018 no goodwill or customer relationship related assets were acquired.

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, 2018 in the total amount of EUR 17.460 thousand relates with EUR 10.004 thousand to Living Environment Systems division and with EUR 7.456 thousand 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% (2016/2017: 2,0%) for the LES division and between 1,0% and 2,0% (2016/2017: 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% (2016/2017: 16,5%) for the LES division and 12,1% (2016/2017: 12,6%) 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% at a market interest rate of 8,4% (2016/2017: 7,2 %) for the LES division and with a debt leveraging of 10% at a market interest rate of 2,6% (2016/2017: 2,3%) for the FA division.

No impairment loss was recognized in 2017/2018 and 2016/2017 financial year.

9 Investments in associates and other investments

Company name	Acquisition date	% share	March 31, 2018 EUR '000	March 31, 2017 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%	1.174	1.170
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
			7.586	7.582

*Trading as Adroit Technologies.

The above entities, besides associate Mitsubishi Electric Automation Projects GmbH, are available-for-sale investments. These available-for-sale investments do not have quoted market prices in an active market and their fair values cannot be reliably determined and hence these investments are carried at cost.

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:

	EUR'000
Acquisition cost	1.420
Group's ownership of post-aquisition net profit (loss) until March 31, 2017	-250
Carrying amount of the investment as of March 31, 2017	1.170
Opening balance as of March 31, 2017	1.170
Group's ownership of net profit (loss) current year	4
Carrying amount of the investment as of March 31, 2018	1.174

10 Inventories

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Aircon & Refrigerating Systems	304.701	314.143
Automotive Equipment	105.196	111.714
Industrial Products	51.186	40.691
Industrial Automation Systems	35.683	35.346
Semiconductors	18.791	16.605
Home Appliances & Digital Media	16.602	19.038
Industrial Sewing Machines	1.869	2.250
Electronic Systems	1.712	673
Public Use System	734	648
Building Systems	457	645
Power Systems	390	1.031
	537.321	542.784

Inventories are stated net of a provision for obsolete stock of EUR 22.441 thousand (March 31, 2017: EUR 24.291 thousand). Provisions have been made for all segments. The expense in this respect amounted to EUR 3.589 thousand (March 31, 2017: EUR 5.012 thousand) and is included in Cost of Sales.

11 Trade and other receivables

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Trade receivables 3rd parties	520.427	500.311
Trade receivables affiliated companies	26.431	25.384
Trade receivables	546.858	525.695
Prepaid expenses	20.528	16.912
Other current assets	25.977	29.504
	593.363	572.111

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

As at March 31, 2018, trade receivables and other receivables at carrying value of EUR 16.127 thousand (March 31, 2017: EUR 17.655 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, 2016	20.904	2.828	23.732
Charge for the year*	655	1.265	1.920
Utilised	-7.323	0	-7.323
Unused amounts reversed	-547	0	-547
Translation adjustment	-7	-120	-127
At March 31, 2017	13.682	3.973	17.655

	Individually impaired EUR '000	Collectively impaired EUR '000	Total EUR '000
At April 1, 2017	13.682	3.973	17.655
Charge for the year*	914	1.829	2.743
Utilised	-2.250	0	-2.250
Unused amounts reversed	-2.888	0	-2.888
Acquired in a business combination	1.049	11	1.060
Translation adjustment	-179	-14	-193
At March 31, 2018	10.328	5.799	16.127

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

As at March 31, 2018 and 2017, the aging analysis of trade receivables is as follows:

	Neither past due nor impaired	Past due but not impaired					Total
		< 30 days	30-60 days	60-90 days	90-120 days	>120 days	
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
March 31, 2018	481.270	48.365	10.271	5.595	1.245	112	65.588
March 31, 2017	476.763	20.847	11.743	11.239	2.232	2.871	48.932

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

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 323,6 million contains an amount of EUR 103,8 million relating to short-term deposits to Mitsubishi Electric Finance Europe PLC (March 31, 2017: EUR 212,4 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, 2018
	EUR'000
On issue at April 1, 2017 – fully paid	83.981
Issued for cash	0
On issue at March 31, 2018 – 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, 2018, the issued share capital included 83.981 issued and fully paid ordinary shares (March 31, 2017: 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.

Foreign currency translation reserve

The translation reserve (March 31, 2018: EUR -23.465 thousand, March 31, 2017: -14.829 thousand) comprises all foreign exchange differences arising from the translation of the financial statements of the branches, representation offices 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 years ended March 31, 2018 and March 31, 2017:

	March 31, 2018 EUR'000	March 31, 2017 EUR'000
Dividend to owners of the Company, paid to Melco, Tokyo, Japan.	11.823	11.432

In the financial year 2017/2018, the dividend paid out amounted to EUR 78,82 per authorized 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 held by MELCO. The 30,0% share of MELCO amounts to EUR 10.996 thousand at March 31, 2018 (EUR 12.419 thousand at March 31, 2017).

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 held by MELCO. The 30,0% share of MELCO amounts to EUR 5.550 thousand at March 31, 2018 (EUR 4.704 thousand at March 31, 2017).

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.

Net benefit expense	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Charged to Profit or Loss		
Current service cost	-691	-595
Interest cost on benefit obligation	-3.604	-4.320
Interest income on plan assets	2.997	3.698
Employee contribution	131	29
Additional charges	-46	280
	-1.213	-908
Charged to Other Comprehensive Income		
Net actuarial gain/(loss) recognized in the year	16.854	-8.699
	16.854	-8.699
Actual return on plan assets	516	921

Benefit asset/(liability)	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Present value of funded obligations	-139.110	-154.734
Present value of unfunded obligations	-4.425	-4.116
Fair value of plan assets	134.437	129.940
	-9.098	-28.910

Movements are as follows:

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
At April 1	-28.910	-24.530
Benefit expenses	15.641	-9.607
Contributions	3.809	3.784
Others	-211	-50
Exchange adjustment	419	1.261
Utilization	154	232
At March 31	-9.098	-28.910

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

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Pension Asset	1.233	0
Pension Liabilities	-10.331	-28.910
At March 31	-9.098	-28.910

The pension asset/(liability) is related to the pension plans operated for the following branches:

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
UK Hatfield Branch	-4.521	-22.612
Ireland Branch	1.233	-980
Italy Branch	-2.153	-2.111
France Branch	-2.272	-2.005
Netherlands Branches	-1.385	-1.202
	-9.098	-28.910

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, 2018	March 31, 2017
Discount rate	2,0%	2,2%
Expected rate of return in assets	0,3%	0,1%
Future salary increase	1,1%	0,3%
Future pension increase	2,1%	2,9%
Future price inflation	2,0%	2,3%

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, 2018 EUR '000	March 31, 2017 EUR '000
Charged to profit or loss		
Pension cost of benefit plans	-1.213	-908
Pension cost of contribution plans	-8.682	-7.512
	-9.895	-8.420
Charged to other comprehensive income		
Pension cost of benefit plans	16.854	-8.699
	16.854	-8.699

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

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, 2018 EUR '000	March 31, 2017 EUR '000
Non-current loans and borrowings:		
German Branch - building loan	40.000	40.000
	40.000	40.000
Current loans and borrowings:		
Irish Branch	11.200	10.600
Dutch Branch	7.600	7.700
UK Branch	525	58
	19.325	18.358

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

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
UK Branch - current account	8.950	10.464
METR - current account	5.135	10.551
French Branch - current account	2.357	1.725
	16.442	22.740

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

16 Provisions

	Warranties	Waste electrical and electronic equipment	Restructuring	Other	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
At April 1, 2017	13.291	2.258	2.210	9.138	26.897
Additions during the year	8.767	660	1.301	1.542	12.270
Utilised	-3.476	-152	-930	-5.110	-9.668
Released	-3.850	-1.899	-774	-920	-7.443
Business Combinations	1.313	0	0	202	1.515
F/X rate adjustment	-97	0	-15	-72	-184
March 31, 2018	15.948	867	1.792	4.780	23.387
Current part	10.703	641	1.792	3.957	17.093
Non current part	5.245	226	0	823	6.294
March 31, 2018	15.948	867	1.792	4.780	23.387

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.

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

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, 2018 and 2017:

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Within one year	16.469	15.363
After one year but less than five years	26.449	28.089
More than five years	751	3.267
	43.669	46.719

There were no other outstanding commitments as of March 31, 2018 and 2017.

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 2017/2018

	Air Conditioners and Refrigerating Systems	Automotive Equipment	Factory Automation	Home Appliances and Digital Media	Semi-conductors	Others	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Sales to affiliated customers	153	45	1.408	4	0	82.116	83.726
Sales to third parties	1.323.078	1.098.135	327.694	60.132	125.920	66.201	3.001.160
	1.323.231	1.098.180	329.102	60.136	125.920	148.317	3.084.886

Business divisions 2016/2017

	Air Conditioners and Refrigerating Systems	Automotive Equipment	Factory Automation	Home Appliances and Digital Media	Semi-conductors	Others	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Sales to affiliated customers	339	179	1.328	324	0	78.277	80.447
Sales to third parties	1.178.618	1.187.481	300.437	69.699	118.590	61.311	2.916.136
	1.178.957	1.187.660	301.765	70.023	118.590	139.588	2.996.583

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, 2018 EUR '000	March 31, 2017 EUR '000	March 31, 2018 EUR '000	March 31, 2017 EUR '000	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Sales to affiliated customers	140	294	83.586	80.153	83.726	80.447
Sales to third parties	2.708.458	2.650.378	292.702	265.758	3.001.160	2.916.136
Total revenue	2.708.598	2.650.672	376.288	345.911	3.084.886	2.996.583

Sales to third parties within Europe as of March 31, 2018 include sales in the Netherlands in the amount of EUR 62.501 thousand (as of March 31, 2017: EUR 58.212 thousand).

19 Selling, general and administrative expenses

Included in the amount of EUR 478.662 thousand (2016/2017: EUR 450.583 thousand) selling, general and administrative expenses are depreciation and amortization of EUR 13.670 thousand (2016/2017: EUR 13.781 thousand), selling expenses of EUR 94.177 thousand (2016/2017: EUR 89.661 thousand), advertising expenses of EUR 40.274 thousand (2016/2017: EUR 34.919 thousand) and personnel expenses consisting of:

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Wages and salaries	190.049	177.470
Social security costs	31.412	28.396
Pension costs of defined benefit and defined contribution plans	9.895	8.420
	231.356	214.286

20 Other income

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Marketing and advertising activities (agreements with MELCO Japan and other affiliated companies)	26.789	25.594
	26.789	25.594

21 Other expenses

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Other operating expenses to affiliated companies	6.535	8.165
Loss (gain) on foreign currency exchanges	1.992	-3.344
Loss on disposal of long-term assets	239	77
	8.766	4.898

Other operating expenses mostly consist of software license and advertising fees to MELCO and other affiliated companies.

22 Net finance result

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Finance income	906	652
Finance costs	-2.078	-2.427
Other net finance income	1.578	1.538
	406	-237

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.

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

Company name	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Mitsubishi Electric Air Conditioning Systems Europe Ltd	920	880
Mitsubishi Electric Automotive Czech s.r.o.	402	387
Mitsubishi Electric R&D Centre Europe B.V.	116	151
Advanced Worx 112 (Proprietary) Limited	77	66
Mitsubishi Electric Automotive Europe B.V.	60	52
Ascenseurs Mitsubishi France	3	2
	1.578	1.538

23 Share of result of associates

Company name	% share of equity	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Mitsubishi Electric Automation Projects GmbH	30,0%	4	9
		4	9

24 Income taxes

Deferred tax balances as at March 31, 2018 relate to the following:

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Deferred tax assets		
Inventory valuation	2.725	2.357
Provisions and accruals	5.655	9.810
Provision for doubtful debts	1.588	1.675
Tax loss carry forward	3.228	3.014
Property, plant and equipment and intangible assets	592	710
Leasing liability	0	58
Other items	415	516
	14.203	18.140

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Deferred tax liabilities		
Tax losses of foreign branches used in the past	3.656	3.911
Provisions and accruals	1.296	2.189
Inventory valuation	316	458
Property, plant and equipment and intangible assets	1.252	2.126
Other items	21	6
Deferred tax liabilities	6.541	8.690

The movements in deferred tax balances during the year have been recognized in profit or loss (deferred tax income EUR 170 thousand) and in other comprehensive income (deferred tax expense EUR 2.950 thousand). Forex effect amounts to EUR 553 thousand (deferred forex income). Deferred tax assets in the amount of EUR 439 thousand were acquired in a course of business combination.

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

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Unrecognized deferred tax assets	4.575	4.954

The unrecognized deferred tax assets for tax losses of EUR 4.575 thousand (as of March 31, 2017: EUR 4.954 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, 2018 EUR '000	March 31, 2017 EUR '000
Current:		
Domestic	346	1.547
Foreign	18.789	18.183
	19.135	19.730
Deferred:		
Domestic	-315	123
Foreign	145	-1.286
	-170	-1.163
Income tax expense	18.965	18.567

Recognized in the statement of comprehensive income:

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Current tax expenses		
Current year	19.825	19.127
Adjustments previous years	-690	603
	19.135	19.730
Deferred tax (income)/expenses		
Origination and reversal of temporary differences	-170	-1.163
Effect of tax losses recognized	0	0
	-170	-1.163
Income tax expenses	18.965	18.567

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, 2018 and 2017 was as follows:

	March 31, 2018 %	March 31, 2017 %	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Domestic tax rate	25,00	25,00	18.748	14.102
Effect of tax rates in foreign jurisdictions	0,71	0,95	533	535
Adjustment in respect to current income tax of previous years	-0,92	1,07	-690	603
Recognition of previously unrecognized tax losses	-2,20	-1,01	-1.649	-570
Effect of non-deductible expenses	2,88	6,35	2.161	3.579
Others	-0,18	0,56	-138	318
Effective tax rate	25,29	32,92	18.965	18.567

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 2017/2018 and 2016/2017 financial years was as follows:

	Whole Company		Outside of Netherlands	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Average number of employees	2.635	2.468	2.590	2.428
Total number of employees	2.790	2.485	2.741	2.440

The breakdown by department was as follows:

	Whole Company		Outside of Netherlands	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Purchasing, sales and marketing departments	1.420	1.328	1.398	1.305
Administrative departments	1.369	1.157	1.343	1.135
Total number of employees	2.790	2.485	2.741	2.440

26 Related-party disclosures

Transactions with related parties

Transactions with related parties are assumed when a relationship exists between the Company and a natural person or entity that is affiliated with the Company. This includes, amongst others, the relationship between the Company and its subsidiaries, shareholder, directors and key management personnel. Transactions are transfers of resources, services or obligations, regardless whether anything has been charged.

Control of the Company

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

Related party transactions

During the financial year, the Company entered into transactions with related parties. Those transactions, along with related balances at March 31, 2018 and 2017 and for the years then ended, are presented in the following table:

	MELCO Japan		Other		Total	
	March 31, 2018 EUR'000	March 31, 2017 EUR'000	March 31, 2018 EUR'000	March 31, 2017 EUR'000	March 31, 2018 EUR'000	March 31, 2017 EUR'000
Sales of goods	81.648	78.829	2.079	1.618	83.727	80.447
Purchase of goods	1.577.259	1.623.500	817.180	765.476	2.394.439	2.388.976
Trade and other receivables	23.993	22.424	2.441	2.960	26.434	25.384
Trade and other payables	661.034	718.309	266.340	260.376	927.374	978.685
Other operating income (net) from Affiliated companies	20.374	17.803	-120	-374	20.254	17.429
Financial income (net)	0	0	1.245	1.233	1.245	1.233

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 also include other current liabilities amounting to EUR 16.366 thousand in the 2017/2018 business year (EUR 16.084 thousand with MELCO Japan and EUR 282 thousand with other affiliated companies).

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.

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 and its subsidiaries:

	KPMG Accountants N.V.	Other KPMG network	Total
2017/2018	EUR'000	EUR'000	EUR'000
Statutory audit of annual accounts	117	729	846
Other assurance services	0	253	253
Tax advisory services	0	124	124
Total	117	1.106	1.223

	KPMG Accountants N.V.	Other KPMG network	Total
2016/2017	EUR'000	EUR'000	EUR'000
Statutory audit of annual accounts	117	729	846
Other assurance services	0	87	87
Tax advisory services	0	117	117
Total	117	933	1.050

Company balance sheet
As at March 31, 2018 (before profit appropriation)

	Notes	March 31,2018 EUR'000	March 31,2017 EUR'000
Fixed assets			
Intangible fixed assets	31		
Goodwill		7.276	7.267
Other intangible assets		5.599	5.616
		12.875	12.883
Tangible fixed assets	32		
Land and buildings		68.463	69.905
Plant and equipment		20.194	19.836
Assets under construction		716	1.279
		89.373	91.020
Financial fixed assets			
Participating interests in group companies	33	38.610	39.954
Other participating interests	34	7.586	7.582
Deferred tax assets	49	13.861	18.140
Pension asset	14	1.233	0
Total fixed assets		163.538	169.579
Current assets			
Inventories	35	507.845	502.151
Trade and other receivables	36	561.865	540.953
Cash and cash equivalents	37	306.221	380.983
Total current assets		1.375.931	1.424.087
Total assets		1.539.469	1.593.666

	Notes	March 31,2018 EUR'000	March 31,2017 EUR'000
Shareholder's equity			
Share capital	38	83.981	83.981
Share premium	38	48.224	48.224
Foreign currency translation reserve	38	-24.207	-15.575
Retained earnings		126.842	121.671
Unappropriated result		53.071	35.911
Total equity		287.911	274.212
Provisions			
Pension provisions	14	10.331	28.910
Provision for deferred tax liabilities	49	5.005	5.540
Other provisions	40	23.062	26.562
Total provisions		38.398	61.012
Non-current liabilties			
Non-current loans and borrowings from affiliates	39	40.000	40.000
Other non-current liabilities		158	31
Total non-current liabilities		40.158	40.031
Current liabilities			
Current loans and borrowings from third parties	39	11.305	12.189
Current loans and borrowings from affiliates	39	19.325	18.358
Trade and other payables to affiliates	41	911.938	956.789
Trade payables to third parties	41	53.936	52.533
Other current liabilities	41	165.237	167.476
Income tax payable	49	11.261	11.066
Total current liabilities		1.173.002	1.218.411
Total equity and liabilities		1.539.469	1.593.666

Company income statement
For the year ended on March 31, 2018

	Notes	March 31,2018 EUR'000	March 31,2017 EUR'000
Net turnover	43	2.921.432	2.852.822
Cost of sales		-2.433.444	-2.406.206
Gross margin on turnover		487.988	446.616
Selling and distribution expenses	44	242.836	268.545
General and administrative expenses	45	211.682	159.312
Total operating expenses		-454.518	427.857
Net result on turnover		33.470	18.759
Other operating income	46	28.232	26.064
Interest receivable and similar income	47	550	597
Interest payable and similar charges	47	-950	-1.019
Distributions from participating interests not valued at net equity value	47	1.578	1.538
		1.178	1.116
Result before tax		62.880	45.939
Tax on result	49	-16.710	-14.565
Share of result of participating interests	48	6.901	4.537
Net result		53.071	35.911

Notes to the company financial statements
Year ended March 31, 2018

28 General

The company financial statements are part of the 2017/2018 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 15 to 37 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.

31 Intangible fixed assets

March 31, 2018	Goodwill EUR'000	Customer relationship EUR'000	Software EUR'000	Total EUR'000
Cost				
Opening balance	7.267	8.509	22.357	38.133
Purchase	0	0	2.219	2.219
Acquired in business combinations	0	0	265	265
Disposals	0	0	-915	-915
Effect of movement in exchange rates	9	0	-210	-201
Closing balance	7.276	8.509	23.716	39.501
Amortization and impairment losses				
Opening balance	0	6.477	18.773	25.250
Amortization charge for the year*	0	641	1.491	2.132
Acquired in business combinations	0	0	203	203
Disposals	0	0	-894	-894
Effect of movement in exchange rates	0	102	-167	-65
Closing balance	0	7220	19.406	26.626
Net book value at March 31, 2018	7.276	1.289	4.310	12.875

March 31, 2017	Goodwill EUR'000	Customer relationship EUR'000	Software EUR'000	Total EUR'000
Cost				
Opening balance	7.248	8.513	21.444	37.205
Purchase	0	0	837	837
Transfer of completed assets under construction	0	0	1.443	1.443
Disposals	0	0	-664	-664
Effect of movement in exchange rates	19	-4	-703	-688
Closing balance	7.267	8.509	22.357	38.133
Amortization and impairment losses				
Opening balance	0	5.379	18.577	23.956
Amortization charge for the year*	0	1.174	1.372	2.546
Disposals	0	0	-587	-587
Effect of movement in exchange rates	0	-76	-589	-665
Closing balance	0	6.477	18.773	25.250
Net book value at March 31, 2017	7.267	2.032	3.584	12.883

*The amortization charge for the year is included in Selling and Distribution expenses for an amount of EUR 1.147 thousand. The remaining amortization charge is included in General and Administrative expenses.

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 (2016/2017: 2,0%) for the LES division and between 1,0% and 2,0% (2016/2017: 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% % (2016/2017: 16,5%) for the LES division and 12,1% % (2016/2017: 12,6 %) 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 % at a market interest rate of 8,4% (2016/2017: 7,2 %) for the LES division and with a debt leveraging of 10 % at a market interest rate of 2,6% (2016/2017: 2,3 %) for the FA division.

No impairment loss was recognized in 2017/2018 and 2016/2017 financial years.

32 Tangible fixed assets

March 31, 2018	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	1.279	76.470	4.408	53.886	136.043
Purchases	1.691	56	8	5.364	7.119
Acquired in business combinations	0	0	0	1.715	1.715
Transfer of completed assets under construction	-2.231	809	0	1.422	0
Disposals**	-21	0	0	-3.296	-3.317
Effect of movements in exchange rates	-2	-296	-9	-260	-567
Closing balance	716	77.039	4.407	58.831	140.993
Depreciation					
Opening balance	0	10.010	963	34.050	45.023
Depreciation charge for the year*	0	2.095	49	6.410	8.554
Acquired in business combinations	0	0	0	1.280	1.280
Disposals**	0	0	0	-2.893	-2.893
Effect of movements in exchange rates	0	-134	0	-210	-344
Closing balance	0	11.971	1.012	38.637	51.620
Net book value at March 31, 2018	716	65.068	3.395	20.194	89.373

March 31, 2017	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	2.764	75.789	6.175	49.876	134.604
Purchases	2.414	106	505	7.786	10.811
Transfer of completed assets under construction	-3.887	1.691	0	753	-1.443
Disposals**	-6	-33	-587	-5.201	-5.827
Effect of movements in exchange rates	-15	-1.083	-33	-971	-2.102
Closing balance	1.279	76.470	4.408	53.886	136.043
Depreciation					
Opening balance	0	8.412	2.780	32.626	43.818
Depreciation charge for the year*	0	2.077	203	5.707	7.987
(Reversal) impairment losses	0	0	-1.420	1.420	0
Disposals**	0	-1	-580	-5.013	-5.594
Effect of movements in exchange rates	0	-478	-20	-690	-1.188
Closing balance	0	10.010	963	34.050	45.023
Net book value at March 31, 2017	1.279	66.460	3.445	19.836	91.020

* The depreciation charge for the year is included in Selling and Distribution expenses for an amount of EUR 4.602 thousand. The remaining depreciation charge is included in General and Administrative expenses.

**The book loss of the year is included in Selling and Distribution expenses.

33 Participating interests in group companies

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Mitsubishi Electric Turkey Elektrik Ürünleri A.Ş.	25.660	28.978
Mitsubishi Electric (Russia) LLC	12.950	10.976
	38.610	39.954

Participating interests in group companies represent a 70,0% share in the share capital of Mitsubishi Electric Turkey (Istanbul/Turkey) (March 31, 2018: EUR 25.660 thousand, March 31, 2017: EUR 28.978 thousand), acquired in March 2013 and a 70,0% share in the share capital of Mitsubishi Electric Russia (Moscow/Russian Federation) (March 31, 2018: EUR 12.950 thousand, March 31, 2017: EUR 10.976 thousand), acquired in September 2014.

34 Other participating interests

Company name	Acquisition date	% share	March 31, 2018 EUR '000	March 31, 2017 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%	1.174	1.170
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
			7.586	7.582

*Trading as Adroit Technologies.

35 Inventories

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Aircon & Refrigerating Systems	280.622	277.732
Automotive Equipment	105.196	111.714
Industrial Products	46.210	36.726
Industrial Automation Systems	35.298	35.093
Home Appliances & Digital Media	18.758	19.035
Semiconductors	16.599	16.605
Industrial Sewing Machines	1.869	2.250
Power Systems	1.712	1.031
Electronic Systems	734	673
Public Use System	457	648
Building Systems	390	644
	507.845	502.151

Inventories are stated net of a provision for obsolete stock of EUR 21.958 thousand (March 31, 2017: EUR 22.902 thousand). Provisions have been made for all segments. The expense in this respect amounted to EUR 4.164 thousand (March 31, 2017: EUR 5.086 thousand) and is included in Cost of Sales.

36 Trade and other receivables

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Trade receivables 3rd parties	496.766	478.212
Trade receivables affiliated companies	28.838	27.707
Trade receivables	525.604	505.919
Prepaid expenses	16.803	12.385
Other current assets	19.458	22.649
	561.865	540.953

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

As at March 31, 2018, trade receivables and other receivables at carrying value of EUR 15.827 thousand (March 31, 2017: EUR 17.181 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, 2016	20.520	2.827	23.347
Charge for the year*	463	1.265	1.728
Utilised	-7.227	0	-7.227
Unused amounts reversed	-547	0	-547
Translation adjustment	-1	-119	-120
At March 31, 2017	13.208	3.973	17.181

	Individually impaired EUR '000	Collectively impaired EUR '000	Total EUR '000
At April 1, 2017	13.208	3.973	17.181
Charge for the year*	914	1.849	2.763
Utilised	-2.250	0	-2.250
Unused amounts reversed	-2.888	0	-2.888
Aquired in a business combination	1.049	11	1.060
Translation adjustment	-25	-14	-39
At March 31, 2018	10.008	5.819	15.827

*The charge of the year is included in Selling and Distribution expenses.

As at March 31, 2018 and 2017, the aging analysis of trade receivables is as follows:

	Neither past due nor impaired	Past due but not impaired					Total
		< 30 days	30-60 days	60-90 days	90-120 days	>120 days	
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
March 31, 2018	458.419	47.509	12.596	5.564	1.516	0	67.185
March 31, 2017	454.846	20.539	14.027	11.148	2.687	2.672	51.073

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

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 306,2 million contains an amount of EUR 103,9 million relating to short-term deposits to Mitsubishi Electric Finance Europe PLC (March 31, 2017: EUR 212,4 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, 2018 EUR'000
On issue at April 1, 2017 – fully paid	83.981
Issued for cash	0
On issue at March 31, 2018 – 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, 2018, the issued share capital included 83.981 issued and fully paid ordinary shares (March 31, 2017: 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.

Foreign currency translation reserve

The translation reserve (March 31, 2018: EUR -24.207 thousand, March 31, 2017: -15.575 thousand) comprises all foreign exchange differences arising from the translation of the financial statements of the branches and representation offices from their functional currency into the presentation currency (EUR).

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

Proposed appropriation

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2017/2018 profit after tax: an amount of EUR 37.069 thousand to be added to the retained earnings and the remaining amount of EUR 16.002 thousand to be paid out as dividend. The result after tax for 2017/2018 is included under unappropriated result in equity.

The Company can only make payments to the shareholder and other parties entitled to the distributable profit insofar as (1) the Company can continue to pay its outstanding debts after the distribution (the so-called distribution test), and (2) the shareholder's equity exceeds the legal reserves and statutory reserves under the articles of association to be maintained (the so-called balance sheet test). If not, management of the Company shall not approve the distribution. Tests carried out by management revealed no indications that the proposed distribution of dividend will not be possible.

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, 2018 EUR '000	March 31, 2017 EUR '000
Non-current loans and borrowings:		
German Branch - building loan	40.000	40.000
	40.000	40.000
Current loans and borrowings:		
Irish Branch	11.200	10.600
Dutch Branch	7.600	7.700
UK Branch	525	58
	19.325	18.358

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

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
UK Branch - current account	8.950	10.464
French Branch - current account	2.355	1.725
	11.305	12.189

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

40 Other provisions

	Warranties	Waste electrical and electronic equipment	Restruc-turing	Other	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
At April 1, 2017	13.232	2.258	1.934	9.138	26.562
Additions during the year	8.717	660	1.301	1.542	12.220
Utilised	-3.476	-152	-930	-5.110	-9.668
Released	-3.850	-1.899	-714	-920	-7.383
Business Combinations	1.313	0	0	202	1.515
F/X rate adjustment	-97	0	-15	-72	-184
March 31, 2018	15.839	867	1.576	4.780	23.062
Current part	10.594	641	1.576	3.957	16.768
Non current part	5.245	226	0	823	6.294
March 31, 2018	15.839	867	1.576	4.780	23.062

The movements of provisions are included in Selling and Distribution expenses.

41 Financial liabilities

The table below summarizes the maturity profile of the Company's financial liabilities at March 31, 2018 based on contractual undiscounted payments.

March 31, 2018	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
Non-current loans and borrowings from affiliates	0	0	0	40.000	0	40.000
Current loans and borrowings from third parties	11.305	0	0	0	0	11.305
Current loans and borrowings from affiliates	18.800	525	0	0	0	19.325
Trade and other payables 3rd parties	14.486	37.367	2.083	0	0	53.936
Trade and other payables affiliates	155.588	492.672	263.678	0	0	911.938
Other creditors	8.554	53.738	19.214	104	0	81.610
	208.733	584.302	284.975	40.104	0	1.118.114

The equivalent disclosure for the prior year is as follows:

March 31, 2017	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
Non-current loans and borrowings from affiliates	0	0	0	40.000	0	40.000
Current loans and borrowings from third parties	12.189	0	0	0	0	12.189
Current loans and borrowings from affiliates	0	7.758	10.600	0	0	18.358
Trade and other payables 3rd parties	16.304	34.081	2.148	0	0	52.533
Trade and other payables affiliates	7.109	789.601	160.079	0	0	956.789
Other creditors	12.060	55.360	13.750	0	0	81.107
	47.662	886.800	186.514	40.000	0	1.160.976

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.

42 Commitments and contingencies

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, 2018 and 2017:

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Within one year	13.810	12.805
After one year but less than five years	21.988	21.865
More than five years	751	3.267
	36.549	37.937

There were no other outstanding commitments as of March 31, 2018 and 2017.

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 2017/2018

	Air Conditioners and Refrigerating Systems	Automotive Equipment	Factory Automation	Home Appliances and Digital Media	Semi-conductors	Others	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Sales to affiliated customers	374	45	1.154	4	0	82.116	83.693
Sales to third parties	1.190.977	1.098.135	298.313	58.638	125.475	66.201	2.837.739
	1.191.351	1.098.180	299.467	58.642	125.475	148.317	2.921.432

Business divisions 2016/2017

	Air Conditioners and Refrigerating Systems	Automotive Equipment	Factory Automation	Home Appliances and Digital Media	Semi-conductors	Others	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Sales to affiliated customers	855	179	1.328	324	0	78.277	80.963
Sales to third parties	1.061.005	1.187.481	275.643	68.020	118.399	61.311	2.771.859
	1.061.860	1.187.660	276.971	68.344	118.399	139.588	2.852.822

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, 2018 EUR '000	March 31, 2017 EUR '000	March 31, 2018 EUR '000	March 31, 2017 EUR '000	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Sales to affiliated customers	361	810	83.332	80.153	83.693	80.963
Sales to third parties	2.640.983	2.594.240	196.756	177.619	2.837.739	2.771.859
Total revenue	2.641.344	2.595.050	280.088	257.772	2.921.432	2.852.822

Sales to third parties within Europe as of March 31, 2018 include sales in the Netherlands in the amount of EUR 62.501 thousand (as of March 31, 2017: EUR 58.212 thousand).

44 Selling and distribution expenses

Included in the amount of EUR 242.836 thousand (2016/2017: EUR 268.545 thousand) selling and distribution expenses are depreciation and amortization of EUR 5.750 thousand (2016/2017: EUR 6.611 thousand), selling expenses of EUR 90.284 thousand (2016/2017: EUR 86.092 thousand), advertising expenses of EUR 33.032 thousand (2016/2017: EUR 29.232 thousand) and personnel expenses consisting of:

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Wages and salaries	90.651	116.368
Social security costs	14.990	18.772
Pension costs of defined benefit and defined contribution plans	5.022	5.894
	110.663	141.034

45 General and administrative expenses

Included in the amount of EUR 211.682 thousand (2016/2017: EUR 159.312 thousand) general and administrative expenses are depreciation and amortization of EUR 4.938 thousand (2016/2017: EUR 3.922 thousand), and personnel expenses consisting of:

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Wages and salaries	87.961	49.872
Social security costs	14.545	8.045
Pension costs of defined benefit and defined contribution plans	4.873	2.526
	107.379	60.443

46 Other operating income

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Marketing and advertising activities (agreements with MELCO Japan and other affiliated companies)	28.232	26.064
	28.232	26.064

47 Net finance result

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Interest receivable and similar income	550	597
Interest payable and similar charges	-950	-1.019
Distributions from participating interests not valued at net equity value	1.578	1.538
	1.178	1.116

Interest receivable and similar income mostly consists of interest income on short term deposits. Interest payable and similar charges primarily consist of interest costs on short term loans and overdrafts.

Distributions from participating interests not valued at net equity value refers to the dividends received from the following companies:

Company name	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Mitsubishi Electric Air Conditioning Systems Europe Ltd	920	880
Mitsubishi Electric Automotive Czech s.r.o.	402	387
Mitsubishi Electric R&D Centre Europe B.V.	116	151
Advanced Worx 112 (Proprietary) Limited	77	66
Mitsubishi Electric Automotive Europe B.V.	60	52
Ascenseurs Mitsubishi France	3	2
	1.578	1.538

48 Share of result of participating interests

Company name	% share of equity	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Mitsubishi Electric Turkey Elektrik Ürünleri A.Ş.	70,0%	3.448	1.222
Mitsubishi Electric Russia LLC	70,0%	3.449	3.306
Mitsubishi Electric Automation Projects GmbH	30,0%	4	9
		6.901	4.537

49 Income taxes

Deferred tax balances as at March 31, 2018 and 2017 relate to the following:

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Deferred tax assets		
Inventory valuation	2.725	2.357
Provisions and accruals	5.313	9.810
Provision for doubtful debts	1.588	1.675
Tax loss carry forward	3.228	3.014
Intangible assets	592	710
Leasing liability	0	58
Other items	415	516
	13.861	18.140

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Deferred tax liabilities		
Tax losses of foreign branches used in the past	3.656	3.911
Provisions and accruals	680	680
Inventory valuation	316	458
Property, plant and equipment and intangible assets	333	486
Other items	20	5
Deferred tax liabilities	5.005	5.540

The movements in deferred tax balances during the year have been recognized in profit or loss (deferred tax expense EUR 1.157 thousand) and in other comprehensive income (deferred tax expense EUR 2.950 thousand). Forex effect amounts to EUR 76 thousand (deferred forex expense). A deferred tax asset in the amount of EUR 439 thousand was acquired in course of a business combination.

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

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Unrecognized deferred tax assets	4.575	4.954

The unrecognized deferred tax assets for tax losses of EUR 4.575 thousand (as of March 31, 2017: EUR 4.954 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, 2018 EUR '000	March 31, 2017 EUR '000
Current:		
Domestic	346	1.545
Foreign	15.207	14.291
	15.553	15.836
Deferred:		
Domestic	-315	123
Foreign	1.472	-1.394
	1.157	-1.271
Income tax expense	16.710	14.565

Recognized in the income statement:

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Current tax expenses		
Current year	15.741	15.350
Adjustments previous years	-188	486
	15.553	15.836
Deferred tax (income)/expenses		
Origination and reversal of temporary differences	1.157	-1.271
Effect of tax losses recognized	0	0
	1.157	-1.271
Income tax expenses	16.710	14.565

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, 2018 and 2017 was as follows:

	March 31, 2018 %	March 31, 2017 %	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Domestic tax rate	25,00	25,00	15.720	11.485
Effect of tax rates in foreign jurisdictions	1,81	2,30	1.139	1.058
Adjustment in respect to current income tax of previous years	-0,30	1,06	-187	487
Recognition of previously unrecognized tax losses	-2,62	-1,24	-1.649	-570
Effect of non-deductible expenses	3,13	3,89	1.968	1.787
Others	-0,45	0,69	-281	318
Effective tax rate	26,57	31,70	16.710	14.565

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 2017/2018 and 2016/2017 financial years was as follows:

	Whole Company		Outside of Netherlands	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Average number of employees	2.341	2.181	2.296	2.141
Total number of employees	2.494	2.193	2.445	2.149

The breakdown by department was as follows:

	Whole Company		Outside of Netherlands	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Purchasing, sales and marketing departments	1.263	1.179	1.241	1.156
Administrative departments	1.230	1.014	1.204	993
Total	2.494	2.193	2.445	2.149

51 Related-party disclosures

Transactions with related parties

Transactions with related parties are assumed when a relationship exists between the Company and a natural person or entity that is affiliated with the Company. This includes, amongst others, the relationship between the Company and its subsidiaries, shareholder, directors and key management personnel. Transactions are transfers of resources, services or obligations, regardless whether anything has been charged.

Control of the Company

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

Related party transactions

During the financial year, the Company entered into transactions with related parties. Those transactions, along with related balances at March 31, 2018 and 2017 and for the years then ended, are presented in the following table:

	MELCO Japan		Other		Total	
	March 31, 2018 EUR'000	March 31, 2017 EUR'000	March 31, 2018 EUR'000	March 31, 2017 EUR'000	March 31, 2018 EUR'000	March 31, 2017 EUR'000
Sales of goods	81.647	78.829	2.046	2.134	83.693	80.963
Purchase of goods	1.551.301	1.605.870	730.643	692.254	2.281.944	2.298.124
Trade and other receivables	23.809	22.340	5.029	5.367	28.838	27.707
Trade and other payables	655.609	713.328	256.329	243.461	911.938	956.789
Other operating income (net) from Affiliated companies	19.502	17.246	-463	-1.174	19.040	16.072
Financial income (net)	0	0	1.245	1.233	1.244	1.233

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 also include accrued expenses amounting to EUR 16.366 thousand in the 2017/2018 business year (EUR 16.084 thousand with MELCO Japan and EUR 282 thousand with other affiliated companies).

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.

52 Remuneration of managing directors

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

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

	March 31, 2018 EUR '000	March 31, 2017 EUR '000
Short-term employee benefits	1.785	1.812
Post-employment benefits	160	186
Total	1.945	1.998

The emoluments, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the Company and its subsidiaries amounted to EUR 1.945 thousand (2016/2017: EUR 1.998 thousand) for managing directors and former managing directors.

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

Total remuneration is included in selling, general and administration expenses.

53 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:

2017/2018	KPMG Accountants N.V. EUR'000	Other KPMG network EUR'000	Total EUR'000
Statutory audit of annual accounts	117	668	785
Other assurance services	0	234	234
Tax advisory services	0	97	97
Total	117	999	1.116

2016/2017	KPMG Accountants N.V. EUR'000	Other KPMG network EUR'000	Total EUR'000
Statutory audit of annual accounts	117	729	846
Other assurance services	0	87	87
Tax advisory services	0	114	114
Total	117	930	1.047

53 Subsequent events

On 26 April, 2018, the Board of Directors agreed on 100% share purchase of MEHIT Italy Sales s.r.l., previously held by Mitsubishi Electric Hydronics & IT Cooling Systems S.p.A. The company specializes in air conditioning solutions, it will be integrated into MEU structure through cross border merger during business year 2018/2019.

There have been no events after reporting date which have a significant impact on or should be disclosed in the 2017/2018 financial statements. Regular tax audits are ongoing. However, management is not aware of significant matters from these audits at the moment.

Amsterdam, September 28, 2018

Board of Managing Directors

Y. Saito
M. Horibe
M. Konishi
H. Puetz
E. Pellerin
A. Wagner
H. Kondo

Other Information

Provisions in the articles of association governing the appropriation of profit

Under article 33 of the Company's articles of association, the profit is at the disposal of the General Meeting of Shareholders which can allocate said profit either wholly or partly to the formation of -or addition to - one or more general or special reserve funds.

Branch offices

Mitsubishi Electric Europe B.V. has the following branch offices and representation offices:

- Automotive Equipment Business Unit, Amsterdam/The Netherlands
- Dutch branch, Mijdrecht/The Netherlands
- Scandinavian branch, Sollentuna/Sweden
- UK branch, Hatfield/Great Britain
- Project engineering division, Croydon/Great Britain (including Cairo office)
- Corporate office, London/Great Britain
- European Purchase Center, London/Great Britain
- French branch, Nanterre/France
- Spanish branch, Madrid/Spain
- Italian branch, Milano/Italy
- Irish branch, Dublin/Republic of Ireland
- German branch, Ratingen/Germany
- Portuguese branch, Lisbon/Portugal
- Polish branch, Krakow/Poland
- Norwegian branch, Ytre Enebakk/Norway
- Representative office in Prague/Czech Republic
- Representative office in Bruges/Belgium
- Representative office in Dubai/UAE
- Representative office in Johannesburg/ Republic of South Africa
- Representative office in Nitra/ Slovakia
- Representative office in Budapest/ Hungary
- Representative office in Bucharest/ Romania

Independent auditor's report

The independent auditor's report is included on the next pages.

Independent auditor's report

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

Report on the accompanying financial statements

Our opinion

We have audited the financial statements for the year ended as at 31 March 2018 of Mitsubishi Electric Europe B.V., based in Amsterdam, the Netherlands. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

— the accompanying consolidated financial statements give a true and fair view of the financial position of Mitsubishi Electric Europe B.V. as at 31 March 2018 and of its result and its cash flows for the year ended on 31 March 2018 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;

— the accompanying company financial statements give a true and fair view of the financial position of Mitsubishi Electric Europe B.V. as at 31 March 2018 and of its result for the year ended on 31 March 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1 the consolidated statement of financial position as at 31 March 2018;

2 the following consolidated statements for the year ended on 31 March 2018: the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows; and

3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1 the company balance sheet as at 31 March 2018;

2 the company income statement for the year ended on 31 March 2018; and

3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Mitsubishi Electric Europe B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands.

Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

— managing directors' report;

— other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

Based on the following procedures performed, we conclude that the other information:

— is consistent with the financial statements and does not contain material misstatements;

— contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board of Managing Directors is responsible for the preparation of the other information, including the managing directors' report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the financial statements

Responsibilities of the Board of Managing Directors for the financial statements

The Board of Managing Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Managing Directors is responsible for such internal control as the Board of Managing Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Board of Managing Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Managing Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Managing Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Managing Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

— identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtaining an understanding of internal control relevant to the audit 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;

— evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managing Directors;

— concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;

— evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and

— evaluating whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amstelveen, 28 September 2018

KPMG Accountants N.V.

A.P.A. Greebe RA