

20237/20



# OS AA01

Statement of details of parent law and other information for an overseas company

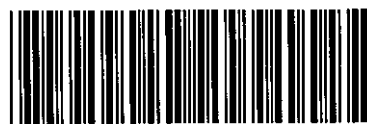


Companies House

✓ **What this form is for**  
You may use this form to accompany your accounts disclosed under parent law.

✗ **What this form is NOT for**  
You cannot use this form to accompany an alteration of manner of accounting with accounting requirements.

TUESDAY



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A04

12/01/2021

#22

COMPANIES HOUSE

## Part 1 Corporate company name

Corporate name of overseas company ①

MITSUBISHI ELECTRIC EUROPE B.V.

UK establishment number

B R 0 0 3 3 9 1

→ **Filling in this form**

Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by \*

① This is the name of the company in its home state.

## Part 2 Statement of details of parent law and other information for an overseas company

### A1 Legislation

Please give the legislation under which the accounts have been prepared and audited.

Legislation ②

THE NETHERLANDS

② This means the relevant rules or legislation which regulates the preparation of accounts.

### A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box.

**No. Go to Section A3.**

**Yes. Please enter the name of the organisation or other body which issued those principles below, and then go to Section A3.**

③ Please insert the name of the appropriate accounting organisation or body.

Name of organisation or body ③

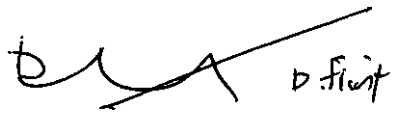
IFRS BOARD (DUTCH STANDARDS)

# OS AA01

## Statement of details of parent law and other information for an overseas company

<b>A3 Audited accounts</b>	
Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. <input type="checkbox"/> No. Go to <b>Part 3 'Signature'</b> . <input checked="" type="checkbox"/> Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to <b>Part 3 'Signature'</b> .
Name of organisation or body <sup>1</sup>	IFRS BOARD (DUTCH STANDARDS)

<sup>1</sup> Please insert the name of the appropriate accounting organisation or body.

<b>Part 3 Signature</b>	
I am signing this form on behalf of the overseas company.	
Signature	Signature X  X
This form may be signed by: <del>Director, Secretary,</del> Permanent representative.	

# OS AA01

Statement of details of parent law and other information for an overseas company



## Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	MINAY MAHIDHARIA
Company name	mitsubishi electric europe b.v.
Address	TRAVELLERS LANE
Post town	HATFIELD
County/Region	HERTS
Postcode	A L 1 0 8 X B
Country	
DX	
Telephone	



## Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- The company name and, if appropriate, the registered number, match the information held on the public Register.
- You have completed all sections of the form, if appropriate.
- You have signed the form.



## Important information

Please note that all this information will appear on the public record.



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Fourth floor, Edinburgh Quay 2,  
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.  
DX ED235 Edinburgh 1

### Northern Ireland:

The Registrar of Companies, Companies House,  
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Belfast, Northern Ireland, BT2 8BG.  
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## Further information

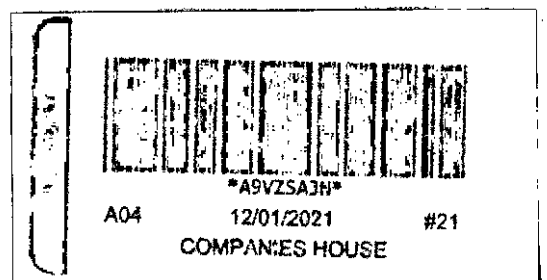
For further information, please see the guidance notes on the website at [www.gov.uk/companieshouse](http://www.gov.uk/companieshouse) or email [enquiries@companieshouse.gov.uk](mailto:enquiries@companieshouse.gov.uk)

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**ANNUAL REPORT**

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

**Year ended March 31, 2020**



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## **Board of 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, 2020. The independent auditor's report is included in 'Other Information'.

### **General information**

Mitsubishi Electric Europe B.V., Amsterdam, 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.

We refer to page 103 for the complete list with the Company's branches and representation offices.

### **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.

## **Financial information**

### ***Activities and results***

In the business year ended March 31, 2020, the revenues amounted to EUR 3.595,8 million (previous business year: EUR 3.413,1 million). Higher net sales (EUR 182,7 million / 5,4 %) were achieved mainly in the area Air Conditioners and Refrigerating Systems 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 150,7 million compared with the previous business year to EUR 2.971,7 million, representing 82,6 % of net sales (previous business year: 82,7%).

Operating expenses, i.e. the total of selling, general and administrative expenses, other operating income and other operating expenses, increased compared to the previous year in line with the increased business volume, totaling at EUR 538,7 million (15,0%) (previous business year: EUR 514,8 million (15,1%)).

Net finance expense amounted to EUR 1,8 million (previous business year: net finance expense of EUR 1,7 million).

Taking into account the aforementioned factors, a profit before tax of EUR 83,7 million was achieved in 2019/2020 (previous business year: EUR 75,6 million).

The profit after tax amounted to EUR 59,6 million (previous business year: EUR 52,8 million).

Covid-19 did not have a significant impact on the financial results for the year ended March 31, 2020.

### ***Statement of financial position***

Total assets amounted to EUR 1.803,6 million as at March 31, 2020, being EUR 7,3 million higher compared to March 31, 2019 (EUR 1.796,3 million). The increase is mainly attributable to the first time adoption of IFRS 16 partly compensated by a decrease in inventories as well as cash and cash equivalents, resulting in particular from the decrease in trade payables.

Total equity increased by EUR 34,1 million compared to the previous business year to EUR 343,8 million, which includes the profit for the period of EUR 59,5 million, dividend payments of EUR 15,2 million, other comprehensive expenses of EUR 8,5 million and a reduction in retained earnings resulting from the acquisition of Topclima s.l. (Barcelona, Spain), Sater

Mantenimiento s.l. (Madrid, Spain) and Somora Asesores s.l. (Barcelona, Spain) (hereafter: MEHITS entities) from Mitsubishi Electric Hydronics & IT Cooling S.p.A. (hereafter: MEHITS) of EUR 1,7 million. The acquisition of the MEHITS entities concerns a business combination under common control (For details refer to note 5 of the accompanying consolidated financial statements). In total, the full equity ratio (total equity divided by total equity and liabilities) was 19,1 % (previous year: 17,2 %).

Loans and borrowings from third parties (current and non-current) amounted to EUR 61,3 million as at March 31, 2020, being EUR 55,6 million higher compared to March 31, 2019 (EUR 5,7 million). The increase primarily relates to the transition to IFRS 16, which resulted in the recognition of additional lease liabilities.

### **Cash flow**

The business year ended March 31, 2020, showed a positive net cash flow from operating activities of EUR 33,0 million. Net negative cash flow from investing activities was EUR 10,3 million and the net negative cash flow from financing activities was EUR 26,7 million. The effect of movement in exchange rates amounted to EUR 0,8 million increase. Consequently, the end of financial year cash and cash equivalents balance amounted to EUR 85,0 million, a decrease by EUR 3,2 million year on year.

The positive net cash flow from operating activities (EUR 33,0 million) has been EUR 43,0 million lower compared to previous financial year's level. This decrease results from the increase of the net working capital, in particular the decrease in trade payables overcompensating the decrease in inventories and trade receivables. Net negative cash flow from investing activities (EUR 10,3 million) was EUR million 21,9 lower than last year as the main activities with regard to the acquisition / integration of MEHITS entities had been executed in prior years (For details refer to note 5 of the accompanying consolidated financial statements).

Net negative cash flow from financing activities this year was EUR 26,7 million, compared to net negative cash from financing activities of EUR 117,7 million last year. The change mainly reflects the change in cash-pool balances and short-term deposits. 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, 2020 compared to the financial year ended March 31, 2019.

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 340,2 million as of March 31, 2020, compared to EUR 369,7 million last year. The liquidity position balance of EUR 340,2 million contains an amount of EUR 99,4 million relating to short-term deposits to Mitsubishi Electric Finance Europe PLC (March 31, 2019: EUR 130,3 million) and a receivable from cash-pooling in the amount of EUR 155,8 million (March 31, 2019: EUR 151,1 million). Despite Covid-19 MEU still expects to be profitable in the foreseeable future. Additional temporary liquidity needs are covered by existing credit lines with MELCO Group's finance company Mitsubishi Electric Finance Europe PLC. In June 2020 the Group updated its existing credit lines with Mitsubishi Electric Finance Europe PLC. The maximum available credit facility under the updated arrangement amounts to EUR 350,0 million. The Group has no need for external financing.

#### **Personnel related information**

The average number of personnel employed during the year was 3.088 FTE (2018/2019: 2.874). At year end 3.154 FTE were employed (March 31, 2019: 2.967). In the purchasing, sales and marketing department 1.607 FTE and in the administrative department 1.547 FTE were employed. We refer to note 26 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 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](http://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.

Regarding the environment, MELCO Group has formulated an environmental plan with specific targets, and has continued to make efforts to improve MELCO's environmental

management vision on a global scale. Through MELCO Group's environmental plan the MELCO Group aims to contribute to achieving several sustainable development goals established by the United Nations that are deeply related to the environment, including affordable and clean energy and climate action. Major initiatives of the environmental plan include realizing a low-carbon society, creating a recycling-based society and creating a society in tune with nature.

The MELCO Group has placed contributing to preservation of the environment as an important issue for management, and its "Environmental Sustainability Vision 2050" stipulates that the MELCO Group will commit itself to taking the initiative to solve environmental problems.

It is MELCO Group's, as well as our, aim in this environmental declaration to resolve issues related to air, land and water. We hope that all employees in the Group and those we work with outside of it will passionately take action and work towards creating a sustainable future.

#### **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, in order to monitor and manage the Group's risk appetite, which is low.

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 within the above described risk profile. However, we believe that by being active in a number of segments, each with its own market dynamics, we obtain a certain degree of 'counter cyclicity' between the activities and hence a somewhat more stable result development.

### ***Operational risks***

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

### ***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.

### **Outlook**

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. Covid-19 significantly impacts the global economy and markets. At this time, the impact of Covid-19 on our business has been

limited as we have currently not witnessed significant changes in operations and demand, whereas supply chains and distribution channels are intact and our liquidity remains healthy. However, going forward Covid-19 may negatively impact our business and at this stage determining the precise impact is challenging. In this respect, we developed and implemented contingency plans and are closely and continuously evaluating the developments. We will take all necessary actions to keep our operations running and protect our employees, suppliers, customers and all other stakeholders. Based on our current knowledge and available information, we do not expect Covid-19 to have an impact on our ability to continue as a going concern in the future.

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 2020/2021. Due to Covid-19 the positive result is expected to be on a lower level compared with 2019/2020. As in prior years, the positive result will be mainly driven by the operating profit of the group.

Other than the challenging business environment at the moment, 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 April 1, 2020 MEU executed a 100% share purchase of the company AQS Produkter AB, Västra Frölunda, Sweden, ("AQS") from an external party for the purpose of further strengthening the commercial air conditioning business of MEU in Sweden and other regions in Europe. AQS was acquired for an amount of EUR 4,9 million. AQS is a distributor of commercial air conditioning equipment in Sweden. It will be integrated into MEU structure by merger during business year 2021/2022.

The former office building of the German branch classified as asset held for sale was sold in June 2020 for an amount of EUR 4,3 million.

On June 15, 2020 MEU updated its existing credit line facility with Mitsubishi Electric Finance Europe PLC., the in-house bank supported by MELCO. The maximum available credit facility under the updated arrangement amounts to EUR 350,0 million.

There have been no other events after reporting date which have a significant impact on, or should be disclosed in, the accompanying 2019/2020 financial statements.

Amsterdam, June 30, 2020

**Board of Managing Directors**

T. Ishikawa  
M. Konishi  
A. Wagner  
E. Pellerin  
H. Puetz  
S. Kurita  
T. Kifuku

**Consolidated statement of financial position as at March 31, 2020  
(before profit appropriation)**

<b>Assets</b>		March 31, 2020 EUR'000	March 31, 2019 EUR'000
	Notes	<u>                    </u>	<u>                    </u>
<b>Non-current assets</b>			
Property, plant and equipment	7		
Land and buildings		64.176	66.000
Plant and equipment		21.338	22.093
Assets under construction		<u>826</u>	<u>937</u>
Total property, plant and equipment		86.340	89.030
Intangible assets and goodwill	8	21.275	23.003
Right-of-use assets	18	50.745	-
Investments in associates and other investments	9	9.950	9.730
Deferred tax assets	25	18.416	18.406
Pension asset	14	<u>3.271</u>	<u>1.548</u>
Total non-current assets		189.997	141.717
<b>Current assets</b>			
Inventories	10	654.557	667.100
Trade and other receivables*	11	871.663	896.959
Cash and cash equivalents*	12	85.037	88.190
Assets held for sale	29	<u>2.368</u>	<u>2.368</u>
Total current assets		<u>1.613.625</u>	<u>1.654.617</u>
<b>Total assets</b>		<u>1.803.622</u>	<u>1.796.334</u>

\* The comparative information is restated, we refer to note 2 of the consolidated financial statements. The notes on pages 16 to 78 are an integral part of these consolidated financial statements.

<b>Equity and liabilities</b>		March 31,2020 EUR'000	March 31,2019 EUR'000
	Notes		
<b>Equity</b>			
Share capital	13	83.982	83.982
Share premium	13	50.359	50.359
Foreign currency translation reserve	13	(38.357)	(31.017)
Retained earnings		176.141	140.063
Unappropriated result		<u>58.239</u>	<u>50.736</u>
Total equity attributable to owners of the Company			
		330.364	294.123
Non-controlling interest	13	<u>13.385</u>	<u>15.562</u>
Total equity		343.749	309.685
<b>Non-current liabilities</b>			
Pension liabilities	14	6.427	8.133
Provisions	16	7.206	8.072
Non-current loans and borrowings from third parties	15	38.977	0
Non-current loans and borrowings from affiliates	15	33.898	3.003
Other non-current liabilities		238	139
Deferred tax liabilities	25	<u>5.704</u>	<u>8.595</u>
Total non-current liabilities		92.450	27.942
<b>Current liabilities</b>			
Current loans and borrowings from third parties	15	22.287	5.686
Current loans and borrowings from affiliates	15	31.901	73.438
Trade and other payables to affiliates	6	998.038	1.086.577
Trade payables to third parties	6	56.196	50.974
Other current liabilities	6	209.924	196.947
Income tax payable	25	24.557	28.099
Provisions	16	<u>24.520</u>	<u>16.986</u>
Total current liabilities		<u>1.367.423</u>	<u>1.458.707</u>
<b>Total equity and liabilities</b>		<u>1.803.622</u>	<u>1.796.334</u>

The notes on pages 16 to 78 are an integral part of these consolidated financial statements.

## Consolidated statement of profit or loss for the year ended March 31, 2020

		2019/2020 EUR'000	2018/2019 EUR'000
	Notes		
Revenue	19	3.595.826	3.413.076
Cost of sales		<u>(2.971.723)</u>	<u>(2.821.030)</u>
<b>Gross profit</b>		624.103	592.046
Other income	21	37.570	28.432
Selling, general and administrative expenses	20	(564.489)	(534.876)
Other expenses	22	<u>(11.747)</u>	<u>(8.316)</u>
		(538.666)	(514.760)
<b>Operating profit</b>		85.437	77.286
Finance income	23	977	840
Finance costs	23	(3.289)	(3.429)
Other net finance income	23	554	920
<b>Net finance income (cost)</b>		<u>(1.758)</u>	<u>(1.669)</u>
Share of result of associates	24	<u>20</u>	<u>8</u>
<b>Profit (loss) before income tax</b>		83.699	75.625
Income tax expenses	25	<u>(24.148)</u>	<u>(22.823)</u>
<b>Profit (loss) for the year</b>		<u>59.551</u>	<u>52.802</u>
<b>Attributable to:</b>			
Equity holders of the parent		58.239	50.736
Non-controlling interests		<u>1.312</u>	<u>2.066</u>
		<u>59.551</u>	<u>52.802</u>

The notes on pages 16 to 78 are an integral part of these consolidated financial statements.

**Consolidated statement of other comprehensive income for the year ended March 31, 2020**

		2019/2020 EUR'000	2018/2019 EUR'000
	Notes		
<b>Profit (loss) for the year</b>		59.551	52.802
<b>Other comprehensive income</b>			
<b>Items that will never be reclassified to profit or loss</b>			
Net actuarial losses IAS 19	14	2.431	(541)
Deferred tax effect on IAS 19	25	(608)	188
		<u>1.823</u>	<u>(353)</u>
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified to profit or loss</b>			
Foreign currency translation differences foreign operations		<u>(10.353)</u>	<u>(10.602)</u>
		(10.353)	(10.602)
<b>Other comprehensive income, net of tax</b>		<u>(8.530)</u>	<u>(10.955)</u>
<b>Total comprehensive income</b>		<u>51.021</u>	<u>41.847</u>
<b>Attributable to:</b>			
Owners of the Company		52.722	42.831
Non-controlling interests		<u>(1.701)</u>	<u>(984)</u>
		<u>51.021</u>	<u>41.847</u>

The notes on pages 16 to 78 are an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity for the year ended March 31, 2020

In thousand of EUR	Share capital	Share premium	Foreign currency translation reserve	Retained Earnings	Unappropriated results	Total	Non-controlling interest	Total equity
<b>Balance at March 31, 2018</b>	<b>83.981</b>	<b>48.224</b>	<b>(23.465)</b>	<b>126.100</b>	<b>53.071</b>	<b>287.911</b>	<b>16.546</b>	<b>304.457</b>
Appropriation of prior year result	-	-	-	53.071	(53.071)	-	-	-
<b>Profit for the period</b>	-	-	-	-	50.736	50.736	2.066	52.802
<b>Other comprehensive income</b>								
Foreign currency translation differences foreign operations	-	-	(7.552)	-	-	(7.552)	(3.050)	(10.602)
Net actuarial losses IAS 19 (revised 2011)	-	-	-	(541)	-	(541)	-	(541)
Deferred taxes on IAS 19 (revised 2011)	-	-	-	188	-	188	-	188
<b>Total other comprehensive income</b>	-	-	(7.552)	(353)	-	(7.905)	(3.050)	(10.955)
<b>Total comprehensive income for the year</b>	-	-	(7.552)	(353)	50.736	42.831	(984)	41.847
Acquisitions/business combinations, recognized in retained earnings	-	-	-	(21.994)	-	(21.994)	-	(21.994)
<b>Transactions with owners of the Company, recognized directly in equity</b>								
Contribution in kind	1	2.135	-	-	-	2.136	-	2.136
<b>Dividends paid</b>	-	-	-	(16.761)	-	(16.761)	-	(16.761)
<b>Balance at March 31, 2019</b>	<b>83.982</b>	<b>50.359</b>	<b>(31.017)</b>	<b>140.063</b>	<b>50.736</b>	<b>294.123</b>	<b>15.562</b>	<b>309.685</b>
Appropriation of prior year result	-	-	-	50.736	(50.736)	-	-	-
<b>Profit for the period</b>	-	-	-	-	58.239	58.239	1.312	59.551
<b>Other comprehensive income</b>								
Foreign currency translation differences foreign operations	-	-	(7.340)	-	-	(7.340)	(3.013)	(10.353)
Net actuarial losses IAS 19 (revised 2011)	-	-	-	2.431	-	2.431	-	2.431
Deferred taxes on IAS 19 (revised 2011)	-	-	-	(608)	-	(608)	-	(608)
<b>Total other comprehensive income</b>	-	-	(7.340)	1.823	-	(5.517)	(3.013)	(8.530)
<b>Total comprehensive income for the year</b>	-	-	(7.340)	1.823	58.239	52.722	(1.701)	51.021
Acquisitions/business combinations, recognized in retained earnings	-	-	-	(1.725)	-	(1.725)	-	(1.725)
<b>Transactions with owners of the Company, recognized directly in equity</b>								
<b>Dividends paid</b>	-	-	-	(14.756)	-	(14.756)	(476)	(15.232)
<b>Balance at March 31, 2020</b>	<b>83.982</b>	<b>50.359</b>	<b>(38.357)</b>	<b>176.141</b>	<b>58.239</b>	<b>330.364</b>	<b>13.385</b>	<b>343.749</b>

The notes on pages 16 to 78 are an integral part of these consolidated financial statements.

## Consolidated statement of cash flows for the year ended March 31, 2020

		2019/2020 EUR'000	2018/2019 EUR'000
	Notes		
<b>Cash flows from operating activities</b>			
Profit (loss) before income tax		83.699	75.625
Adjustments for:			
• Loss/(gain) on disposal of non-current assets	7,8	2.142	297
• Depreciation, amortization and reversal (impairment) loss on non current assets	7,8	32.724	12.307
• Foreign exchange differences		(8.397)	(7.438)
• Share of profit of equity-accounted investees, net of tax	24	(20)	(8)
		<u>26.449</u>	<u>5.158</u>
Changes in:			
• Decrease/(increase) in trade and other receivables	11	13.773	(22.119)
• Decrease/(increase) in inventories	10	13.644	(129.779)
• Increase/(decrease) in trade and other liabilities	6	(75.469)	159.242
• Increase/(decrease) in provisions and employee benefits	14,16	5.670	(1.197)
		<u>(42.382)</u>	<u>6.147</u>
Cash generated from operating activities:			
• Interest received	23	977	840
• Interest paid	23	(4.599)	(3.429)
• Income taxes paid		(31.199)	(8.394)
		<u>(34.821)</u>	<u>(10.983)</u>
Net cash (used in)/ provided by operating activities		<u>32.945</u>	<u>75.947</u>
<b>Cash flows from investing activities</b>			
Dividends received	23	554	920
Acquisition of property, plant and equipment	7	(7.350)	(9.244)
Acquisition of intangible assets	8	(3.332)	(3.366)
Acquisition of/additions to subsidiaries, associates and other investments	5,9	(139)	(20.504)
Net cash (used in)/ provided by investing activities		<u>(10.267)</u>	<u>(32.194)</u>

**Cash flows from financing activities**

Change in cash-pooling / deposit balances with affiliated companies*	26.249	(108.940)
Proceeds from loans and borrowings	30.895	43.795
Repayment of loans and borrowings	(45.177)	(35.766)
Payment of lease liabilities	(23.402)	-
Dividends paid	(15.232)	(16.761)
Net cash (used in)/ provided by financing activities*	(26.667)	(117.672)
<b>Net (decrease)/ increase in cash and cash equivalents*</b>	<b>(3.989)</b>	<b>(73.919)</b>
Cash and cash equivalents at beginning of period*	88.190	151.025
Effect of movement in exchange rates	836	11.084
<b>Cash and cash equivalents at end of period*</b>	<b>85.037</b>	<b>88.190</b>

\* The comparative information is restated, we refer to note 2 of the consolidated financial statements. The notes on pages 16 to 78 are an integral part of these consolidated financial statements.

## Notes to the consolidated financial statements for the year ended March 31, 2020

### 1 General

#### a) Reporting entity

Mitsubishi Electric Europe B.V., Amsterdam, 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 office location of MEU is 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, 2020 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.

#### b) Financial reporting period

These financial statements cover the year 2019/2020, which ended at the balance sheet date of 31 March 2020.

c) Going concern

The financial statements of the Company have been prepared on the basis of the going concern assumption.

d) Application of Section 402, Book 2 of the Dutch Civil Code

The financial information of the Company is included in the consolidated financial statements. For this reason, in accordance with Section 402, Book 2 of the Dutch Civil Code, the separate statement of profit and loss of the Company exclusively states the share of the result of participating interests after tax and the other income and expenses after tax.

For an appropriate interpretation of these statutory financial statements, the consolidated financial statements of the Company should be read in conjunction with the company financial statements, as included under pages 79 to 102.

## **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.

This is the first set of the Group's annual financial statements in which IFRS 16 Leases has been applied.

The consolidated financial statements were authorized for issue by the Board of Managing Directors on June 30, 2020.

### **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

### Comparative figures

The accounting policies have been consistently applied to the years presented, except for the change in accounting policies described under the headings 'Restatement' and 'Changed accounting policies in the business year'.

### Restatement

During the financial year ended March 31, 2020, the Group discovered that its short maturity deposits with Mitsubishi Electric Finance Europe PLC as well as its Cash Management System position with Mitsubishi Electric Finance Europe PLC had been erroneously classified as cash and cash equivalents instead of trade and other receivables.

This has been corrected by restating each of the affected financial statement line items for prior periods. The following tables summarise the impacts on the Group's consolidated financial statements.

#### *Consolidated statement of financial position*

April 1, 2018 (EUR'000)	As previously reported	Adjustments	As restated
Trade and other receivables	593,363	172,538	765,901
Cash and cash equivalents	323,562	(172,538)	151,024

March 31, 2019 (EUR'000)	As previously reported	Adjustments	As restated
Trade and other receivables	615.482	281.477	896.959
Cash and cash equivalents	369.667	(281.477)	88.190

*Consolidated statement of cash flows*

March 31, 2019 (EUR'000)	As previously reported	Adjustments	As restated
Change in cash-pooling / deposit balances with affiliated companies	-	(108.940)	(108.940)
Net cash (used in) / provided by financing activities	(8.732)	(108.940)	(117.672)
Net (decrease)/ increase in cash and cash equivalents	35.021	(108.940)	(73.919)
Cash and cash equivalents at the beginning of the period	323.562	(172.537)	151.025
Cash and cash equivalents at the end of the	369.667	(281.477)	88.190

**Changed accounting policies in the business year**

The Group initially applied IFRS 16 Leases from 1 April 2019. The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2018/2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee, the Group leases many assets including property, company cars, IT equipment and office furniture and equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of company cars the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Previously, the Group classified asset leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 April 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognize right-of-use assets and liabilities for leases of low value assets ( $\leq$  EUR 5.000);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Besides some company car agreements as a sublease MEU B.V. does not provide any rights to use an underlying asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group recognized additional right-of-use assets and additional lease liabilities without any effect on retained earnings. The impact on transition is summarized below:

	EUR'000
Right-of-use assets - Property, plant and equipment	60.690
Receivable - Net investment sublease company cars	5.531
Lease liabilities	66.221

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using incremental borrowing rate at 1 April 2019 differentiated by country/functional currency and duration. The overall weighted-average rate applied is 1.9%.

	EUR'000
Operating lease commitments at 31 March 2019 as disclosed under IAS 17 in the Group's consolidated financial statements	57.629
Discounted using the incremental borrowing rate at 1 January 2019	-2.349
Short-term-leases/ Low-value assets	-2.305
Changes in assessments and estimates of contracts	13.368
Foreign currency exchange effect	-122
Lease liabilities recognised at 1 April 2019	66.221

### 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.

### **Discontinued operation**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

### **Financial instruments**

The Group applies IFRS 9 "Financial Instruments" starting from 1 April 2018 for the first time. As long as there are major differences to the former standard for financial instruments (IAS 39) effecting the Group basic accounting policies for financial instruments are separately described as applicable before or from 1 April 2018.

#### ***Recognition and initial measurement/ Derecognition***

Financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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.

#### Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

#### Subsequent measurement

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group elects to present subsequent changes in the investment's fair value in OCI.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The following table summarizes the different classes for financial assets and the realization of gains and losses:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

#### **Financial liabilities – Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

#### **Derecognition**

##### **Financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

## **Financial liabilities**

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

## **Derivative financial instruments and hedge accounting**

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. However, the Group does not hold derivative financial instruments for hedge accounting purposes. All derivative financial instruments are therefore classified as financial assets or financial liabilities at FVTPL.

## **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.

## ***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.

## **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.

Subsequent expenditure is capitalised only when it is probable that the future economic

benefits associated with the expenditure will flow to the Group.

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 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 from the date that they are available for use. Goodwill is not

amortized. 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.

#### **Leased assets - Policy applicable before April 1, 2019**

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.

#### **Leased assets - Policy applicable from April 1, 2019**

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed above.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 April 2019.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of company cars the Group has elected not to separate non-lease components and account for the lease and non-lease components

as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines incremental borrowing rate by obtaining interest rates from various external financing sources. The incremental borrowing rates are differentiated by the terms of the lease and countries/functional currencies of its branches and subsidiaries.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance

fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'right-of-use assets' and lease liabilities in 'loans and borrowings' in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor (for some company car agreements), it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values (if any) used in calculating the gross investment in the lease.

In case a company car head lease is subleased to an employee as part of his labor contract the Group recognizes such finance sublease as a receivable. The reduction of the receivable is recognized as an operating expense on a straight-line basis over the lease term as part of "other expenses".

## **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.

## **Assets held for sale**

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

## **Impairment**

### **Non-derivative financial assets**

The Group recognises loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortised cost; and
- debt investments measured at FVOCI and contract assets.

ECLs are a probability-weighted estimate and amount to the present value of cash shortfalls over the expected life of the financial instrument using the original effective interest rate.

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default

occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset such as - significant financial difficulty of the borrower, a breach of contract, overdue receivables, probability that the borrower will enter bankruptcy or other financial reorganization - have occurred.

Any changes in the amount of expected credit losses (or reversal) that is required to adjust the loss allowances at the reporting date to the amounts previously reported are recognized in profit or loss as an impairment gain or loss.

The Group has to consider consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of non-derivative financial assets to be presented in a separate line item in the statement of profit or loss.

Impairment losses on trade and other receivables and other non-derivative financial assets are presented under 'Selling, General and Administrative expenses', similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss due to materiality considerations.

#### ***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.

## **Warranties**

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

## **Restructuring**

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

## **Onerous contracts**

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

## **Revenue**

Revenue is measured based on the consideration specified in a contract with a customer net of returns, trade discounts and volume rebates. The Group recognises revenue when it transfers control over a good or service to a customer. Typically control is transferred 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. Invoices are issued according to contractual terms and are usually payable depending on the countries and business units within 30 to 90 days.

Products in the business units Air Conditioners and Refrigerating Systems, Factory Automation and Home Appliances and Digital Media are partly sold under warranty. Respective provisions are set up based on past experience of the level of repairs and returns.

Contract revenue and revenue for services is recognised over time based on surveys of work performed. The related costs are recognised in profit or loss when they are incurred. Advances received are included in contract liabilities. The contract assets are transferred to receivables when its rights become unconditional and an invoice is issued to the customer.

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.
- Impairment losses recognized on any receivables or contracts assets arising from contracts with customers are included in Selling, General and Administrative expenses.
- 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 2019, and have not been applied in preparing these consolidated financial statements. The Group does not plan to adopt these standards early.

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

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- IFRS 17 Insurance Contracts.

#### **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, 2020 the Company acquired from MELCO's subsidiary Mitsubishi Electric Hydronics & IT Cooling S.p.A. ('MEHITS') 100,0% shares of Topclima s.l. (Barcelona, Spain), Sater Mantenimiento s.l. (Madrid, Spain) and Somora Asesores s.l. (Barcelona, Spain), specializing in air conditioning solutions. Assets/liabilities acquired through the share deal were integrated into the MEU branch in Spain.

MEHITS entity		MEU branch	Method of integration	Acquisition date
Topclima s.l.	->	MEU Spain	Share Transfer & Merger	April 1, 2019
Sater Mantenimiento s.l.	->	MEU Spain	Share Transfer & Merger	April 1, 2019
Somora Asesores s.l.	->	MEU Spain	Share Transfer & Merger	April 1, 2019

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:

	EUR'000
Cash paid	(1.373)
Net assets at the book value at the date of the share/business transfer	(352)
Total effect on Retained Earnings	(1.725)

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

	EUR'000
Property, plant and equipment	604
Intangible Assets	15
Inventories	1.101
Trade and other receivables	4.211
Cash and cash equivalents	1.434
Other non-current assets	272
Non-current liabilities	(51)
Current loans and borrowings	(3.597)
Trade payables	(3.080)
Other current liabilities	(1.261)

In the business year ended March 31, 2019 the Company acquired from Mitsubishi Electric Hydronics & IT Cooling S.p.A. ('MEHITS') 100,0% shares of MEHITS Italy Sales S.r.l., specializing in air conditioning solutions. Assets/liabilities acquired through the share deal were integrated into the MEU branch in Italy.

MEHITS entity		MEU branch	Method of Integration	Acquisition date
MEHITS Italy Sales S.r.l.	->	MEU Italy	Share Transfer & Merger	July 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:

	EUR'000
Cash paid	(20.504)
Net assets at the book value at the date of the share/business transfer	(1.490)
Total effect on Retained Earnings	(21.994)

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

	EUR'000
Property, plant and equipment	153
Cash and cash equivalents	10
Provisions, trade and other payables	1.653

## **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).

2019/2020	Variance +10% in EUR'000 on PBT	Variance -10% in EUR'000 on PBT
Exchange rate		
EUR/USD	(520)	520
EUR/GBP	1.570	(1.570)
EUR/JPY	(284)	284
EUR/SKR	(49)	49
EUR/RUB	(74)	74
	<u>643</u>	<u>(643)</u>

2019/2020	Variance +1% in EUR'000 on PBT	Variance -1% in EUR'000 on PBT
Interest rate	<u>408</u>	<u>(408)</u>

2018/2019	Variance +10% in EUR'000 on PBT	Variance -10% in EUR'000 on PBT
Exchange rate		
EUR/USD	1.362	(1.362)
EUR/GBP	(656)	656
EUR/JPY	1.077	(1.077)
EUR/SKR	(38)	38
EUR/RUB	(56)	56
	<u>1.689</u>	<u>(1.689)</u>

2018/2019	Variance +1% in EUR'000 on PBT	Variance -1% in EUR'000 on PBT
Interest rate	<u>545</u>	<u>(545)</u>

## 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	Carrying amount	Fair Value	Carrying amount
	2020	2020	2019	2019
	in EUR'000	in EUR'000	in EUR'000	in EUR'000
Derivatives	522	522	61	61
Investments	9.950	9.950	9.730	9.730
Cash & cash equivalents	85.037	85.037	88.190	88.190
Trade receivables 3rd parties	539.488	539.488	537.196	537.196
Trade & other receivables affiliates	276.673	276.673	304.041	304.041
Other debtors	13.060	13.060	21.307	21.307
	<u>924.730</u>	<u>924.730</u>	<u>960.525</u>	<u>960.525</u>

Classes of Financial Liabilities	Fair Value	Carrying amount	Fair Value	Carrying amount
	2020	2020	2019	2019
	in EUR'000	in EUR'000	in EUR'000	in EUR'000
Non-current loans and borrowings from affiliates	33.898	33.898	3.003	3.003
Derivatives	97	97	356	356
Trade payables 3rd parties	56.196	56.196	50.974	50.974
Trade & other payables to affiliates	998.038	998.038	1.086.577	1.086.577
Current loans and borrowings from third parties	3.885	3.885	5.686	5.686
Current loans and borrowings from affiliates	31.901	31.901	73.438	73.438
Other creditors	158.451	158.451	104.196	104.196
	<u>1.282.466</u>	<u>1.282.466</u>	<u>1.324.230</u>	<u>1.324.230</u>

### Basis for determining fair values and fair value hierarchy levels

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### **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.

Trade and other receivables include short-term deposits to Mitsubishi Electric Finance Europe PLC for an amount of EUR 99.401 thousand at March 31, 2020 (March 31, 2019: EUR 130.338 thousand). The effective interest rates on these deposits range between 0,1% and 2,2% (March 31, 2019: 0,1% and 1,3%).

Loans and borrowings include short-term loans for an amount of EUR 31.901 thousand (March 31, 2019: EUR 73.438) and long-term loans for an amount of EUR 33.898 thousand (March 31, 2019: EUR 3.003) from Mitsubishi Electric Finance Europe PLC. The effective interest rates on these loans range between 0,3% and 1,1% (March 31, 2019: 0,3% and 22,7%).

### **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 manage 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, 2020 and March 31, 2019.

**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, 2020 based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1-5 years	>5 years	Total
<b>March 31, 2020</b>	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Non-current loans and borrowings from affiliates	-	-	-	33.898	-	33.898
Current loans and borrowings from third parties	-	3.885	-	-	-	3.885
Current loans and borrowings from affiliates	19.669	3.491	8.741	-	-	31.901
Trade and other payables 3rd parties	14.054	41.204	938	-	-	56.196
Trade and other payables affiliates	15.256	613.839	368.943	-	-	998.038
Other creditors	37.628	87.944	32.976	-	-	158.548
	<b>86.607</b>	<b>750.363</b>	<b>411.598</b>	<b>33.898</b>	<b>-</b>	<b>1.282.466</b>

The equivalent disclosure for the prior year is as follows:

	On demand	Less than 3 months	3 to 12 months	1-5 years	>5 years	Total
<b>March 31, 2019</b>	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Non-current loans and borrowings from affiliates	-	-	-	3.003	-	3.003
Current loans and borrowings from third parties	-	5.685	-	-	-	5.685
Current loans and borrowings from affiliates	21.629	30.115	21.694	-	-	73.438
Trade and other payables 3rd parties	15.137	33.276	2.561	-	-	50.974
Trade and other payables affiliates	132.790	610.982	342.805	-	-	1.086.577
Other creditors	13.766	71.843	18.623	320	-	104.552
	<b>183.322</b>	<b>751.902</b>	<b>385.683</b>	<b>3.323</b>	<b>-</b>	<b>1.324.230</b>

### **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 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

	Office buildings incl. land	Other buildings incl. land	Plant and equipment	Assets under construction	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
<b>March 31, 2020</b>					
<b>Cost</b>					
Opening balance	74.085	4.756	65.197	937	144.975
Purchases	-	-	6.274	1.076	7.350
Acquired in business combination	-	891	728	-	1.619
Transfer of completed assets under construction	179	10	758	(948)	-
Disposals**	-	(379)	(3.739)	(3)	(4.121)
Effect of movements in exchange rates	(429)	(25)	(1.002)	(236)	(1.692)
Closing balance	73.835	5.253	68.216	826	148.130
<b>Depreciation</b>					
Opening balance	11.756	1.085	43.104	-	55.945
Depreciation charge for the year*	1.777	110	7.120	-	9.007
Acquired in business combination	-	307	708	-	1.015
Disposals**	-	(185)	(3.451)	-	(3.636)
Effect of movements in exchange rates	(225)	287	(603)	-	(541)
Closing balance	13.308	1.604	46.878	-	61.790
Net book value at March 31, 2020	60.527	3.649	21.338	826	86.340
	Office buildings incl. land	Other buildings incl. land	Plant and equipment	Assets under construction	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
<b>March 31, 2019</b>					
<b>Cost</b>					
Opening balance	77.039	4.407	60.834	719	142.999
Purchases	78	342	7.093	1.731	9.244
Transfer of completed assets under construction	18	-	1.364	(1.382)	-
Disposals**	-	-	(3.931)	(2)	(3.933)
Reclassification to assets held for sale	(3.307)	-	-	-	(3.307)
Effect of movements in exchange rates	257	7	(163)	(129)	(28)
Closing balance	74.085	4.756	65.197	937	144.975
<b>Depreciation</b>					
Opening balance	11.971	1.012	39.667	-	52.650
Depreciation charge for the year*	2.090	72	7.114	-	9.276
(Reversal) impairment losses	(1.500)	-	-	-	(1.500)
Disposals**	-	-	(3.637)	-	(3.637)
Reclassification to assets held for sale	(939)	-	-	-	(939)
Effect of movements in exchange rates	134	1	(40)	-	95
Closing balance	11.756	1.085	43.104	-	55.945
Net book value at March 31, 2019	62.329	3.671	22.093	937	89.030

\*The charge for 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

	Goodwill	Customer relationship	Software	Total
	EUR'000	EUR'000	EUR'000	EUR'000
<b>March 31, 2020</b>				
<b>Cost</b>				
Opening balance	15.083	29.380	28.298	72.761
Purchase	-	-	3.332	3.332
Acquired in business combination	-	-	15	15
Disposals	-	-	(1.664)	(1.664)
Effect of movement in exchange rates	(1.085)	-	(224)	(1.309)
Closing balance	13.998	29.380	29.757	73.135
<b>Amortization and impairment losses</b>				
Opening balance	-	27.085	22.673	49.758
Amortization charge for the year*	-	2.074	2.721	4.795
Disposals	-	-	(1.418)	(1.418)
Effect of movement in exchange rates	-	(933)	(342)	(1.275)
Closing balance	-	28.226	23.634	51.860
Net book value at March 31, 2020	13.998	1.154	6.123	21.275
<b>March 31, 2019</b>				
<b>Cost</b>				
Opening balance	17.460	29.380	24.689	71.529
Purchase	-	-	3.366	3.366
Disposals	-	-	(18)	(18)
Effect of movement in exchange rates	(2.377)	-	261	(2.116)
Closing balance	15.083	29.380	28.298	72.761
<b>Amortization and impairment losses</b>				
Opening balance	-	23.960	20.358	44.318
Amortization charge for the year*	-	2.358	2.173	4.531
Disposals	-	-	(16)	(16)
Effect of movement in exchange rates	-	767	158	925
Closing balance	-	27.085	22.673	49.758
Net book value at March 31, 2019	15.083	2.295	5.625	23.003

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

During the financial year ended as at March 31, 2020 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, 2020 in the total amount of EUR 13.998 thousand relates with EUR 5.696 thousand to Living Environment Systems division and with EUR 8.302 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% (2018/2019: 2,0%) for the LES division and between 1,0% and 2,0% (2018/2019: 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 23,2% (2018/2019: 25,0%) for the LES division and 14,8% (2018/2019: 15,2%) 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 11,2% (2018/2019: 12,9 %) for the LES division and with a debt leveraging of 10% at a market interest rate of 2,0% (2018/2019: 2,7%) for the FA division.

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately EUR 19.696 thousand (2018/2019: EUR 7.810 thousand). Management has identified that a reasonably possible change in two key assumptions could cause the recoverable amount to drop below the carrying amount.

The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal the recoverable amount	
	2019/2020	2018/2019
	%	%
Discount rate	2,0	1,7
Budgeted EBITDA growth rate	-7,0	-5,0

No impairment loss was recognized in 2019/2020 and 2018/2019 financial year.

## 9 Investments in associates and other investments

Company name	Acquisition date	% share	March 31, 2020 EUR '000	March 31, 2019 EUR '000
<b>Investments measured at equity method</b>				
Mitsubishi Electric Automation Projects GmbH (Fuldabrück, Germany)	Apr 13	30,0%	1.202	1.182
			<u>1.202</u>	<u>1.182</u>
<b>Investments measured at fair value through OCI</b>				
Mitsubishi Electric Air Conditioning Systems Europe Ltd (Livingstone, UK)	Feb 15	10,0%	2.684	2.684
Electric Powersteering Components Europe s.r.o. (Slany, Czech Republic)**	Jan 19	10,0%	0	2.136
Mitsubishi Electric Automotive Czech s.r.o. (Slany, Czech Republic)**	Feb 15	10,0%	3.399	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%	1.021	821
Mitsubishi Electric Automotive Europe B.V. (Amsterdam, Netherlands)	Feb 15	10,0%	295	295
Ascenseurs Mitsubishi France (Nanterre, France)	Feb 15	10,0%	107	107
Mitsubishi Electric R&D Centre Europe B.V. (Amsterdam, Netherlands)	Feb 15	10,0%	74	74
			<u>8.748</u>	<u>8.548</u>
			<u>9.950</u>	<u>9.730</u>

\*Trading as Adroit Technologies.

\*\* Entities merged in the financial year ended as at March 31, 2020

The above entities, besides associate Mitsubishi Electric Automation Projects GmbH, are investments, which are basically measured at fair value through other comprehensive income. However, original acquisition costs for EUR 8.748 is regarded as an appropriate estimate of fair value as there are no quoted market price available and there are specific conditions and restrictions on the sale of the investments and pass-through arrangements for dividends received in place. Consequently, original acquisition costs represent the best estimate of fair value. There was no effect from the transition from IAS 39 to IFRS9.

#### 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:

	<u>EUR'000</u>
Acquisition cost	1.420
Group's ownership of post-aquisition net profit (loss) until March 31, 2019	<u>(238)</u>
Carrying amount of the investment as of March 31, 2019	<u>1.182</u>
Opening balance as of March 31, 2019	1.182
Group's ownership of net profit (loss) current year	<u>20</u>
Carrying amount of the investment as of March 31, 2020	<u><u>1.202</u></u>

## 10 Inventories

	March 31, 2020 EUR '000	March 31, 2019 EUR '000
Aircon & Refrigerating Systems	403.533	382.144
Automotive Equipment	117.670	156.832
Industrial Products	40.893	46.966
Industrial Automation Systems	38.826	38.799
Semiconductors	23.979	18.748
Home Appliances & Digital Media	16.550	14.517
Industrial Sewing Machines	2.358	2.688
Electronic Systems	2.732	3.599
Public Use System	5.220	1.051
Building Systems	2.390	1.432
Power Systems	406	324
	<u>654.557</u>	<u>667.100</u>

Inventories are stated net of a provision for obsolete stock of EUR 27.557 thousand (March 31, 2019: EUR 24.828 thousand). Provisions have been made for all segments. The expense in this respect amounted to EUR 8.971 thousand (March 31, 2019: EUR 9.618 thousand) and is included in Cost of Sales. The provision for obsolete stock is set up based on the lower of cost and net realizable value method.

## 11 Trade and other receivables

	March 31, 2020 EUR '000	March 31, 2019 EUR '000
Trade receivables 3 <sup>rd</sup> parties	539.488	537.196
Trade receivables affiliated companies	21.445	22.564
Trade receivables	<u>560.933</u>	<u>559.760</u>
Receivables from cash-pooling (CMS) with affiliated companies	155.827	151.139
Receivables from short-term deposits with affiliated companies	99.401	130.338
Prepaid expenses	8.019	20.066
Other current assets	<u>47.483</u>	<u>35.656</u>
	<u>871.663</u>	<u>896.959</u>

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

As at March 31, 2020, trade receivables and other receivables at carrying value of EUR 13.661 thousand (March 31, 2019: EUR 12.775 thousand) were impaired and provided for.

Trade receivables 3<sup>rd</sup> parties include contract assets in the amount of EUR 17.902 thousand and are typically paid within the next 12 months.

Trade receivables affiliated companies include receivables against the shareholder in the amount of EUR 18.947 thousand (March 31, 2019: EUR 20.023 thousand).

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, 2019	7.325	5.450	12.775
Charge for the year*	2.503	886	3.389
Acquired in business combination	414	-	414
Utilised	(931)	-	(931)
Unused amounts reversed	(1.871)	-	(1.871)
Translation adjustment	(79)	(36)	(115)
At March 31, 2020	7.361	6.300	13.661
	Individually impaired EUR '000	Collectively impaired EUR '000	Total EUR '000
At April 1, 2018	10.328	5.799	16.127
Charge for the year*	2.983	0	2.983
Utilised	(2.677)	0	(2.677)
Unused amounts reversed	(3.142)	(355)	(3.497)
Translation adjustment	(167)	6	(161)
At March 31, 2019	7.325	5.450	12.775

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

As at March 31, 2020 and March 31, 2019, the ageing 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, 2020	509.089	26.495	11.631	7.581	3.769	2.368	51.844
March 31, 2019	507.847	35.421	11.662	2.790	788	1.252	51.913

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

## 13 Capital and reserves

### Share capital

	Ordinary shares March 31, 2020
	EUR'000
On issue at April 1, 2019 – fully paid	83.982
Issued for cash	-
On issue at March 31, 2020 – fully paid	83.982

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, 2020, the issued share capital included 83.982 issued and fully paid ordinary shares (March 31, 2019: 83.982).

### 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, 2020: EUR -38.357 thousand, March 31, 2019: -31.017 thousand) is a legal reserve and 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, 2020 and March 31, 2019:

	March 31, 2020 EUR'000	March 31, 2019 EUR'000
Dividend to owners of the Company, paid to Melco, Tokyo, Japan.	15.232	16.761

In the financial year 2019/2020, the dividend paid out amounted to EUR 101,55 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 6.973 thousand at March 31, 2020 (EUR 8.461 thousand at March 31, 2019).

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 6.412 thousand at March 31, 2020 (EUR 7.101 thousand at March 31, 2019).

## 14 Employee benefits

### Pension benefit plans

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

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

	March 31, 2020 EUR '000	March 31, 2019 EUR '000
Net benefit expense		
Charged to Profit or Loss		
Current service cost	(861)	(749)
Interest cost on benefit obligation	(3.548)	(3.630)
Interest income on plan assets	3.560	3.518
Employee contribution	133	133
Additional charges	(353)	(422)
	(1.069)	(1.150)
Charged to Other Comprehensive Income		
Net actuarial gain/(loss) recognized in the year	2.431	(541)
	2.431	(541)
Actual return on plan assets	875	1.413
	March 31, 2020 EUR '000	March 31, 2019 EUR '000
Benefit asset/(liability)		
Present value of funded obligations	(155.040)	(139.235)
Present value of unfunded obligations	(4.988)	(4.972)
Fair value of plan assets	156.872	137.622
	(3.156)	(6.585)

Movements are as follows:

	March 31, 2020 EUR '000	March 31, 2019 EUR '000
At April 1	(6.585)	(9.098)
Benefit gains/(expenses)	1.362	(1.693)
Contributions	3.183	4.185
Others	115	(79)
Exchange adjustment	(1.336)	-
Utilization	105	100
At March 31	<u>(3.156)</u>	<u>(6.585)</u>

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

	March 31, 2020 EUR '000	March 31, 2019 EUR '000
Pension Asset	3.271	1.548
Pension Liabilities	<u>(6.427)</u>	<u>(8.133)</u>
At March 31	<u>(3.156)</u>	<u>(6.585)</u>

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

	March 31, 2020 EUR '000	March 31, 2019 EUR '000
UK Hatfield Branch	-	(1.714)
Ireland Branch	3.271	1.548
Italy Branch	(2.244)	(2.417)
France Branch	(2.743)	(2.555)
Netherlands Branches	<u>(1.440)</u>	<u>(1.447)</u>
	<u>(3.156)</u>	<u>(6.585)</u>

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

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
Discount rate	1,7%	1,5%
Expected rate of return in assets	0,1%	0,4%
Future salary increase	0,2%	1,6%
Future pension increase	2,7%	1,5%
Future price inflation	1,8%	2,0%

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

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

	<u>March 31, 2020</u> EUR '000	<u>March 31, 2019</u> EUR '000
Charged to profit or loss account		
Pension cost of benefit plans	(1.069)	(1.150)
Pension cost of contribution plans	<u>(9.964)</u>	<u>(9.159)</u>
	<u>(11.033)</u>	<u>(10.309)</u>
Charged to other comprehensive income		
Pension cost of benefit plans	<u>2.431</u>	<u>(541)</u>
	<u>2.431</u>	<u>(541)</u>

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 interest bearing loans from Mitsubishi Electric Finance Europe PLC and can be summarized in the following way:

	March 31, 2020 EUR '000	March 31, 2019 EUR '000
Non-current loans and borrowings:		
German Branch - building loan	33.898	3.003
	<u>33.898</u>	<u>3.003</u>
Current loans and borrowings:		
German Branch – building loan	6.102	36.997
Irish Branch	9.600	11.600
Corporate Office Branch	10.070	10.030
Dutch Branch	-	7.610
UK Branches	6.129	6.383
METR	-	818
	<u>31.901</u>	<u>73.438</u>

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

	March 31, 2020 EUR '000	March 31, 2019 EUR '000
Non-current loans and borrowings:		
Lease obligation	38.977	-
	<u>38.977</u>	<u>-</u>
Current loans and borrowings:		
Lease obligation	18.402	-
Current account between METR and bank	3.885	5.686
	<u>22.287</u>	<u>5.686</u>

The non-current loan (EUR 33.898 thousand) is due for repayment in five tranches from October 2021 to June 2024.

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, 2019	18.224	595	1.626	4.613	25.058
Additions during the year	13.753	201	5.211	1.984	21.149
Utilised	(5.365)	(185)	(1.865)	(1.136)	(8.551)
Released	(4.904)	(218)	-	(317)	(5.439)
F/X rate adjustment	(303)	-	-	(188)	(491)
March 31, 2020	21.405	393	4.972	4.956	31.726
Current part	14.855	189	4.972	4.504	24.520
Non-current part	6.550	204	-	452	7.206
March 31, 2020	21.405	393	4.972	4.956	31.726

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 either has 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.

### Commitments

There were no significant outstanding commitments as of March 31, 2020. As at March 31, 2019 the Group showed operating lease commitments in the total amount of EUR 57.629 thousand. Such commitments are accounted for in the current business year (see above) according to the new accounting standard IFRS 16.

	March 31, 2019 EUR '000
Within one year	19.009
After one year but less than five years	33.813
More than five years	4.807
	<u>57.629</u>

## 18 Leases

The Group leases offices, warehouses, company cars and other equipment. Offices and warehouses are often leased for more than five years. Typical lease terms for company cars and other equipment are three to five years. Previously, these leases were classified as operating leases under IAS 17.

Depending on the labour contract with some employees, some company cars have been sub-let by the Group to its employees. The lease and sub-lease agreements have a duration of three to four years.

The Group leases some equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

#### **Right-of-use assets**

	Buildings	Vehicles	Other equipment	Total
	EUR'000	EUR'000	EUR'000	EUR'000
<b>March 31, 2020</b>				
<b>Cost</b>				
Opening balance	48.489	10.982	1.219	60.690
Purchase	3.456	7.684	18	11.158
Disposals	(4.056)	(445)	-	(4.501)
Effect of movement in exchange rates	(981)	(267)	(10)	(1.258)
Closing balance	46.908	17.954	1.227	66.089
<b>Amortization and impairment losses</b>				
Opening balance	-	-	-	-
Amortization charge for the year*	12.280	6.178	464	18.922
Disposals	(2.825)	(258)	(7)	(3.090)
Effect of movement in exchange rates	(246)	(243)	1	(488)
Closing balance	9.209	5.677	458	15.344
Net book value at March 31, 2020	37.699	12.277	769	50.745

#### **Amounts recognised in profit or loss**

	March 31, 2020 EUR '000	March 31, 2019 EUR '000
Interest on lease liabilities	1.310	-
Expenses related to short-term leases	4.853	-
Expenses relating to leases of low-value assets, excluding short term leases of low-value asset	355	-
	6.518	-
Interest income on sublease company cars	80	-

#### **Amounts recognised in statement of cash flows**

Total cash outflow for leases in the current business year was EUR 31.231 Thousand.

#### **Leases as lessor**

The Group subleases company cars to some employees due to their labour contracts. Such sublease is considered as a finance lease and recognized as a receivable. Interest income on this receivable is deducted from the interest expense for the lease liability. The reduction of the receivable is accounted for as an operating expense on a straightline basis over the lease term of the company car lease as part of "other expenses" (as of March 31, 2020: EUR 2.870 thousand).

## 19 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 2019/2020

	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	229	206	1.428	250	66	91.981	94.160
Sales to third parties	1.757.686	1.140.772	297.001	50.054	134.408	121.745	3.501.666
	<u>1.757.915</u>	<u>1.140.978</u>	<u>298.429</u>	<u>50.304</u>	<u>134.474</u>	<u>213.726</u>	<u>3.595.826</u>

### Business divisions 2018/2019

	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	1.136	24	1.388	11	85	114.937	117.581
Sales to third parties	1.525.469	1.170.332	338.582	49.767	118.093	93.252	3.295.495
	<u>1.526.605</u>	<u>1.170.356</u>	<u>339.970</u>	<u>49.778</u>	<u>118.178</u>	<u>208.189</u>	<u>3.413.076</u>

The Company recognised revenue in the amount of EUR 1.147 thousand that was included as contract liabilities at the beginning of the business years in other liabilities.

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 Purchasing Center.

### Geographical areas

	Europe		Others		Consolidated	
	March 31, 2020 EUR '000	March 31, 2019 EUR '000	March 31, 2020 EUR '000	March 31, 2019 EUR '000	March 31, 2020 EUR '000	March 31, 2019 EUR '000
Sales to affiliated customers	290	1.115	93.870	116.466	94.160	117.581
Sales to third parties	3.195.642	3.006.927	306.024	288.568	3.501.666	3.295.495
Total revenue	3.195.932	3.008.042	399.894	405.034	3.595.826	3.413.076

Sales to third parties within Europe as of March 31, 2020 include sales in the Netherlands in the amount of EUR 75.614 thousand (as of March 31, 2019: EUR 69.144 thousand).

### Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a good or service to a customer. The transfer of control is in the majority of the cases based on the incoterms contractually agreed or in other cases based on the performance milestone (such as factory acceptance test / site acceptance test) agreed in a project.

## 20 Selling, general and administrative expenses

Included in the amount of EUR 564.489 thousand (2018/2019: EUR 534.876 thousand) selling, general and administrative expenses are depreciation and amortization of EUR 32.724 thousand (2018/2019: EUR 13.807 thousand), selling expenses of EUR 118.851 thousand (2018/2019: EUR 112.394 thousand), advertising expenses of EUR 39.497 thousand (2018/2019: EUR 42.230 thousand) and personnel expenses consisting of:

	March 31, 2020 EUR '000	March 31, 2019 EUR '000
Wages and salaries	225.859	208.942
Social security costs	38.023	34.559
Pension costs of defined benefit and defined contribution plans	11.033	10.309
	<u>274.915</u>	<u>253.810</u>

## 21 Other income

	March 31, 2020 EUR '000	March 31, 2019 EUR '000
Marketing and advertising activities (agreements with MELCO Japan and other affiliated companies)	37.570	28.432
	<u>37.570</u>	<u>28.432</u>

## 22 Other expenses

	March 31, 2020 EUR '000	March 31, 2019 EUR '000
Other operating expenses to affiliated companies	8.644	8.020
Loss on foreign currency exchanges	3.298	98
Gain (loss) on disposal of long-term assets	(195)	198
	<u>11.747</u>	<u>8.316</u>

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

## 23 Net finance result

	March 31, 2020 EUR '000	March 31, 2019 EUR '000
Finance income	977	840
Finance costs	(3.289)	(3.429)
Other net finance income	554	920
	<u>(1.758)</u>	<u>(1.669)</u>

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

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

Company name	March 31, 2020 EUR '000	March 31, 2019 EUR '000
Mitsubishi Electric Air Conditioning Systems Europe Ltd	-	369
Mitsubishi Electric Automotive Czech s.r.o.	405	410
Mitsubishi Electric R&D Centre Europe B.V.	99	103
Mitsubishi Electric Automotive Europe B.V.	44	33
Ascenseurs Mitsubishi France	6	5
	<u>554</u>	<u>920</u>

## 24 Share of result of associates

Company name	% share of equity	March 31, 2020 EUR '000	March 31, 2019 EUR '000
Mitsubishi Electric Automation Projects GmbH	30,0%	20	8
		<u>20</u>	<u>8</u>

## 25 Income taxes

Deferred tax balances as at March 31, 2020 relate to the following:

	March 31, 2020 EUR '000	March 31, 2019 EUR '000
<b>Deferred tax assets</b>		
Inventory valuation	2.988	2.116
Provisions and accruals	7.191	10.613
Provision for doubtful debts	2.082	1.271
Tax loss carry forward	4.850	2.749
Property, plant and equipment and intangible assets	1.152	1.201
Other items	153	456
	<u>18.416</u>	<u>18.406</u>
	March 31, 2020 EUR '000	March 31, 2019 EUR '000
<b>Deferred tax liabilities</b>		
Tax losses of foreign branches used in the past	3.170	3.415
Provisions and accruals	2.013	4.297
Inventory valuation	362	260
Property, plant and equipment and intangible assets	112	592
Other items	47	31
Deferred tax liabilities	<u>5.704</u>	<u>8.595</u>

The movements in deferred tax balances during the year have been recognized in profit or loss (deferred tax income EUR 3.509 thousand) and in other comprehensive income (deferred tax expense EUR 608 thousand).

Deferred tax assets in the amount of EUR 892 thousand and deferred tax liabilities in the amount of EUR 129 thousand are related to the consolidated companies METR and MER.

The tax loss carry forwards for which a deferred tax asset has been capitalized are related to the jurisdictions in Ireland, United Kingdom and Spain.

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

	March 31, 2020 EUR '000	March 31, 2019 EUR '000
Unrecognized deferred tax assets	<u>0</u>	<u>3.876</u>

The unrecognized deferred tax assets for tax losses amounted to EUR 3.876 thousand as of March 31, 2019 and related to the Spanish Branch. In fiscal year 2019/2020 deferred tax assets have been recognized in respect of these items because it is probable that future taxable profit will be available 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, 2020 EUR '000	March 31, 2019 EUR '000
<b>Current:</b>		
Domestic	710	607
Foreign	26.947	24.177
	<u>27.657</u>	<u>24.784</u>
<b>Deferred:</b>		
Domestic	(145)	(227)
Foreign	(3.364)	(1.734)
	<u>(3.509)</u>	<u>(1.961)</u>
Income tax expense	<u>24.148</u>	<u>22.823</u>

Recognized in the statement of comprehensive income:

	March 31, 2020 EUR '000	March 31, 2019 EUR '000
<b>Current tax expenses</b>		
Current year	27.945	25.215
Adjustments previous years	(288)	(431)
	<u>27.657</u>	<u>24.784</u>
<b>Deferred tax (income)/expenses</b>		
Origination and reversal of temporary differences	1.064	(2.827)
Effect of tax losses recognized	(4.573)	866
	<u>(3.509)</u>	<u>(1.961)</u>
Income tax expenses	<u>24.148</u>	<u>22.823</u>

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, 2020 and 2019 was as follows:

	March 31, 2020 %	March 31, 2019 %	March 31, 2020 EUR '000	March 31, 2019 EUR '000
Domestic tax rate	25,00	25,00	20.920	18.904
Effect of tax rates in foreign jurisdictions	8,69	2,58	7.273	1.950
Adjustment in respect to current income tax of previous years	(0,34)	(0,57)	(288)	(431)
Recognition of previously unrecognized tax losses	(5,24)	(0,83)	(4.389)	(625)
Effect of non-deductible expenses	1,98	2,96	1.660	2.236
Others	(1,23)	1,04	(1.029)	789
Effective tax rate	<u>28,86</u>	<u>30,18</u>	<u>24.148</u>	<u>22.823</u>

The charge for income taxes includes Dutch and foreign income taxes. The local statutory standard tax rate for the Netherlands is 25,0% for profit exceeding EUR 200 thousand. The local statutory standard tax rate for profits up to EUR 200 thousand is 19,0% (20% up to December 31, 2018; 19% from January 1, 2019).

## 26 Staffing levels

The number of employees (converted into full-time equivalents) during the 2019/2020 and 2018/2019 financial years was as follows:

	Whole Company		Outside of Netherlands	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Average number of employees	3.088	2.874	3.042	2.826
Total number of employees	3.154	2.967	3.108	2.919

The breakdown by department was as follows:

	Whole Company		Outside of Netherlands	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Purchasing, sales and marketing departments	1.607	1.547	1.583	1.524
Administrative departments	1.547	1.420	1.525	1.395
Total number of employees	3.154	2.967	3.108	2.919

## 27 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, 2020 and 2019 and for the years then ended, are presented in the following table:

	MELCO Japan		Other		Total	
	March 31, 2020 EUR'000	March 31, 2019 EUR'000	March 31, 2020 EUR'000	March 31, 2019 EUR'000	March 31, 2020 EUR'000	March 31, 2019 EUR'000
Sales of goods	92.215	115.147	1.945	2.434	94.160	117.581
Purchase of goods	1.731.635	1.755.745	986.700	992.832	2.718.335	2.748.577
Trade and other receivables / other debtors	21.691	21.725	257.752	284.073	279.443	305.798
Trade and other payables / other creditors	699.937	784.842	307.233	311.452	1.007.170	1.096.294
Other operating income (net) from Affiliated companies	20.660	20.607	8.266	(202)	28.926	20.405
Financial income (net)	-	-	(35)	537	(35)	537
Loans and borrowings	-	-	65.799	76.441	65.799	76.441

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.

In addition the Company acquired from MELCO' s subsidiary Mitsubishi Electric Hydronics & IT Cooling S.p.A. ( 'MEHITS' ) 100,0% shares of Topclima s.l. (Barcelona, Spain), Sater Mantenimiento s.l. (Madrid, Spain) and Somora Asesores s.l. (Barcelona, Spain), specializing in air conditioning solutions. We refer to note 5 for the details of this transaction.

## 28 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. EUR'000	Other KPMG network EUR'000	Total EUR'000
2019/2020			
Statutory audit of annual accounts	123	753	876
Other assurance services	-	112	112
Tax advisory services	-	197	197
Total	<u>123</u>	<u>1.062</u>	<u>1.185</u>

	KPMG Accountants N.V. EUR'000	Other KPMG network EUR'000	Total EUR'000
2018/2019			
Statutory audit of annual accounts	117	729	846
Other assurance services	-	61	61
Tax advisory services	-	162	162
Total	<u>117</u>	<u>952</u>	<u>1.069</u>

## 29 Assets held for sale

In fiscal year 2018/2019 management decided to sell grounds and building of the German branch which was formerly used as office building. Accordingly, these assets are presented as assets held for sale. The assets are stated at carrying amount (EUR 2.368 thousand).

**Company balance sheet  
as at March 31, 2020 (before profit appropriation)**

		March 31, 2020 EUR'000	March 31, 2019 EUR'000
	Notes		
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>			
	33		
Goodwill		7.077	7.222
Other intangible assets		6.495	6.296
		<u>13.572</u>	<u>13.518</u>
<b>Tangible fixed assets</b>			
Land and buildings	34	64.177	66.000
Plant and equipment	34	20.410	21.149
Assets under construction	34	775	780
Right of use assets	46	47.662	-
		<u>133.024</u>	<u>87.929</u>
<b>Financial fixed assets</b>			
Participating interests in group companies	35	31.236	36.316
Other participating interests	36	9.950	9.730
Deferred tax assets	25	17.524	18.030
Pension asset	14	3.271	1.548
		<u>61.981</u>	<u>65.624</u>
Total fixed assets		<u>208.577</u>	<u>167.071</u>
<b>Current assets</b>			
Inventories	37	624.355	632.761
Trade and other receivables*	38	843.331	865.915
Cash and cash equivalents*	39	63.420	69.146
Assets held for sale	29	2.368	2.368
		<u>1.533.474</u>	<u>1.570.190</u>
Total current assets		<u>1.533.474</u>	<u>1.570.190</u>
<b>Total assets</b>		<u>1.742.051</u>	<u>1.737.261</u>

\* The comparative information is restated, we refer to note 30 of the consolidated financial statements.

		March 31,2020 EUR'000	March 31,2019 EUR'000
	Notes		
<b>Shareholder's equity</b>			
Share capital	40	83.982	83.982
Share premium	40	50.359	50.359
Foreign currency translation reserve	40	(38.357)	(31.764)
Retained earnings		176.141	140.810
Unappropriated result		58.239	50.736
<b>Total equity</b>		<b>330.364</b>	<b>294.123</b>
<b>Provisions</b>			
Pension provisions	14	6.427	8.133
Provision for deferred tax liabilities	25	5.575	7.987
Other provisions	42	31.490	24.796
<b>Total provisions</b>		<b>43.492</b>	<b>40.916</b>
<b>Non-current liabilities</b>			
Non-current loans and borrowings from affiliates	41	33.898	3.003
Non-current loans and borrowings from third parties	41	37.439	-
Other non-current liabilities		165	21
<b>Total non-current liabilities</b>		<b>71.502</b>	<b>3.024</b>
<b>Current liabilities</b>			
Current loans and borrowings from third parties	41	16.700	-
Current loans and borrowings from affiliates	41	31.901	72.620
Trade and other payables to affiliates	43	972.976	1.064.883
Trade payables to third parties	43	55.199	49.962
Other current liabilities	43	195.694	183.845
Income tax payable		24.223	27.888
<b>Total current liabilities</b>		<b>1.296.693</b>	<b>1.399.198</b>
<b>Total equity and liabilities</b>		<b>1.742.051</b>	<b>1.737.261</b>

**Company income statement  
for the year ended on March 31, 2020**

		March 31,2020 EUR'000	March 31,2019 EUR'000
	Notes	<u>          </u>	<u>          </u>
Share of result of participating interests, after tax	44	3.061	4.821
Other income and expenses, after tax		<u>55.178</u>	<u>45.915</u>
<b>Net result</b>		<u>58.239</u>	<u>50.736</u>

**Notes to the company financial statements for the year ended March 31, 2020**

**30 General**

The company financial statements are part of the 2019/2020 financial statements of Mitsubishi Electric Europe B.V., Schiphol-Rijk, the Netherlands (Hereinafter 'the Company' or 'MEU').

**Restatement**

During the financial year ended March 31, 2020, the Company discovered that its short maturity deposits with Mitsubishi Electric Finance Europe PLC as well as its Cash Management System position with Mitsubishi Electric Finance Europe PLC had been erroneously classified as cash and cash equivalents instead of trade and other receivables.

This has been corrected by restating each of the affected financial statement line items for prior periods. The following tables summarise the impacts on the company financial statements.

*Company balance sheet*

April 1, 2018 (EUR'000)	As previously reported	Adjustments	As restated
Trade and other receivables	561,865	172,538	734,403
Cash and cash equivalents	306,221	(172,538)	133,683

March 31, 2019 (EUR'000) EUR'000	Before restatement	Restatement	Restated
Trade and other receivables	584.438	281.477	865.915
Cash and cash equivalents	350.623	(281.477)	69.146

**31 Principles for the measurement of assets and liabilities and the determination of the result**

These company financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code. 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. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities. In case no other principles are mentioned, refer to the accounting principles as described in the consolidated financial statements. For an appropriate interpretation of these statutory financial statements, the company financial statements should be read in conjunction with the consolidated financial statements.

The financial information of the Company is included in the consolidated financial statements. For this reason, in accordance with Section 402, Book 2 of the Dutch Civil Code, the separate profit and loss account of the Company exclusively states the share of the result of participating interests after tax and the other income and expenses after tax.

#### **Participating interests in group companies**

Group companies are all entities in which the Company has directly or indirectly control. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the group company and has the ability to affect those returns through its power over the group company. Group companies are recognised from the date on which control is obtained by the Company and derecognised from the date that control by the Company over the group company ceases. Participating interests in group companies are accounted for in the company financial statements according to the equity method, with the principles for the recognition and measurement of assets and liabilities and determination of results as set out in the notes to the consolidated financial statements.

Participating interests with a negative net asset value are valued at nil. This measurement also covers any receivables provided to the participating interests that are, in substance, an extension of the net investment. In particular, this relates to loans for which settlement is neither planned nor likely to occur in the foreseeable future. A share in the profits of the participating interest in subsequent years will only be recognised if and to the extent that the cumulative unrecognised share of loss has been absorbed. If the Company fully or partially guarantees the debts of the relevant participating interest, or if has the constructive obligation to enable the participating interest to pay its debts (for its share therein), then a provision is recognised accordingly to the amount of the estimated payments by the Company on behalf of the participating interest.

#### **Share of result of participating interests**

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 involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are eliminated to the extent that they can be considered

as not realised.

The Company makes use of the option to eliminate intragroup expected credit losses against the book value of loans and receivables from the Company to participating interests, instead of elimination against the equity value / net asset value of the participating interests.

### **32 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.

### 33 Intangible fixed assets

	Goodwill	Customer relationship	Software	Total
	EUR'000	EUR'000	EUR'000	EUR'000
<b>March 31, 2020</b>				
<b>Cost</b>				
Opening balance	7.222	8.515	27.100	42.837
Purchase	-	-	3.167	3.167
Acquired in business combination	-	-	15	15
Disposals	-	-	(1.664)	(1.664)
Effect of movement in exchange rates	(145)	33	(177)	(289)
Closing balance	7.077	8.548	28.441	44.066
<b>Amortization and impairment losses</b>				
Opening balance	-	7.856	21.463	29.319
Amortization charge for the year	-	600	2.210	2.810
Disposals	-	-	(1.418)	(1.418)
Effect of movement in exchange rates	-	85	(302)	(217)
Closing balance	-	8.541	21.953	30.494
Net book value at March 31, 2020	7.077	7	6.488	13.572
<b>March 31, 2019</b>				
<b>Cost</b>				
Opening balance	7.276	8.509	23.716	39.501
Purchase	-	-	3.138	3.138
Disposals	-	-	(18)	(18)
Effect of movement in exchange rates	(54)	6	264	216
Closing balance	7.222	8.515	27.100	42.837
<b>Amortization and impairment losses</b>				
Opening balance	-	7.220	19.406	26.626
Amortization charge for the year	-	634	1.914	2.548
Disposals	-	-	(16)	(16)
Effect of movement in exchange rates	-	2	159	161
Closing balance	-	7.856	21.463	29.319
Net book value at March 31, 2019	7.222	659	5.637	13.518

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% (2018/2019: 2,0%) for the LES division and between 1,0% and 2,0% (2018/2019: 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 23,2% (2018/2019: 25,0%) for the LES division and 14,8% (2018/2019: 15,2%) 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 11,2% (2018/2019: 12,9 %) for the LES division and with a debt leveraging of 10% at a market interest rate of 2,0% (2018/2019: 2,7%) for the FA division.

No impairment loss was recognized in 2019/2020 and 2018/2019 financial years.

### 34 Tangible fixed assets

	Office buildings incl. land	Other buildings incl. land	Plant and equipment	Assets under construction	Total
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
<b>March 31, 2020</b>					
<b>Cost</b>					
Opening balance	74.085	4.756	63.176	780	142.797
Purchases	-	-	5.820	1.052	6.872
Acquired in business combination	-	891	728	-	1.619
Transfer of completed assets under construction	179	10	758	(948)	-
Disposals	-	(379)	(3.719)	(3)	(4.101)
Effect of movements in exchange rates	(429)	(26)	(687)	(106)	(1.248)
Closing balance	73.835	5.252	66.076	775	145.938
<b>Depreciation</b>					
Opening balance	11.756	1.085	42.027	-	54.868
Depreciation charge for the year	1.777	110	6.810	-	8.697
Acquired in business combination	-	307	708	-	1.015
Disposals	-	(185)	(3.428)	-	(3.613)
Effect of movements in exchange rates	(225)	285	(451)	-	(391)
Closing balance	13.308	1.602	45.666	-	60.576
Net book value at March 31, 2020	60.527	3.650	20.410	775	85.362
<b>March 31, 2019</b>					
<b>Cost</b>					
Opening balance	77.039	4.407	58.831	716	140.993
Purchases	78	341	6.733	1.576	8.728
Transfer of completed assets under construction	18	-	1.364	(1.382)	-
Disposals	-	-	(3.887)	(2)	(3.889)
Reclassification to assets held for sale	(3.307)	-	-	-	(3.307)
Effect of movements in exchange rates	257	8	135	(128)	272
Closing balance	74.085	4.756	63.176	780	142.797
<b>Depreciation</b>					
Opening balance	11.971	1.012	38.637	-	51.620
Depreciation charge for the year	2.090	72	6.829	-	8.991
(Reversal) impairment losses	(1.500)	-	-	-	(1.500)
Disposals	-	-	(3.597)	-	(3.597)
Reclassification to assets held for sale	(939)	-	-	-	(939)
Effect of movements in exchange rates	134	1	158	-	293
Closing balance	11.756	1.085	42.027	-	54.868
Net book value at March 31, 2019	62.329	3.671	21.149	780	87.929

### 35 Participating interests in group companies

	March 31, 2020 EUR '000	March 31, 2019 EUR '000
Mitsubishi Electric Turkey Elektrik Ürünleri A.Ş.	16.271	19.741
Mitsubishi Electric (Russia) LLC	14.965	16.575
	<u>31.236</u>	<u>36.316</u>

Participating interests in group companies represent a 70,0% share in the share capital of Mitsubishi Electric Turkey (Istanbul/Turkey) (March 31, 2020: EUR 16.271 thousand, March 31, 2019: EUR 19.741 thousand), acquired in March 2013 and a 70,0% share in the share capital of Mitsubishi Electric Russia (Moscow/Russian Federation) (March 31, 2020: EUR 14.965 thousand, March 31, 2019: EUR 16.575 thousand), acquired in September 2014.

### 36 Other participating interests

Company name	Acquisition date	% share	March 31, 2020 EUR '000	March 31, 2019 EUR '000
Investments measured at equity				
Mitsubishi Electric Automation Projects GmbH (Fuldabrück, Germany)	Apr 13	30,0%	1.202	1.182
			<u>1.202</u>	<u>1.182</u>
Investments measured at fair value through OCI				
Mitsubishi Electric Air Conditioning Systems Europe Ltd (Livingstone, UK)	Feb 15	10,0%	2.684	2.684
Electric Powersteering Components Europe s.r.o. (Slany, Czech Republic)**	Jan 19	10,0%	-	2.136
Mitsubishi Electric Automotive Czech s.r.o. (Slany, Czech Republic)**	Feb 15	10,0%	3.399	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%	1.021	821
Mitsubishi Electric Automotive Europe B.V. (Amsterdam, Netherlands)	Feb 15	10,0%	295	295
Ascenseurs Mitsubishi France (Nanterre, France)	Feb 15	10,0%	107	107
Mitsubishi Electric R&D Centre Europe B.V. (Amsterdam, Netherlands)	Feb 15	10,0%	74	74
			<u>8.748</u>	<u>8.548</u>
			<u>9.950</u>	<u>9.730</u>

\*Trading as Adroit Technologies.

\*\* Entities merged in the financial year ended as at March 31, 2020

### 37 Inventories

	March 31, 2020 EUR '000	March 31, 2019 EUR '000
Aircon & Refrigerating Systems	379.456	353.724
Automotive Equipment	117.670	156.832
Industrial Products	35.749	41.793
Industrial Automation Systems	38.127	38.232
Home Appliances & Digital Media	16.546	14.511
Semiconductors	23.701	18.575
Industrial Sewing Machines	2.358	2.688
Power Systems	406	324
Electronic Systems	2.732	3.599
Public Use System	5.220	1.051
Building Systems	2.390	1.432
	<u>624.355</u>	<u>632.761</u>

Inventories are stated net of a provision for obsolete stock of EUR 27.048 thousand (March 31, 2019: EUR 24.303 thousand). Provisions have been made for all segments. The provision for obsolete stock is set up based on the lower of cost and net realizable value method.

### 38 Trade and other receivables

	March 31, 2020 EUR '000	March 31, 2019 EUR '000
Trade receivables 3rd parties	520.076	517.706
Trade receivables affiliated companies	<u>23.843</u>	<u>24.748</u>
Trade receivables	<u>543.919</u>	<u>542.454</u>
Receivables from cash-pooling (CMS) with affiliated companies	155.827	151.139
Receivables from short-term deposits with affiliated companies	99.401	130.338
Prepaid expenses	2.940	15.162
Other current assets	<u>41.244</u>	<u>26.822</u>
	<u>843.331</u>	<u>865.915</u>

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

As at March 31, 2020, trade receivables and other receivables at carrying value of EUR 13.155 thousand (March 31, 2019: EUR 12.124 thousand) were impaired and provided for.

Trade receivables affiliated companies include receivables against the shareholder in the amount of EUR 18.837 thousand (March 31, 2019: EUR 19.924 thousand).

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, 2019	6.654	5.470	12.124
Charge for the year*	2.494	866	3.360
Acquired in business combination	414	-	414
Utilised	(817)	-	(817)
Unused amounts reversed	(1.871)	-	(1.871)
Translation adjustment	(19)	(36)	(55)
At March 31, 2020	6.855	6.300	13.155

	Individually impaired EUR '000	Collectively impaired EUR '000	Total EUR '000
At April 1, 2018	10.008	5.819	15.827
Charge for the year	2.461	-	2.461
Utilised	(2.677)	-	(2.677)
Unused amounts reversed	(3.142)	(355)	(3.497)
Translation adjustment	4	6	10
At March 31, 2019	6.654	5.470	12.124

As at March 31, 2020 and 2019, the aging analysis of trade receivables is as follows:

	Neither past due nor impaired EUR'000	Past due but not impaired					Total EUR'000
		< 30 days EUR'000	30-60 days EUR'000	60-90 days EUR'000	90-120 days EUR'000	>120 days EUR'000	
March 31, 2020	489.861	26.072	13.957	7.575	3.762	2.692	54.058
March 31, 2019	491.671	35.010	11.197	2.588	1.299	689	50.783

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

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

### 40 Capital and reserves

#### Share capital

	Ordinary shares March 31, 2020 EUR'000
On issue at April 1, 2019 – fully paid	83.982
Issued for cash	-
On issue at March 31, 2020 – fully paid	83.982

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, 2020, the issued share capital included 83.982 issued and fully paid ordinary shares (March 31, 2019: 83.982).

#### 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, 2020: EUR -38.357 thousand, March 31, 2019: -31.764 thousand) is a legal reserve 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 2019/2020 profit after tax: an amount of EUR 58.239 thousand to be added to the retained earnings. The result after tax for 2019/2020 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.

#### 41 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 interest bearing loans from Mitsubishi Electric Finance Europe PLC and can be summarized in the following way:

	March 31, 2020 EUR '000	March 31, 2019 EUR '000
Non-current loans and borrowings:		
German Branch - building loan	33.898	3.003
	<u>33.898</u>	<u>3.003</u>
Current loans and borrowings:		
German Branch – building loan	6.102	36.997
Irish Branch	9.600	11.600
Corporate Office	10.070	10.030
Dutch Branch	-	7.610
UK Branches	6.129	6.383
	<u>31.901</u>	<u>72.620</u>

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

	March 31, 2020 EUR '000	March 31, 2019 EUR '000
Non-current loans and borrowings:		
Lease obligation	37.439	-
	<u>37.439</u>	<u>-</u>
Current loans and borrowings:		
Lease obligation	16.700	-
	<u>16.700</u>	<u>-</u>

The non-current loan (EUR 33.898 thousand) is due for repayment in five tranches from October 2021 to June 2024.

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

#### 42 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, 2019	18.190	595	1.401	4.610	24.796
Additions during the year	13.753	201	5.200	1.988	21.142
Utilised	(5.365)	(185)	(1.865)	(1.136)	(8.551)
Released	(4.870)	(218)	-	(318)	(5.406)
F/X rate adjustment	(303)	-	-	(188)	(491)
March 31, 2020	21.405	393	4.736	4.956	31.490
Current part	14.855	189	4.736	4.504	24.284
Non current part	6.550	204	-	452	7.206
March 31, 2020	21.405	393	4.736	4.956	31.490

### 43 Financial liabilities

The table below summarizes the maturity profile of the Company's financial liabilities at March 31, 2020 based on contractual undiscounted payments.

	On demand	Less than 3 months	3 to 12 months	1-5 years	>5 years	Total
<b>March 31, 2020</b>	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Non-current loans and borrowings from affiliates	-	-	-	33.898	-	33.898
Current loans and borrowings from third parties	-	-	-	-	-	-
Current loans and borrowings from affiliates	19.669	3.491	8.741	-	-	31.901
Trade and other payables 3rd parties	14.054	40.207	938	-	-	55.199
Trade and other payables affiliates	15.871	591.945	365.160	-	-	972.976
Other creditors	37.628	86.207	32.976	-	-	156.811
	<b>87.222</b>	<b>721.850</b>	<b>407.815</b>	<b>33.898</b>	<b>-</b>	<b>1.250.785</b>

The equivalent disclosure for the prior year is as follows:

	On demand	Less than 3 months	3 to 12 months	1-5 years	>5 years	Total
<b>March 31, 2019</b>	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Non-current loans and borrowings from affiliates	-	-	-	3.003	-	3.003
Current loans and borrowings from third parties	-	-	-	-	-	-
Current loans and borrowings from affiliates	21.629	29.296	21.694	-	-	72.619
Trade and other payables 3rd parties	15.137	32.263	2.562	-	-	49.962
Trade and other payables affiliates	133.949	592.056	338.878	-	-	1.064.883
Other creditors	13.766	71.005	18.629	201	-	103.601
	<b>184.481</b>	<b>724.620</b>	<b>381.763</b>	<b>3.204</b>	<b>-</b>	<b>1.294.068</b>

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.

#### **44 Share of result of participating interests**

This concerns the share of the Company in the results of its participating interests, of which an amount of EUR 3.061 thousand (2018/2019: EUR 4.821 thousand) concerns group companies.

#### **45 Commitments and contingencies**

##### **Contingencies**

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

##### **Commitments**

There were no significant outstanding commitments as of March 31, 2020. As at March 31, 2019 the Company showed operating lease commitments in the total amount of EUR 48.355 thousand. Such commitments are accounted for in the current business year (see above) according to the new accounting standard IFRS 16.

	March 31, 2019 EUR '000
Within one year	15.396
After one year but less than five years	28.152
More than five years	4.807
	<u>48.355</u>

#### **46 Lease**

The Group leases offices, warehouses, company cars and other equipment. Offices and warehouses are often leased for more than five years. Typical lease terms for company cars and other equipment are three to five years. Previously, these leases were classified as operating leases under IAS 17.

Depending on the labour contract with some employees, some company cars have been sub-let by the Group to its employees. The lease and sub-lease agreements have a duration of three to four years.

The Group leases some equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

**Right-of-use assets**

	Buildings	Vehicles	Other equipment	Total
	EUR'000	EUR'000	EUR'000	EUR'000
<b>March 31, 2020</b>				
<b>Cost</b>				
Opening balance	43.638	9.362	1.219	54.219
Purchase	3.456	7.599	18	11.073
Disposals	(3.441)	(29)	-	(3.470)
Effect of movement in exchange rates	(378)	(155)	(10)	(543)
Closing balance	43.275	16.777	1.227	61.279
<b>Amortization and impairment losses</b>				
Opening balance	-	-	-	-
Amortization charge for the year*	10.864	5.576	464	16.904
Disposals	(2.825)	(217)	(7)	(3.049)
Effect of movement in exchange rates	(44)	(195)	1	(238)
Closing balance	7.995	5.164	458	13.617
Net book value at March 31, 2020	35.280	11.613	769	47.662

#### 47 Staffing levels

The number of employees (converted into full-time equivalents) during the 2019/2020 and 2018/2019 financial years was as follows:

	Whole Company		Outside of Netherlands	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Average number of employees	2.775	2.569	2.729	2.521
Total number of employees	2.841	2.657	2.795	2.609

The breakdown by department was as follows:

	Whole Company		Outside of Netherlands	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Purchasing, sales and marketing departments	1.432	1.381	1.409	1.357
Administrative departments	1.409	1.276	1.386	1.251
Total	2.841	2.657	2.795	2.609

#### 48 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, 2020 and 2019 and for the years then ended, are presented in the following table:

	MELCO Japan		Other		Total	
	March 31, 2020 EUR'000	March 31, 2019 EUR'000	March 31, 2020 EUR'000	March 31, 2019 EUR'000	March 31, 2020 EUR'000	March 31, 2019 EUR'000
Purchase of goods	1.714.438	1.722.456	909.911	847.207	2.624.349	2.569.663
Trade and other receivables / other debtors	21.582	19.923	260.260	286.303	281.842	306.226
Trade and other payables / other creditors	690.482	779.069	291.627	295.533	982.109	1.074.602
Loans and borrowings	-	-	65.799	75.622	65.799	75.622

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.

In addition the Company acquired from MELCO' s subsidiary Mitsubishi Electric Hydraulics & IT Cooling S.p.A. ( 'MEHITS' ) 100,0% shares of Topclima s.l. (Barcelona, Spain), Sater Mantenimiento s.l. (Madrid, Spain) and Somora Asesores s.l. (Barcelona, Spain), specializing in air conditioning solutions. We refer to note 5 for the details of this transaction.

Regarding the impact of related party transactions on the income statement we refer to note 27.

## 49 Remuneration of managing directors

Partly 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, 2020 EUR '000	March 31, 2019 EUR '000
Short-term employee benefits	2.339	2.112
Post-employment benefits	110	104
Total	<u>2.449</u>	<u>2.216</u>

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 2.449 thousand (2018/2019: EUR 2.216 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

#### 50 Fees of the auditor

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

	KPMG Accountants N.V. EUR'000	Other KPMG network EUR'000	Total EUR'000
2019/2020			
Statutory audit of annual accounts	123	685	808
Other assurance services	-	108	108
Tax advisory services	-	180	180
Total	<u>123</u>	<u>973</u>	<u>1.096</u>

	KPMG Accountants N.V. EUR'000	Other KPMG network EUR'000	Total EUR'000
2018/2019			
Statutory audit of annual accounts	117	668	785
Other assurance services	-	38	38
Tax advisory services	-	145	145
Total	<u>117</u>	<u>851</u>	<u>968</u>

## **51 Subsequent events**

On April 1, 2020 MEU executed a 100% share purchase of the company AQS Produkter AB, Västra Frölunda, Sweden, ("AQS") from an external party for the purpose of further strengthening the commercial air conditioning business of MEU in Sweden and other regions in Europe. AQS was acquired for an amount of EUR 4,9 million. AQS is a distributor of commercial air conditioning equipment in Sweden. It will be integrated into MEU structure by merger during business year 2021/2022.

The former office building of the German branch classified as asset held for sale was sold in June 2020 for an amount of EUR 4,3 million.

On June 15, 2020 MEU updated its existing credit line facility with Mitsubishi Electric Finance Europe PLC., the in-house bank supported by MELCO. The maximum available credit facility under the updated arrangement amounts to EUR 350,0 million.

Covid-19 significantly impacts the global economy and markets. At this time, the impact of Covid-19 on our business has been limited as we have currently not witnessed significant changes in operations and demand, whereas supply chains and distribution channels are intact and our liquidity remains healthy. However, going forward Covid-19 may negatively impact our business and at this stage determining the precise impact is challenging. In this respect, we developed and implemented contingency plans and are closely and continuously evaluating the developments. We will take all necessary actions to keep our operations running and protect our employees, suppliers, customers and all other stakeholders. Based on our current knowledge and available information, we do not expect Covid-19 to have an impact on our ability to continue as a going concern in the future.

There have been no other events after reporting date which have a significant impact on, or should be disclosed in, the 2019/2020 consolidated and company financial statements.

Amsterdam, June 30, 2020

### **Board of Managing Directors**

T. Ishikawa  
M. Konishi  
A. Wagner  
E. Pellerin  
H. Puetz  
S. Kurita  
T. Kifuku

## **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 of 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 2020 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 2020 and of its result and its cash flows for the year ended on 31 March 2020 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 2020 and of its result for the year ended on 31 March 2020 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 2020;
- 2 the following consolidated statements for the year ended 31 March 2020: the statement of profit or loss, other comprehensive income, changes in equity and 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 2020;
- 2 the company income statement for the year ended on 31 March 2020; 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 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:

- Board 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 Board of 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 engagement 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 represent 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 or operations. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities or operations for which an audit or review had to be carried out on the complete set of financial information or specific items.



We communicate with the Board of Managing Directors 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, 30 June 2020

KPMG Accountants N.V.

L.M.A. van Opzeeland RA