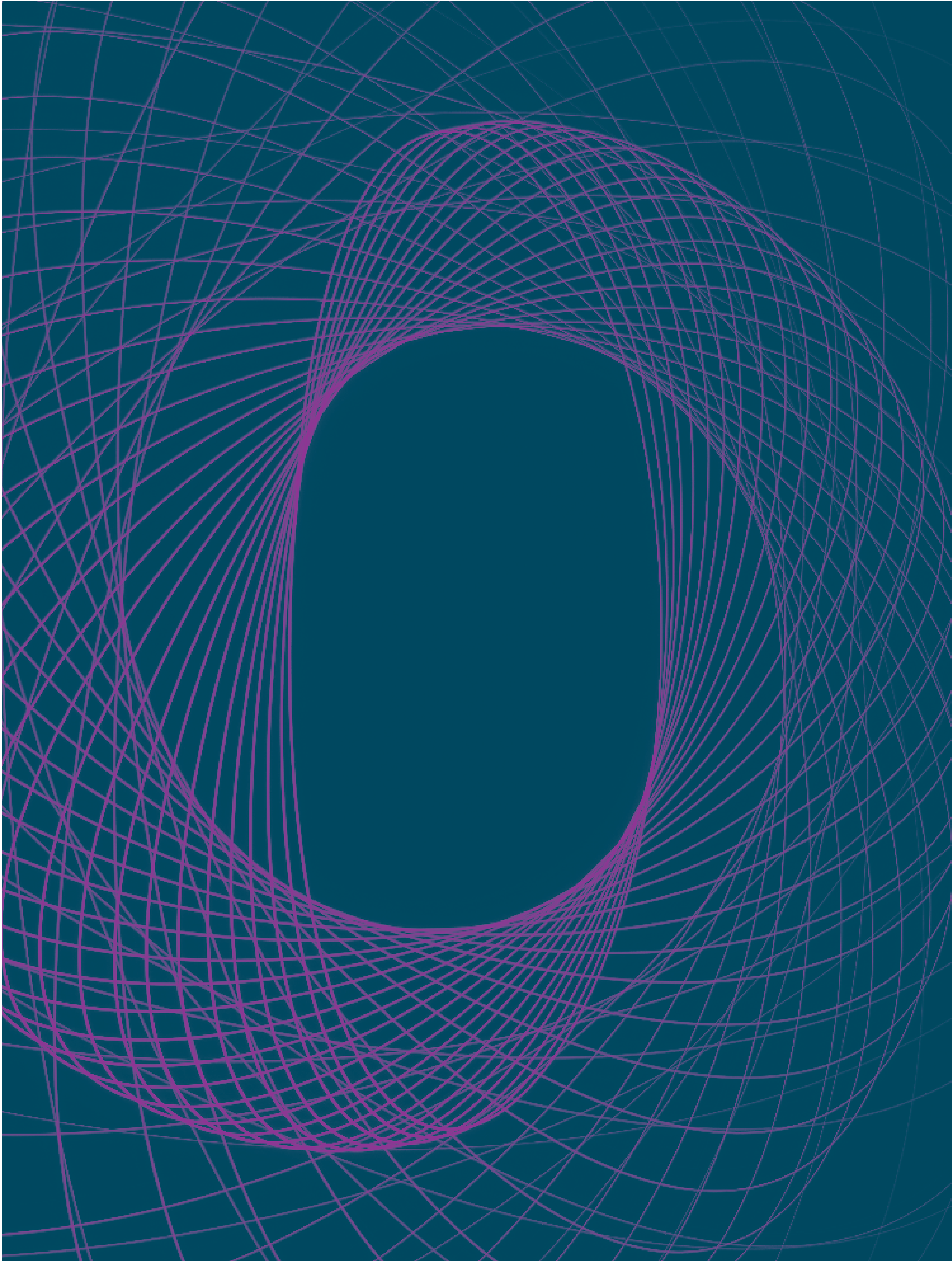
Half Year Report 2019

Landis+Gyr
manage energy better



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Letter to Shareholders

Dear Fellow Landis+Gyr Shareholders,
We are pleased to report that Landis+Gyr continued to make important progress in the first half of FY 2019 in our determined efforts to bring the benefit of grid edge applications to our customers and at the same time to further improve the profitability of our business.

Utilities around the world are continuing to transform their infrastructure and to deploy smart technologies to solve the many challenges facing this critical industry. Both regulatory and business case drivers are pushing this evolution, and utilities need a strong partner to confidently meet these increasingly complex requirements. Our focus on grid edge intelligence provides utilities with what we believe to be a unique approach to addressing their product, solution and service needs, wherever they fall on the technology maturity curve.

Tangible evidence of this progress can be seen in the recent announcements made during the first half of FY 2019. From major new contract wins, continued partnership ecosystem expansion, which is vital in continuing to have best in class grid edge capabilities, and making further strides in our internal technology innovation efforts, we remain committed to further strengthening the company. And of course, the improved profitability performance of the EMEA and Asia Pacific regions, together with the Americas' resilient Adjusted EBITDA are clear indications of Landis+Gyr's further progress in enhancing margins.

Contract Wins and Recognitions
Recent contract awards are a clear indication that utility customers around the world choose Landis+Gyr. In EMEA, Landis+Gyr will deliver its Gridstream® Connect solution for 1 million metering points to E.ON in Sweden. Sweden is one of the first countries to move into its 2nd-wave of smart meter rollouts, and this latest technology will empower end consumers to improve the efficiency of their energy usage, and enable smart grids to manage large-scale integration of renewable energy and use of e-vehicles.

In the UK, Landis+Gyr has contracts to provide approximately 21 million endpoints (with 9 million already installed), and we see further opportunities to increase this number, as more than 15.5 million metering points are yet to be awarded.

In addition to rollouts of advanced technology, Landis+Gyr has been awarded a new Software as a Service (SaaS) contract for the smart metering system of Liechtensteinische Kraftwerke (LKW), the public body that provides electric power to the principality of Liechtenstein. The contract expands an existing partnership with LKW, which has been using Landis+Gyr's Advanced Metering Infrastructure (AMI) solution since 2011.

In the Americas, Colorado Springs Utilities will deploy the Gridstream Connect platform connecting more than 590,000 electric, natural gas and water meters to an integrated network management and data acquisition system. The new contract provides for managed services by Landis+Gyr for a 20-year period, including deployment and post-deployment services. On the product front, the Company also announced a partnership with UtiliData, further building the partner ecosystem for advanced grid edge technologies.

Finally, we are very proud to have been named by Frost&Sullivan as its Global AMI Company of the Year for 2019, in a report that highlighted Landis+Gyr's grid edge intelligence positioning in the utility marketplace. This is the fifth consecutive time Landis+Gyr has been recognized for this Company of the Year award.

Half Year FY 2019 Financial Results

Net revenues for Landis+Gyr Group reached USD 862.8 million in the first half of FY 2019, up 1.2% compared to the first half of FY 2018, an increase of 3.4% on a constant currency basis. The Americas, EMEA and Asia Pacific saw net revenue changes of –4.1%, 10.5% and 32.0% respectively on a constant currency basis, compared to the year ago period. As expected in the Americas, net revenue experienced a temporary decline due to project timing with two large projects rolling off, partially offset by increases from other projects. In EMEA, net revenue increased, primarily due to the UK where deployment of SMETS2 meters continued to progress strongly. In Asia Pacific, revenue was up driven by project deployments in Australia, Hong Kong and India. Order intake for the Group was USD 818.9 million in the first half of FY 2019, a decrease of 7.1% in constant currency terms on the same period last year. Total committed backlog was USD 2.51 billion at the end of the first half of FY 2019, an increase of 7.1% year-over-year reflecting important contract awards from both H1 FY 2019 and H2 FY 2018.

We continued to make important progress in improving the gross margin of the business, as we work to further improve our manufacturing efficiencies. In H1 FY 2019, lower costs associated with eased supply chain constraints compared with last year contributed as well.

Project Lightfoot, aimed at bundling and partially outsourcing manufacturing activities to enhance production efficiencies, lower supply chain costs and further reduce capital intensity, is ahead of plan and is expected to deliver USD 20 million of annual savings in FY 2019. The Company expects a further USD 5 million savings will be delivered next financial year, for total annual savings of USD 25 million in FY 2020.

First half FY 2019 Adjusted EBITDA reached USD 124.9 million compared to USD 106.8 million in the first half of FY 2018, an increase of 16.9%, which included the USD 5.6 million one-off benefit of a favorable Brazilian court ruling on Value Added Tax (VAT) collection, which we expect will be recovered over several years by means of an offset against future VAT payments due in Brazil. The Adjusted EBITDA margin was 14.5% of net revenues, primarily driven by improved performance and execution in the EMEA and Asia Pacific regions. Excluding the one-time VAT benefit in Brazil, the Group’s Adjusted EBITDA margin increased by 130 basis points.

Net income for the first half of FY 2019 was USD 71.8 million which compares to USD 59.2 million for the first half of FY 2018. Recall that in H1 FY 2018, the sale of Landis+Gyr’s intelliHUB business to the joint venture vehicle established with Pacific Equity Partners resulted in a gain on the disposal of USD 15.5 million. Earnings per share grew 21.9% to USD 2.45 per share from USD 2.01 per share in H1 FY 2019 and H1 FY 2018 respectively.

Free cash flow (excluding M&A activities) reached USD 33.1 million in the first half of FY 2019, an increase of USD 19.0 million from the first half of FY 2018. Net debt fell to USD 99.4 million, or 0.4 times twelve months’ trailing Adjusted EBITDA, and reflects the payment of the USD 94.0 million dividend in the first half of 2019, and the USD 20.3 million share buyback cash use. The share buy back program is approximately 30% completed.

Outlook and Guidance for FY 2019

We remain positive on the balance of FY 2019, although regulatory delays could slow some project starts in the US. As a result, we have lowered our top line guidance somewhat. Our FY 2019 Adjusted EBITDA and Free Cash Flow (excluding M&A) guidance remains unchanged.

Therefore, we expect FY 2019 net revenue growth of approximately 1–4% in constant currency, versus the earlier range of 2–5%. Group Adjusted EBITDA is expected to be between USD 240 million and USD 255 million. Free Cash Flow (excluding M&A) is expected to be between USD 120 million and USD 135 million, with a dividend payout of at least 75% of Free Cash Flow (excluding M&A).

Sustainability Efforts
One final topic is Landis+Gyr's sustainability efforts. Landis+Gyr has a rich and proud history of leadership in the environmental arena, from internal improvement efforts that reduce emissions and discharges to development of leading-edge efficiency products and solutions for the electricity utility industry. We are now taking another step forward on our sustainability journey to further improve performance. Having recently completed a comprehensive materiality analysis that considered current and future Corporate Social Responsibility (CSR) priorities – based on a survey of internal and external stakeholders – the Company has identified nine key categories, including four topics of particular strategic importance. For each of these nine topics, a team of specialists with a dedicated workstream leader has developed a package of measures with corresponding key performance indicators. Together, these measures form the roadmap for the execution of a comprehensive renewal of the Landis+Gyr CSR management system by 2021. Once implemented, Landis+Gyr will have what we believe to be an industry leading program, offering an enhanced structure guided primarily by the UN Global Compact (UNGC) and the Global Reporting Initiative (GRI) guidelines.

In FY 2018, total CO_2 emissions fell by 2.7%, and since measurement began of Landis+Gyr's carbon footprint in 2007, CO_2 emissions have been reduced on a per-turnover basis by 32.4%. Total use of chemicals decreased by 10.7% and has fallen 50% over the past six years. Water consumption within the Group increased by 9.9% and total waste produced increased by 6.4%, being negatively impacted by weather conditions and one-time effects.

Well Positioned
As we have said before, we are confident that the Company has the right strategy, technology, products and people to continue to be the global leader in this exciting industry. With the successful transition from a dedicated metering provider to offering our customers the most advanced networking and IoT solutions in the industry, Landis+Gyr has been structured to weather global and industrial cycles – and this balance makes us the envy of the industry. We are extremely pleased that you have joined the nearly 6,000 dedicated Landis+Gyr professionals in our mission of helping the world sustainably manage energy better.

Yours sincerely,

Andreas Umbach
Chairman

Richard Mora
CEO

Key Figures

(in million USD, unless otherwise indicated)	Half Year ended September 30, 2019	2018	CHANGE USD	Constant Currency
Order Intake	818.9	910.0	(10.0%)	(7.1%)
Committed Backlog	2,514.1	2,347.9	7.1%	9.3%
Net revenue	862.8	852.9	1.2%	3.4%
Reported EBITDA	128.2	114.9	11.6%	
Adjusted EBITDA	124.9	106.8	16.9%	
Adjusted EBITDA as % of net revenue	14.5%	12.5%		
Operating Income	84.9	67.6	25.6%	
Net income attributable to Landis+Gyr Group AG Shareholders	71.8	59.2	21.3%	
Earnings per share – basic (USD)	2.45	2.01	21.9%	
Earnings per share – diluted (USD)	2.45	2.01	21.9%	
Free Cash Flow excluding M&A[1]	33.1	14.1	134.8%	
Cash provided by operating and investing activities	33.1	(4.8)	–	
Net Debt	99.4	110.4	(10.0%)	

1 Net cash provided by operating activities, minus net cash used in investing activities, excluding merger & acquisition activities.

COMMITTED BACKLOG	2019	2018	USD	Constant Currency
Americas	1,634.8	1,522.5	7.4%	7.5%
EMEA	790.2	760.2	3.9%	10.4%
Asia Pacific	89.0	65.1	36.7%	37.1%
Total	**2,514.1**	**2,347.9**	**7.1%**	**9.3%**

In addition to the committed backlog shown above, contingent backlog represents an amount of USD 282.0 million as of September 30, 2019 versus an amount of USD 321.0 million as of September 30, 2018.

NET REVENUE TO EXTERNAL CUSTOMERS	2019	2018	USD	Constant Currency
Americas	476.0	497.5	(4.3%)	(4.1%)
EMEA	306.3	291.6	5.0%	10.5%
Asia Pacific	80.5	63.8	26.2%	32.0%
Total	**862.8**	**852.9**	**1.2%**	**3.4%**

ADJUSTED EBITDA	2019	2018	USD
Americas	92.1	102.2	(9.9%)
EMEA	23.4	(0.4)	–
Asia Pacific	4.9	(3.6)	–
Corporate unallocated	4.5	8.6	
Total	**124.9**	**106.8**	**16.9%**

ADJUSTED EBITDA % OF NET REVENUE TO EXTERNAL CUSTOMERS	2019	2018
Americas	19.3%	20.5%
EMEA	7.6%	(0.1%)
Asia Pacific	6.1%	(5.6%)
Group	**14.5%**	**12.5%**

Interim Condensed Consolidated Financial Statements (unaudited)

Interim Condensed Consolidated Statements of Operations (unaudited)

USD in thousands, except per share data and number of shares	SIX MONTHS ENDED SEPTEMBER 30, 2019	2018
Net revenue	**862,755**	**852,910**
Cost of revenue	579,974	576,979
Gross profit	**282,781**	**275,931**
Operating expenses		
Research and development	76,833	78,862
Sales and marketing	42,086	46,870
General and administrative	61,759	64,897
Amortization of intangible assets	17,235	17,714
Operating income	**84,868**	**67,588**
Other income (expense)		
Interest income	5,053	272
Interest expense	(3,570)	(3,114)
Non-operational pension credit	2,289	2,080
Gain on divestments	–	15,545
Loss on foreign exchange, net	(624)	(2,484)
Income before income tax expense	**88,016**	**79,887**
Income tax expense	(13,184)	(19,114)
Net income before noncontrolling interests and equity method investments	**74,832**	**60,773**
Net loss from equity investments	(3,051)	(1,701)
Net income before noncontrolling interests	**71,781**	**59,072**
Net loss attributable to noncontrolling interests, net of tax	(21)	(137)
Net income attributable to Landis+Gyr Group AG Shareholders	**71,802**	**59,209**
Earnings per share:		
Basic	2.45	2.01
Diluted	2.45	2.01
Weighted average number of shares used in computing earnings per share:		
Basic	29,292,228	29,507,940
Diluted	29,358,894	29,507,940

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

Interim Condensed Consolidated Statements of Comprehensive Income (unaudited)

	SIX MONTHS ENDED SEPTEMBER 30,	
USD in thousands	2019	2018
Net income before noncontrolling interests	**71,781**	**59,072**
Other comprehensive (loss) income:		
Foreign currency translation adjustments, net of income tax expense	(7,167)	(12,345)
Pension plan benefits liability adjustments, net of income tax expense	(21,533)	4,511
Comprehensive income	**43,081**	**51,238**
Net loss attributable to noncontrolling interests, net of tax	21	137
Foreign currency translation adjustments attributable to the noncontrolling interests	82	546
Comprehensive income attributable to Landis+Gyr Group AG Shareholders	**43,184**	**51,921**

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

Interim Condensed Consolidated Balance Sheets (unaudited)

USD in thousands, except share data	September 30, 2019	March 31, 2019 AUDITED
ASSETS		
Current assets		
Cash and cash equivalents	35,923	73,381
Accounts receivable, net of allowance for doubtful accounts of USD 9.2 million and USD 9.9 million	342,556	367,943
Inventories, net	155,655	133,659
Prepaid expenses and other current assets	63,903	54,798
Total current assets	**598,037**	**629,781**
Property, plant and equipment, net	129,741	142,058
Intangible assets, net	309,045	332,030
Goodwill	1,354,094	1,354,094
Deferred tax assets	16,667	15,821
Other long-term assets	129,331	78,156
TOTAL ASSETS	**2,536,915**	**2,551,940**
LIABILITIES AND EQUITY		
Current liabilities		
Trade accounts payable	197,552	220,314
Accrued liabilities	30,009	31,232
Warranty provision	30,540	34,257
Payroll and benefits payable	50,208	66,842
Loans payable	135,444	90,661
Operating lease liabilities – current	14,671	–
Other current liabilities	75,550	81,438
Total current liabilities	**533,974**	**524,744**
Warranty provision – non-current	17,380	10,920
Pension and other employee liabilities	63,425	48,382
Deferred tax liabilities	35,036	37,347
Tax provision	27,021	29,172
Operating lease liabilities – non-current	31,940	–
Other long-term liabilities	65,172	68,000
Total liabilities	**773,948**	**718,565**
Commitments and contingencies – Note 13		
Shareholders' equity		
Landis+Gyr Group AG shareholders' equity Registered ordinary shares (29,251,249 and 29,510,000 issued shares at September 30, 2019 and March 31, 2019, respectively)	306,341	309,050
Additional paid-in capital	1,303,840	1,408,122
Retained earnings	247,447	177,966
Accumulated other comprehensive loss	(80,763)	(52,145)
Treasury shares, at cost (213,601 and 198,674 shares at September 30, 2019 and March 31, 2019, respectively)	(16,050)	(12,332)
Total Landis+Gyr Group AG shareholders' equity	**1,760,815**	**1,830,661**
Noncontrolling interests	2,152	2,714
Total shareholders' equity	**1,762,967**	**1,833,375**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,536,915**	**2,551,940**

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

Interim Condensed Consolidated Statements of Changes in Shareholders Equity (unaudited)

USD in thousands except for shares	Registered ordinary shares		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury shares	Total Landis+Gyr Group AG equity	Noncontrolling interests	Total shareholders' equity
Balance at March 31, 2018	**29,510,000**	**309,050**	**1,475,421**	**55,721**	**(35,554)**	**–**	**1,804,638**	**3,383**	**1,808,021**
Net income (loss)	–	–	–	59,209	–	–	59,209	(137)	59,072
Foreign currency translation adjustments, net of income tax expense	–	–	–	–	(11,799)	–	(11,799)	(546)	(12,345)
Pension plan benefits liability adjustment, net of income tax expense	–	–	–	–	4,511	–	4,511	–	4,511
Dividends paid (CHF 2.30 per share)			(68,383)				(68,383)	–	(68,383)
Share based compensation			556				556	–	556
Purchase of treasury shares						(436)	(436)	–	(436)
Delivery of shares	–	–	(120)	–	–	120	–	–	–
Balance at September 30, 2018	**29,510,000**	**309,050**	**1,407,474**	**114,930**	**(42,842)**	**(316)**	**1,788,296**	**2,700**	**1,790,996**
Balance at March 31, 2019	**29,510,000**	**309,050**	**1,408,122**	**177,966**	**(52,145)**	**(12,332)**	**1,830,661**	**2,714**	**1,833,375**
Net income (loss)	–	–	–	71,802	–	–	71,802	(21)	71,781
Foreign currency translation adjustments, net of income tax expense	–	–	–	–	(7,085)	–	(7,085)	(82)	(7,167)
Pension plan benefits liability adjustment, net of income tax expense	–	–	–	–	(21,533)	–	(21,533)	–	(21,533)
Dividends paid (CHF 3.15 per share)	–	–	(93,968)	–	–	–	(93,968)	–	(93,968)
Dividends paid to noncontrolling interest	–	–	–	–	–	–	–	(459)	(459)
Share based compensation	–	–	1,416	–	–	–	1,416	–	1,416
Purchase of treasury shares	–	–	–	–	–	(20,478)	(20,478)	–	(20,478)
Delivery of shares	–	–	(216)	–	–	216	–	–	–
Retirement of shares	(258,751)	(2,709)	(11,514)	(2,321)	–	16,544	–	–	–
Balance at September 30, 2019	**29,251,249**	**306,341**	**1,303,840**	**247,447**	**(80,763)**	**(16,050)**	**1,760,815**	**2,152**	**1,762,967**

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

Interim Condensed Consolidated Statements of Cash Flows (unaudited)

	SIX MONTHS ENDED SEPTEMBER 30,	
USD in thousands	2019	2018
Cash flow from operating activities		
Net income	71,781	59,072
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	43,333	47,280
Net loss from equity investments	3,051	1,701
Share-based compensation	1,416	556
Gain on divestments	–	(15,545)
Gain on disposal of property, plant and equipment	248	103
Effect of foreign currencies translation on non-operating items, net	(308)	(2,459)
Change in allowance for doubtful accounts	(649)	(484)
Deferred income tax	(2,715)	(1,507)
Change in operating assets and liabilities, net of effect of businesses acquired and effect of changes in exchange rates:		
Accounts receivable	16,761	(30,747)
Inventories	(26,910)	(19,351)
Trade accounts payable	(15,352)	52,365
Other assets and liabilities	(44,948)	(60,113)
Net cash provided by operating activities	**45,708**	**30,871**
Cash flow from investing activities		
Payments for property, plant and equipment	(12,681)	(16,525)
Payments for intangible assets	–	(326)
Proceeds from the sale of property, plant and equipment	85	126
Business acquisitions	–	(18,945)
Net cash used in investing activities	**(12,596)**	**(35,670)**
Cash flow from financing activities		
Purchase of treasury shares	(20,478)	(436)
Dividends paid	(93,968)	(68,383)
Dividends paid to noncontrolling interest	(459)	–
Proceeds from third party facility	176,438	18,081
Repayment of borrowings to third party facility	(130,929)	(2,279)
Net cash provided by (used in) financing activities	**(69,396)**	**(53,017)**
Net increase (decrease) in cash and cash equivalents	**(36,284)**	**(57,816)**
Cash and cash equivalents at beginning of period, including restricted cash	73,381	106,763
Effects of foreign exchange rate changes on cash and cash equivalents	(1,174)	(3,056)
Cash and cash equivalents at end of period, including restricted cash	**35,923**	**45,891**
Supplemental cash flow information		
Cash paid for income tax	16,664	17,005
Cash paid for interest	2,920	2,619

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

NOTE 1: GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General Information

Landis+Gyr Group AG ("Landis+Gyr"), and subsidiaries (together, the "Company") form a leading global provider of energy metering products and solutions to utilities.

Since July 21, 2017, the Company's registered ordinary shares have been listed on the SIX Swiss Exchange (Securities number: 37115349; ISIN: CH0371153492; Ticker symbol: LAND).

The following notes relate to the Interim Condensed Consolidated Financial Statements of Landis+Gyr for each of the six months ended September 30, 2019 and September 30, 2018.

The Interim Condensed Consolidated Financial Statements have not been audited by the auditors. They were approved for publication by the Board of Directors on October 28, 2019.

1.2 Basis of Presentation

The unaudited Interim Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the Unites States of America ("US GAAP") for interim financial information and accordingly do not include all information and disclosures as required by US GAAP for complete financial statements. Therefore, such financial information should be read in conjunction with the audited Consolidated Financial Statements for the fiscal year ended March 31, 2019.

In the opinion of management, these unaudited Interim Condensed Consolidated Financial Statements reflect all adjustments necessary to fairly state the Consolidated Balance Sheets, Statements of Operations, Statements of Comprehensive Income, Cash Flows and Changes in Shareholders' Equity for the interim periods presented. Management considers all such adjustments to be of a normal recurring nature.

All amounts are presented in United States dollars ("$" or "USD"), unless otherwise stated.

Use of estimates

The preparation of Consolidated Financial Statements in accordance with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the Interim Condensed Consolidated Financial Statements and accompanying notes. Actual results could differ materially from these estimates. If the estimates and assumptions used by management to the best of its knowledge at the date of the financial statements happen to differ from subsequent actual facts, the original estimates and assumptions will be adjusted in the reporting period in which the facts have changed.

1.3 Recent Accounting Pronouncements

New accounting pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, amending the accounting for the impairment of financial instruments, including trade receivables. The new guidance requires the use of a "current expected credit loss" model for most financial assets. Under the new model, an entity recognizes as an allowance its estimate of expected credit losses, rather than the current methodology requiring delay of recognition of credit losses until it is probable a loss has been incurred. The ASU is effective for financial years beginning after December 15, 2020, with early adoption permitted. The requirements of the amended guidance should be applied using a modified retrospective approach except for debt securities, which require a prospective transition approach. The Company currently intends to adopt the new standard as of April 1, 2021 and is currently in the process of evaluating the effect that the amendments will have on its Consolidated Financial Statements and related disclosures.

In August 2018, the FASB issued ASU 2018-13, Changes to the Disclosure Requirements for Fair Value Measurement, which eliminates the requirements to disclose the amount of and reasons for transfers between Level 1 and 2 of the fair value hierarchy, the timing of transfers between levels and the Level 3 valuation process, while expanding the Level 3 disclosures to include the range and weighted average used to develop significant unobservable inputs and the changes in unrealized gains and losses on recurring fair value measurements. This update is effective for the Company for annual and interim periods beginning April 1, 2020, with early adoption permitted. The changes and modifications to the Level 3 disclosures are to be applied prospectively, while all other amendments are to be applied retrospectively. The Company is currently evaluating the impact of this update on its disclosures but does not expect that it will have a material effect on its Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-14, Changes to the Disclosure Requirements for Defined Benefit Plans, which removes certain disclosures relating to (i) amounts expected to be recognized in net periodic benefit cost over the next twelve months, (ii) plan assets expected to be returned to the Company, (iii) a one-percentage-point change in assumed health care costs, and (iv) related parties, including insurance and annuity contracts. It clarifies the disclosure requirements for both the projected and accumulated benefit obligations, as well as requiring additional disclosures for cash balance plans and explanations for significant gains and losses related to changes in the benefit obligations. This update is effective for the Company on April 1, 2020 on a retrospective basis, with early adoption permitted. As these amendments relate only to disclosures, there will be no impact from the adoption of ASU 2018-14 on the Company’s financial position, results of operations or cash flows.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which required substantially all leases be recognized by lessees on their balance sheet as a right-of-use asset and corresponding lease liability, including leases previously accounted for as operating leases. The new standard also resulted in enhanced quantitative and qualitative disclosures, including significant judgments made by management, to provide greater insight into the extent of expense recognized and expected to be recognized from existing leases. The standard required modified retrospective adoption and was effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases, to clarify, improve, and correct various aspects of ASU 2016-02, and also issued ASU 2018-11, Targeted Improvements to Topic 842, Leases, to simplify transition requirements and, for lessors, provide a practical expedient for the separation of nonlease components from lease components. In March 2019, the FASB issued a second Codification Improvements to Topic 842, Leases (ASU 2019-01) to provide further guidance and clarity on several topics of ASU 2016-02. The effective date and transition requirements in ASU 2018-10, ASU 2018-11, and ASU 2019-01 are the same as the effective date and transition requirements of ASU 2016-02. The Company adopted Accounting Standards Codification (ASC) 842 on April 1, 2019 on a modified retrospective basis. It has elected to apply the package of practical expedients which permits the Company to not reassess under the new standard prior conclusions about lease identification, lease classification and initial direct cost. The adoption of this standard resulted in an increase of Other long-term assets, Operating lease liabilities – current, and Operating lease liabilities – non-current of USD 46.8 million, USD 16.6 million, and USD 30.5 million, respectively, and a decrease in Other current assets and Other current liabilities of USD 0.5 million and USD 0.8 million, respectively. Comparable information has not been restated to reflect the adoption of this new standard and continues to be measured and reported under ASC 840. Refer to the updated Leases accounting policy described below and Note 12: Leases for additional disclosure regarding the Company’s leases and the adoption of ASC 842.

In February 2018, the FASB issued ASU 2018-02 Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income that allows entities to elect an option to reclassify the stranded tax effects related to the application of U.S. tax reform from Accumulated other comprehensive income/(loss) ("AOCI") to Retained earnings. The Company adopted the guidance effective April 1, 2019 and elected not to reclassify prior periods stranded tax. In accordance with its accounting policy, the Company releases income tax effects from AOCI once the reason the tax effects were established cease to exist (e.g. when prior service cost and pension gains (losses) are reclassified out of AOCI and recognized within Net periodic benefit cost).

1.4 Leases Accounting Policy

The Company determines if an arrangement is a lease at inception. A lease exists when a contract conveys to the customer the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. The definition of a lease embodies two conditions: (1) there is an identified asset in the contract that is land or a depreciable asset (i.e., property, plant, and equipment), and (2) the customer has the right to control the use of the identified asset.

Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Company uses the implicit rate when readily determinable. As most of our leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The ROU assets also include any lease payments made and exclude lease incentives received and initial direct costs incurred. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

The Company has lease agreements, which include lease and nonlease components. For each of our existing asset classes, the Company has elected the practical expedient to account for the lease and nonlease components as a single lease component when the nonlease components are fixed.

The Company has elected to utilize the short-term lease exemption for all lease asset classes. All leases with a lease term that is not greater than twelve months are not subject to recognition and measurement of lease ROU assets and liabilities in the Consolidated Balance Sheet.

Operating leases are included in Other long-term assets, Operating lease liabilities – current, and Operating lease liabilities – non-current in the Consolidated Balance Sheet. Operating lease costs are recognized on a straight-line basis over the lease term as a single-line item in the Consolidated Statement of Operations.

Finance leases are included in Property, plant, and equipment, Other current liabilities, and Other long-term liabilities in the Consolidated Balance Sheet. Finance lease ROU assets are generally amortized on a straight-line basis over the lease term with the interest expenses on the lease liability recorded using the interest method. The amortization and interest expenses are recorded separately in the Consolidated Statement of Operations.

Lease expenses for variable lease payments, where the timing or amount of the payment is not fixed, are recognized when the obligation is incurred. Variable lease payments generally arise in lease arrangements where executory and other lease-related costs are billed to the Company when incurred by the lessor.

NOTE 2: SHAREHOLDERS' EQUITY

At September 30, 2019 and March 31, 2019, the capital structure reflected 29,251,249 and 29,510,000, respectively, issued registered ordinary shares with restricted transferability. The restricted transferability is related to the fact that the Board of Directors can reject a shareholder not disclosing the beneficial owner.

Registered ordinary shares carry one vote per share, as well as the right to dividends.

Treasury shares

From time to time, the Company may repurchase shares of its common stock under programs authorized by the Board of Directors. Share repurchases are made in the open market and in accordance with applicable securities laws. Shares repurchased are displayed separately as treasury shares in the Consolidated Financial Statements.

On January 29, 2019, the Company announced its intention to execute a share buyback program amounting to a maximum value of CHF 100 million during a period of up to 36 months for the purpose of a capital reduction (the "Buyback program"). The implementation of the Buyback program depends on market conditions. The Buyback program lasts from January 30, 2019 to January 28, 2022 at the latest. The Company reserves the right to terminate the Buyback program at any time and has no obligation to acquire its own registered shares as part of the Buyback program. The Board of Directors of Landis+Gyr intends to request one or more capital reductions from future general meetings by cancelling the registered shares repurchased under the Buyback program.

The changes in Treasury shares during the six-month periods ended September 30, 2019 and September 30, 2018 were as follows:

MOVEMENT IN TREASURY SHARES

	SIX MONTHS ENDED SEPTEMBER 30,			
	2019	**2019**	2018	2018
	Number of shares	**Average acquisition price per share (in CHF)**	Number of shares	Average acquisition price per share (in CHF)
Treasury shares – opening balance as of April 1	198,674	62.05	–	–
Purchases for share Buyback program	274,824	73.74	–	–
Other purchases	2,342	81.41	6,848	63.17
Delivery of shares	(3,488)	61.71	(1,848)	64.35
Retirement of shares	(258,751)	64.15	–	–
Treasury shares – closing balance as of September 30	**213,601**	**74.76**	**5,000**	**62.73**

Share Capital reduction
At the Annual General Meeting of Shareholders on June 25, 2019, shareholders approved the proposal of the Board of Directors to reduce the share capital of the Company by cancelling 258,751 treasury shares which were acquired under the Buyback program. This cancellation was completed in September 2019, resulting in a decrease in Treasury shares of USD 16.5 million and a corresponding combined decrease in Registered ordinary shares, Additional paid-in capital and Retained earnings.

Dividend
At the Annual General Meeting of Shareholders on June 25, 2019, shareholders approved the proposal of the Board of Directors to distribute 3.15 Swiss francs per share to shareholders. The declared dividend amounted to CHF 91.7 million (USD 94.0 million at the exchange rate prevailing at June 25, 2019) and was paid in July 2019.

At the Annual General Meeting of Shareholders on June 28, 2018, shareholders approved the proposal of the Board of Directors to distribute 2.30 Swiss francs per share to shareholders. The declared dividend amounted to CHF 67.9 million (USD 68.4 million at the exchange rate prevailing at June 28, 2018) and was paid in July 2018.

Conditional share capital
The share capital of the Company may be increased by up to CHF 4,500,000 by issuing up to 450,000 fully paid up registered shares with a nominal value of CHF 10 each, upon the exercise of option rights or in connection with similar rights regarding shares granted to officers and employees at all levels of the Company and its group companies according to respective regulations and resolutions of the Board of Directors. This conditional share capital has been approved and is available for use. As of September 30, 2019, and March 31, 2019 no shares were issued from this conditional share capital.

Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive loss (AOCL) of Landis+Gyr Group AG consist of (in thousands):

USD in thousands	SEPTEMBER 30, 2019	2018
Foreign currency translation adjustments, net of tax	(42,693)	(33,043)
Pension plan benefits liability adjustments, net of taxes of USD 3,556 and USD 1,930 as of September 30, 2019 and September 30, 2018, respectively	(38,070)	(9,799)
Accumulated other comprehensive income (loss)	**(80,763)**	**(42,842)**

The following tables present the reclassification adjustments in AOCL by component:

USD in thousands	Defined benefit pension items	Foreign currency items	Total
Beginning balance, April 1, 2019	**(16,537)**	**(35,608)**	**(52,145)**
Other comprehensive income (loss) before reclassifications	(21,222)	(7,085)	(28,307)
Amounts reclassified from accumulated other comprehensive income	(311)	–	(311)
Net current-period other comprehensive income (loss)	(21,533)	(7,085)	(28,618)
Ending balance, September 30, 2019	**(38,070)**	**(42,693)**	**(80,763)**

USD in thousands	Defined benefit pension items	Foreign currency items	Total
Beginning balance, April 1, 2018	**(14,310)**	**(21,244)**	**(35,554)**
Other comprehensive income (loss) before reclassifications	4,921	(11,799)	(6,878)
Amounts reclassified from accumulated other comprehensive income	(410)	–	(410)
Net current-period other comprehensive income (loss)	4,511	(11,799)	(7,288)
Ending balance, September 30, 2018	**(9,799)**	**(33,043)**	**(42,842)**

The pension plan benefits liability adjustment, net of taxes, in the AOCL changed by USD (21.5) million and USD 4.5 million in the six-month periods ended September 30, 2019 and September 30, 2018, respectively. These changes represent the movement of the current year activity including the reclassified amounts from accumulated other comprehensive income to net income:

USD in thousands	SIX MONTHS ENDED SEPTEMBER 30, 2019	2018
Amortization of actuarial loss / (gain)	208	106
Amortization of prior service cost	(519)	(516)
Amounts reclassified from other comprehensive income to net income[1]	**(311)**	**(410)**
Net actuarial (loss) / gain	(22,086)	5,139
Total before tax	**(22,397)**	**4,729**
Tax (expense) or benefit	864	(218)
Total other comprehensive income (loss) from defined benefit pension plans (net of tax) for the six month period ended September 30,	**(21,533)**	**4,511**

1 These accumulated other comprehensive income components are included in the computation of net periodic pension costs (see Note 10: Pension and Post-retirement benefit plans for additional details).

NOTE 3: EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the period, assuming that all potentially dilutive securities were exercised, if dilutive. Potentially dilutive securities comprise shares granted subject to certain conditions under the Company's share-based payment arrangements.

Treasury shares are not considered outstanding for share count purposes and they were excluded from the average number of ordinary shares outstanding for the purpose of calculating the basic and diluted net income per share.

The following table sets forth the computation of basic and diluted earnings per share (EPS):

	SIX MONTHS ENDED SEPTEMBER 30,	
USD in thousands, except per share data	2019	2018
Basic earnings per share		
Net income attributable to Landis+Gyr Group AG Shareholders	71,802	59,209
Weighted-average number of shares used in computing earnings per share	**29,292,228**	**29,507,940**
Basic earnings per share attributable to Landis+Gyr Group AG shareholders	**2.45**	**2.01**
Diluted earnings per share		
Net income attributable to Landis+Gyr Group AG Shareholders	71,802	59,209
Weighted-average number of shares used in computing earnings per share	29,292,228	29,507,940
Effect of dilutive securities	66,666	–
Adjusted weighted-average number of shares outstanding	**29,358,894**	**29,507,940**
Diluted earnings per share attributable to Landis+Gyr Group AG shareholders	**2.45**	**2.01**

For the six months ended September 30, 2019 there were 223,582 potentially dilutive securities from the Company's share-based long-term incentive plans, of which 66,666 were included in the computation of the adjusted weighted-average number of shares outstanding as they were actually dilutive. The remaining 156,916 shares could be dilutive in future periods.

For the six months ended September 30, 2018 there were 102,128 potentially dilutive securities from the Company's share-based long-term incentive plans. They were not included in the computation of the adjusted weighted-average number of shares outstanding because they were not actually dilutive.

NOTE 4: REVENUE

The following table provides information about contract assets and liabilities with customers:

USD in thousands	September 30, 2019	March 31, 2019
Contract assets	**109**	**1,259**
Advances from customers	2,044	4,789
Deferred revenue	52,299	48,937
Contract liabilities	**54,343**	**53,726**

Contract assets primarily relate to the Company's right to receive consideration for work completed but for which no invoice has been issued at the reporting date. Contract assets are transferred to receivables when rights to receive payment become unconditional.

Contract assets are included within Prepaid expenses and other current assets in the Interim Condensed Consolidated Balance Sheets.

Contract liabilities primarily relate to advances received on orders from customers as well as amounts invoiced to customers in excess of revenues recognized predominantly on long-term projects. Contract liabilities are reduced as work is performed and as revenues are recognized.

Of the contract liabilities as of March 31, 2019, the Company recognized revenue of USD 8.6 million during the six-month period ended September 30, 2019.

Contract liabilities are included within Other current liabilities and Other non-current liabilities in the Interim Condensed Consolidated Balance Sheets.

Transaction price allocated to the remaining performance obligations

Total transaction price allocated to remaining performance obligations represent committed but undelivered products and services for contracts and purchase orders at period end. Twelve-month remaining performance obligations represent the portion of total transaction price allocated to remaining performance obligations that we estimate will be recognized as revenue over the next 12 months. Total transaction price allocated to remaining performance obligations is not a complete measure of our future revenues as we also receive orders where the customer may have legal termination rights but is not likely to exercise such rights.

Total transaction price allocated to remaining performance obligations related to contracts is approximately USD 751.3 million for the next twelve months and approximately USD 1,762.7 million for periods longer than 12 months. The total remaining performance obligations is comprised of product and services components. The services component relates primarily to maintenance agreements for which customers pay a full year's maintenance in advance, and services revenue is generally recognized over the service period. Total transaction price allocated to remaining performance obligations also includes our extended warranty contracts, for which revenue is recognized over the warranty period, and hardware, which is recognized as units are delivered. The estimate of when remaining performance obligations will be recognized requires significant judgment.

Disaggregation of revenue

Refer to Note 15 – Segment Information for disclosure regarding the disaggregation of revenue into categories which depict how revenue are affected by economic factors. Specifically, our operating segments are disclosed.

NOTE 5: ACQUISITIONS AND DIVESTMENTS

On May 31, 2018, the Company entered into an agreement with Pacific Equity Partners ("PEP"), an Australian private equity firm, to establish IntelliHUB Holdings Pty Ltd, a joint venture for the acquisition of Acumen, a metering service provider, formerly owned by Origin Energy Limited, an Australian energy retailer.

Under the agreement, the Company contributed all the 100 outstanding shares of its wholly owned subsidiary IntelliHUB Operations Pty Ltd ("IntelliHUB"), with net assets of USD 1.0 million previously included in the Asia Pacific reportable unit, and USD 18.9 million in cash, in exchange for 57.5 million shares, representing a 20.3% equity interest in the newly established entity.

On June 19, 2018, the date the transaction was completed, the Company derecognized IntelliHUB's assets and liabilities, as well as USD 7.5 million of allocated goodwill, representing the portion of the Asia Pacific reporting unit's goodwill being attributable to IntelliHUB based on relative fair values. The Company recorded USD 15.5 million gain on disposal, which is included within Other income (expense), net in the Interim Condensed Consolidated Statement of Operations.

Upon divestment of IntelliHUB, the Company has entered into certain commercial agreements with the newly incorporated joint venture, for the sale of hardware and software licenses.

NOTE 6: INVESTMENTS IN AFFILIATED COMPANIES

Since June 19, 2018 and resulting from the acquisition described in Note 5: Acquisitions and Divestments, the Company has a 20.3% equity interest in Spark Holdco Pty Ltd ("Spark"). Spark, together with its subsidiaries, provides energy data management services in Australia. As of September 30, 2019, and 2018, Spark's carrying amount was USD 31.9 million and USD 39.9 million, respectively. The Company included this amount within Other long-term assets on the Interim Condensed Consolidated Balance Sheets.

The Company has elected to record its share of earnings from Spark on a three-month lag. For the six months ended September 30, 2019, the Company's share of loss from Spark was USD 3.0 million, representing the investee's operations through June 30, 2019. For the six months ended September 30, 2018, the Company's share of loss from Spark was USD 1.7 million, representing the investee's operations through June 30, 2018, including certain initial transaction costs incurred as part of merger and acquisition activities. The Company included these amounts within Net loss from equity investments in the Interim Condensed Consolidated Statements of Operations.

NOTE 7: LOANS PAYABLE

Credit Facility

On March 1, 2018, Landis+Gyr AG entered into an agreement (the "Credit Facility Agreement") for a USD 240 million revolving credit facility, provided by a bank syndicate led by UBS Switzerland AG. The purpose of the loan is to replace the former UBS Credit Facility repaid on March 1, 2018 and to fund the Company's working capital requirements.

The agreement has a maturity of five years and it provides that the Company, any time between 120 and 60 calendar days before the first and second anniversary of the commencement of the loan, may request two extensions of the facility, for an additional period of one year each. In the financial year ended March 31, 2019, the Company requested and obtained an extension for an additional period of one year.

Under the facility, the Company may borrow loans in U.S. Dollar, Euro, Swiss Franc and British Pound, with consecutive interest periods of one, three, six, twelve months, or other interest periods and currencies subject to the receipt of required approvals.

There may be a maximum of ten simultaneously outstanding loans with a minimum amount of USD 10 million each, or its approximate equivalent in other currencies. As of September 30, 2019, and March 31, 2019, the Company has drawn loans for a total amount of USD 90.0 million and USD 80.0 million, respectively.

As of September 30, 2019, and March 31, 2019, the credit facility's unused portion was USD 150.0 million and USD 160.0 million, respectively.

In general, borrowings under the revolving credit facility bear interest at a rate based on the London Interbank Offered Rate (LIBOR) in the case of borrowings in Swiss Franc, U.S. Dollar or British Pound, or on the Euro Interbank Offered Rate (EURIBOR) in case of borrowings in Euro, plus a margin ranging from 0.6% to 1.3% depending on the Net Senior Debt / EBITDA ratio calculated every half-year at March 31 and September 30.

The Company incurs a quarterly commitment fee equal to 35% of the applicable margin of the unused portion of the revolving credit facility, as well as an annual agency fee in the amount of less than USD 0.1 million. In addition, the Company paid USD 0.8 million as an arrangement fee which was capitalized and recognized within Other long-term assets in the Company's Consolidated Balance Sheets. The Company is amortizing the arrangement fee over the facility's term.

The Credit Facility Agreement contains affirmative and negative covenants customarily found in loan agreements for similar transactions, subject to certain agreed exceptions, for the borrower and the Group, including with respect to, among other actions, maintaining the Group's business operations and assets, carrying out transactions with third parties at market conditions, ranking all obligations at least pari passu with present or future payment obligations, complying with laws and reporting obligations, and preparation of financial statements in accordance with US GAAP. The Credit Facility Agreement restricts, among other actions, the following, subject to certain exceptions: entering into certain acquisitions, mergers and joint ventures, carrying out material changes to the Group's activities or structure, changing its accounting standards, incurring further indebtedness, granting security for indebtedness, granting credit to third parties, and carrying out certain disposals of assets. The Credit Facility Agreement also contains a financial covenant requiring that the Group's Net Senior Debt (as defined therein) divided by EBITDA be less than 2.50x and its EBITDA be greater than zero, on a semi-annual rolling basis in respect of the most recent two semesters of the Group.

The Credit Facility Agreement contains events of default, which include, among others, payment defaults, breach of other obligations under the Agreement, cross-default, insolvency, material adverse change, or a material reservation of the auditors. Indebtedness under the Credit Facility Loan may be voluntarily prepaid in whole or in part, subject to notice, minimum amounts and break costs.

CHF Credit Facility
On February 27, 2019 Landis+Gyr AG entered into an agreement (the "CHF Credit Facility Agreement") with a bank syndicate led by UBS Switzerland AG, for a CHF 100 million revolving credit facility to be used for general corporate purposes.

The agreement has a maturity of five years and it provides that the Company, at any time between October 25, 2019 and December 20, 2019, may request an extension of the facility, for an additional period of one year.

Under the facility, the Company may borrow loans in Swiss Franc, with consecutive interest periods of one, two, three, six or twelve months, or other interest periods subject to the receipt of required approvals.

There may be a maximum of ten simultaneously outstanding loans with a minimum amount of CHF 10 million each. As of September 30, 2019, and March 31, 2019, the Company has drawn loans for a total amount of CHF 30.0 million and nil, respectively.

As of September 30, 2019, and March 31, 2019, the credit facility's unused portion was CHF 70.0 million and CHF 100.0 million, respectively.

In general, borrowings under the CHF credit facility bear interest at a rate based on the London Interbank Offered Rate (LIBOR), plus a margin ranging from 0.6% to 1.3% depending on the Net Senior Debt/EBITDA ratio calculated every half-year at March 31 and September 30.

The Company incurs a quarterly commitment fee equal to 35% of the applicable margin of the unused portion of the revolving credit facility, as well as an annual agency fee in the amount of CHF 25 thousand.

The CHF Credit Facility Agreement contains affirmative and negative covenants customarily found in loan agreements for similar transactions, subject to certain agreed exceptions, for the borrower and the Group, including with respect to, among other actions, maintaining the Group's business operations and assets, carrying out transactions with third parties at market conditions, ranking all obligations at least pari passu with present or future payment obligations, complying with laws and reporting obligations, and preparation of financial statements in accordance with US GAAP. The CHF Credit Facility Agreement restricts, among other actions, the following, subject to certain exceptions: entering into certain acquisitions, mergers and joint ventures, carrying out material changes to the Group's activities or structure, changing its accounting standards, incurring further indebtedness, granting security for indebtedness, granting credit to third parties, and carrying out certain disposals of assets. The Credit Facility Agreement also contains a financial covenant requiring that the Group's Net Senior Debt (as defined therein) divided by EBITDA be less than 2.50x and its EBITDA be greater than zero, on a semi-annual rolling basis in respect of the most recent two semesters of the Group.

The CHF Credit Facility Agreement contains events of default, which include, among others, payment defaults, breach of other obligations under the Agreement, cross-default, insolvency, material adverse change, or a material reservation of the auditors. Indebtedness under the CHF Credit Facility Loan may be voluntarily prepaid in whole or in part, subject to notice, minimum amounts and break costs.

NOTE 8: DERIVATIVE FINANCIAL INSTRUMENTS

The Company is exposed to certain currency risks arising from its global operating, financing and investing activities. The Company uses derivative instruments to reduce and manage the economic impact of these exposures. Forward foreign exchange contracts are the main instrument used to protect the Company against the volatility of future cash flows (caused by changes in exchange rates) arising from transactions denominated in foreign currencies.

The gross notional amounts of outstanding foreign exchange contracts as of September 30, 2019 and March 31, 2019 were USD 210.3 million and USD 216.4 million, respectively.

For the six-month periods ended September 30, 2019 and 2018, the Company recognized gains (losses) from changes in the fair value of forward foreign exchange contracts of USD 10.2 million and USD (1.6) million, respectively. These amounts are included within Cost of revenue in the Interim Condensed Consolidated Statements of Operations.

The fair values of the outstanding derivatives, included in the Interim Condensed Consolidated Balance Sheet as of September 30, 2019 were as follows:

DERIVATIVE FINANCIAL INSTRUMENTS

		Derivative assets		Derivative liabilities	
September 30, 2019 (USD in thousands)	**Notional amount**	**Prepaid expenses and other current assets**	**Other long-term assets**	**Other current liabilities**	**Other long-term liabilities**
Foreign exchange contracts:					
Foreign currency forward contracts in CHF	30,931	4	–	875	–
Foreign currency forward contracts in GBP	179,247	7,167	5,254	3	11
Foreign currency forward contracts in SEK	158	56	256	2,239	–
Total derivative financial instruments		**7,227**	**5,510**	**3,117**	**11**

The fair values of the outstanding derivatives, included in the Consolidated Balance Sheet as of March 31, 2019 were as follows:

DERIVATIVE FINANCIAL INSTRUMENTS

		Derivative assets		Derivative liabilities	
March 31, 2019 (USD in thousands)	**Notional amount**	**Prepaid expenses and other current assets**	**Other long-term assets**	**Other current liabilities**	**Other long-term liabilities**
Foreign exchange contracts:					
Foreign currency forward contracts in GBP	192,405	717	2,379	–	–
Foreign currency forward contracts in SEK	23,991	–	–	2,996	–
Total derivative financial instruments		**717**	**2,379**	**2,996**	**–**

NOTE 9: FAIR VALUE

The Company measures financial assets and liabilities at fair value. Foreign currency exchange contracts are measured at fair value on a recurring basis by means of various valuation techniques and models and the inputs used are classified based on the hierarchy outlined within the Company's significant accounting policies.

In addition, certain assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

The valuation techniques and models utilized for measuring financial assets and liabilities are reviewed and validated at least annually.

Recurring Fair Value Measurements

At September 30, 2019 and March 31, 2019, for each of the fair value hierarchy levels, the following assets and liabilities were measured at fair value on a recurring basis:

September 30, 2019 USD in thousands	Total	Level 1	Level 2	Level 3
Assets				
Foreign currency forward contracts	12,737	–	12,737	–
Total	**12,737**	**–**	**12,737**	**–**
Liabilities				
Foreign currency forward contracts	3,128	–	3,128	–
Total	**3,128**	**–**	**3,128**	**–**

March 31, 2019 USD in thousands	Total	Level 1	Level 2	Level 3
Assets				
Foreign currency forward contracts	3,096	–	3,096	–
Total	**3,096**	**–**	**3,096**	**–**
Liabilities				
Foreign currency forward contracts	2,996	–	2,996	–
Total	**2,996**	**–**	**2,996**	**–**

The fair value of the foreign currency forward exchange contracts has been determined by assuming that the unit of account is an individual derivative transaction and that the derivative could be sold or transferred on a stand-alone basis. The foreign currency forward exchange contracts are classified as Level 2. The key inputs used in valuing derivatives include foreign exchange spot and forward rates, all of which are available in an observable market. The fair value does not reflect subsequent changes in the economy, interest and tax rates and other variables that may affect the determination of fair value.

As of September 30, 2019, and March 31, 2019, the Company had no asset or liability measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

Fair Value of Financial Instruments carried on a cost basis

The carrying amounts of Cash and Loans payable approximate their fair values due to their short maturities.

NOTE 10: PENSION AND POST RETIREMENT BENEFIT PLANS

Net periodic pension benefit costs for the Company's defined benefit plans include the following components:

	SIX MONTHS ENDED SEPTEMBER 30,	
USD in thousands	**2019**	2018
Service cost	2,334	2,510
Operational pension cost	**2,334**	**2,510**
Interest cost	1,151	1,551
Termination benefits	–	206
Expected return on plan assets	(3,129)	(3,427)
Amortization of prior service costs	(519)	(516)
Amortization of actuarial loss (gain)	208	106
Non-operational pension cost (credit)	**(2,289)**	**(2,080)**
Net periodic benefit cost	**45**	**430**

Employer contributions for the six-month periods ended September 30, 2019 and 2018 were USD 2.1 million and USD 3.5 million, respectively.

NOTE 11: INCOME TAXES

Our tax provision as a percentage of income before tax typically differs from the statutory rate of 7.83%, and may vary from period to period, due to fluctuations in the forecast mix of earnings in domestic and international jurisdictions, new or revised tax legislation and accounting pronouncements, tax credits, state income taxes, adjustments to valuation allowances, and uncertain tax positions, among other items.

Income taxes for the six-month period ended September 30, 2019 were provided at a rate of 15.0%, including benefits from changes in unrecognized tax benefits whose likelihood was reassessed in connection with closed tax audits, as well as the remeasurement of the deferred tax balances arising from enacted changes in the income tax rate in Switzerland.

Income taxes for the six-month period ended September 30, 2018 were provided at a rate of 23.9%.

NOTE 12: LEASES

The Company is party to several noncancelable operating leases, primarily for office space and company vehicles, that expire over the next 15 years. These leases might include renewal options and do not contain material residual value guarantees.

The components of lease expense are as follows:

USD in thousands	Six months ended September 30, 2019
Finance lease cost – Right of use assets amortization	277
Finance lease cost – Interest on lease liabilities	42
Operating lease cost – Fixed	8,627
Variable lease cost	654
Short-term lease cost	4,393
Total lease cost	**13,993**

Supplemental cash flow information related to leases are as follows:

	SIX MONTHS ENDED SEPTEMBER 30, 2019	
USD in thousands	Finance Leases	Operating Leases
Cash paid for amounts included in the measurement of lease liabilities	259	8,693
Right-of-use assets obtained in exchange for lease liabilities	135	8,775

Supplemental balance sheet information related to leases are as follows:

	SEPTEMBER 30, 2019	
USD in thousands, unless otherwise stated	Finance Leases	Operating Leases
Right-of-use assets, net	871	46,158
Lease liabilities	858	46,611
Weighted-average remaining lease term (Years)	2	6
Weighted-average discount rate	5.4%	3.3%

Remaining maturities of lease liabilities as of September 30, 2019 are as follows:

Financial year ending March 31, (USD in thousands)	Finance Leases	Operating Leases
March 31, 2020 (amount remaining at September 30, 2019)	265	8,329
March 31, 2021	358	14,274
March 31, 2022	265	9,118
March 31, 2023	55	4,223
March 31, 2024	11	2,668
Thereafter	–	12,766
Total lease payments	**954**	**51,378**
Less: Imputed interest	(96)	(4,767)
Total lease liabilities	**858**	**46,611**

As of September 30, 2019, the Company has additional operating lease commitments, primarily for office space, that have not yet commenced of USD 38.5 million. These operating leases will commence in the following financial year with lease terms ranging from 10 to 15 years.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of March 31, 2019, as determined prior to adoption of ASC 842 are:

Fiscal year ending March 31, (USD in thousands)	Capital Leases	Operating Leases
2020	543	18,030
2021	355	16,070
2022	218	13,074
2023	68	6,068
2024	12	4,786
Thereafter	–	16,845
Total minimum lease payments	**1,196**	**74,873**
Less estimated executory costs	(114)	
Net minimum lease payments	1,082	
Less amount representing interest	(117)	
Present value of net minimum capital lease payments	964	
Less current installments of obligation under capital leases	(451)	
Obligations under capital leases, excluding current installments	**513**	

NOTE 13: COMMITMENTS AND CONTINGENCIES

Guarantees

The following table provides quantitative data regarding the Company's third-party guarantees. The maximum potential payments represent a "worst-case scenario", and do not reflect management's expected outcomes.

Maximum potential payments (USD in million)	September 30, 2019
Performance guarantees obtained from third parties	127.0
Financial guarantees issued in connection with financing activities	362.4
Financial guarantees issued in connection with lease agreements	3.6
Total	**493.0**

The Company is often required to obtain bank guarantees, bid bonds, or performance bonds in support of its obligations for customer tenders and contracts. These guarantees or bonds typically provide a guarantee to the customer for future performance, which usually covers the delivery phase of a contract and may, on occasion, cover the warranty phase. As of September 30, 2019, the Company had total outstanding performance bonds and bank guarantees of USD 127.0 million. In the event any such bank guarantee or performance bond is called, the Company would be obligated to reimburse the issuer of the guarantee or bond; however, the Company has no reason to expect that any outstanding guarantee or bond will be called.

In addition, the Company has entered into guarantees that provide financial assurances to certain third parties related to the outstanding lines of credit or to leasing arrangements, predominantly for office leases. The total amount was USD 366.0 million as of September 30, 2019.

Furthermore, the Company is party to various guarantees whereby the Company has assured the performance of its wholly owned subsidiaries' products or services according to the terms of specific contracts. Such guarantees may include guarantees that a project will be completed within a specified time. If the subsidiary were to fail to fulfil its obligations under the contract, then the Company could be held responsible for the other party's damages resulting from such failure. Because the Company's liability under the guarantees typically matches the subsidiaries' liability under the primary contracts, such guarantees generally do not limit the guarantor's total potential liability where the liability results, for example, from personal injury or death or from intellectual property infringement. Therefore, it is not possible to specify the maximum potential amount of future payments that could be made under these or similar agreements. However, the Company has no reason to believe that any of the outstanding parent guarantees will ever be exercised, and the Company has not had to make payments against any such parent guarantees in the past.

Legal proceedings
The Company is subject to various legal proceedings and claims of which the outcomes are subject to significant uncertainty. The Company's policy is to assess the likelihood of any adverse judgments or outcomes related to legal matters, as well as ranges of probable losses. A determination of the amount of the liability required, if any, for these contingencies is made after an analysis of each known issue. A liability is recognized and charged to operating expense when the Company determines that a loss is probable, and the amount can be reasonably estimated.

In August 2015, Energise SA and a number of related plaintiffs filed two related lawsuits in Brazil, alleging that the Company's electric meters were excessively vulnerable to fraud. The initial petitions requested Landis+Gyr to provide new firmware to the plaintiffs and to reimburse their cost of installation in meters supplied with this firmware. A technical expert report has been completed and the cases have been consolidated. The case is in the pre-trial stage.

On October 5, 2015, the Romanian Competition Council ("RCC") launched an ex officio investigation against Landis+Gyr together with several of its competitors on the alleged infringement of certain provisions of Romanian competition law in connection with auctions on the market of electricity meters and connected equipment. In response we immediately engaged external experts to conduct an extensive internal forensic investigation that did not reveal any violation of competition law.

Additionally, Landis+Gyr provided the Council evidence demonstrating that it had not engaged in any of the alleged anti-competitive conduct. Landis+Gyr is not materially active in the Romanian metering market nor was it materially active during the period under investigation. On January 4, 2018, the Plenum of the Competition Council issued its preliminary decision against Landis+Gyr and five other companies and imposed a fine of RON 27.4 million (or USD 6.3 million, converted at the exchange rate as of September 30, 2019). The full written decision was received on April 30, 2018. Landis+Gyr has filed an appeal of the decision on the basis that it is significantly flawed and incorrect under the law.

In September 2019, the Company has been notified that a decision of the Federal Court in Rio de Janeiro in a lawsuit between our Brazilian subsidiary and the Brazilian tax authority became final and non-appealable. Based on this decision, the Company shall be entitled to reclaim tax payments made in prior years through tax credits. The Company has estimated the amount of such tax credits to be USD 10.4 million and has recorded USD 5.6 million as operating income in the line item "General and administrative" and the remaining amount of USD 4.8 million as Interest income in its Interim Condensed Consolidated Statements of Operations.

In addition to the cases listed above, Landis+Gyr and its subsidiaries are parties to various employment-related and administrative proceedings in jurisdictions where we do business. None of the proceedings are individually material to Landis+Gyr, and the Company believes that it has made adequate provision such that the ultimate disposition of the proceedings will not materially affect its business or financial condition.

In the normal course of business, the Company and its subsidiaries are parties to various legal claims, actions, and complaints. It is not possible to predict with certainty whether or not the Company and its subsidiaries will ultimately be successful in any of these legal matters, or if not, what the impact might be. However, the Company's management does not expect that the results of any of these legal proceedings will have a material adverse effect on the Company's results of operations, financial position or cash flows.

Indemnification
The Company generally provides an indemnification related to the infringement of any patent, copyright, trademark, or other intellectual property right on software or equipment within its customer contracts. This indemnification typically covers damages and related costs, including attorney's fees with respect to an indemnified claim, provided that (a) the customer promptly notifies us in writing of the claim and (b) the Company controls the defense and all related settlement negotiations. The Company may also provide an indemnification to its customers for third party claims resulting from damages caused by the negligence or willful misconduct of its employees/agents under certain contracts. These indemnification obligations typically do not have liability caps. It is not possible to predict the maximum potential amount of future payments under these or similar agreements.

Warranty
A summary of the warranty provision account activity is as follows:

	SIX MONTHS ENDED SEPTEMBER 30,	
USD in thousands	**2019**	**2018**
Beginning balance, April 1	45,177	73,427
New product warranties	19,169	3,225
Other changes / adjustments to warranties	(2,351)	(4,517)
Claims activity	(13,255)	(20,609)
Effect of changes in exchange rates	(820)	(1,660)
Ending balance, September 30,	**47,920**	**49,866**
Less: current portion of warranty	(30,540)	(33,306)
Long-term warranty	17,380	16,560

The Company calculates its provision for product warranties based on historical claims experience, projected failures and specific review of certain contracts.

During the six months ended September 30, 2019, the Company determined that the provision for product warranties for a legacy component quality issue was no longer sufficient to cover expected warranty costs in the remaining warranty period. Accordingly, the previously estimated product warranty provision was increased by a total of USD 11.3 million. The corresponding increase was included in Cost of revenue. Based on the latest knowledge, the Company has considered different possible projections of future warranty costs for the legacy component quality issue and estimates that, under its highest projection, an incremental loss of USD 25.8 million might be incurred (in addition to the provision recorded as of September 30, 2019).

The additional provision of USD 11.3 million increases the accrual related to the legacy component quality issue to USD 24.2 million as of September 30, 2019, of which the current and non-current portions are USD 10.6 million and USD 13.6 million, respectively. The Company expects that the non-current portion will mainly be paid-out after one year and within four years of September 30, 2019.

NOTE 14: RESTRUCTURING CHARGES

The Company continually reviews its business, manages costs and aligns resources with market demand. As a result, the Company has taken several actions to reduce fixed costs, eliminate redundancies, strengthen operational focus, and better position itself to respond to market pressures or unfavorable economic conditions.

During the six-month periods ended September 30, 2019, the Company continued its cost reduction effort aimed at reducing costs and improving operating performance. In connection with these restructuring plans, the Company recognized costs related to termination benefits for employee positions that were eliminated. The restructuring charges, net, of approximately USD 0.6 million for the six-month periods ended September 30, 2019 consist of severance related costs. Some of the severance payments were completed during the six-month periods ended September 30, 2019 and the remaining payments are expected to be completed during the financial year ending March 31, 2020, or in the following financial year.

A summary of the Company's restructuring activity, including costs incurred during the six-month periods ended September 30, 2019 and September 30, 2018 is as follows:

	SIX MONTHS ENDED SEPTEMBER 30,	
USD in thousands	**2019**	2018
Beginning balance, April 1,	5,052	8,460
Restructuring charges	646	2,589
Cash payments	(3,484)	(3,327)
Effect of changes in exchanges rates	(62)	(490)
Balance as of September 30,	**2,152**	**7,232**

The outstanding balance as of September 30, 2019 and September 30, 2018, respectively, is included under Accrued liabilities in the Interim Condensed Consolidated Balance Sheets.

A summary of the Interim Condensed Consolidated Statement of Operations line items where restructuring activity charges have been recognized is as follows:

	SIX MONTHS ENDED SEPTEMBER 30,	
USD in thousands	**2019**	2018
Cost of revenue	35	961
Research and development	26	481
Sales and marketing	585	930
General and administrative	–	217
Total	**646**	**2,589**

The following table outlines the cumulative and the current costs incurred to date under the program per operating segment:

USD in thousands	**Cumulative Costs incurred up to September 30, 2019**	**Total Costs incurred in the six months ended September 30, 2019**
Americas	3,028	94
EMEA	16,333	552
Asia Pacific	1,567	–
Corporate	1,598	–
Restructuring Charges	**22,526**	**646**

The cumulative costs incurred up to September 30, 2019 represent the Companies ongoing restructuring efforts under various programs over the last three years. The expected future costs for the restructuring programs are USD 12.2 million spread over the next four years and are primarily related to EMEA.

NOTE 15: SEGMENT INFORMATION

The Company has organized itself into the following operating segments: Americas, EMEA (Europe, Middle East and Africa) and Asia Pacific, which are also our reportable segments.

A description of each reportable segment is as follows:

Americas – The Americas generates a majority of its revenue in the United States, with the balance produced in Canada, Central America, South America, Japan and certain other markets which adopt US standards. The Americas reportable segment designs, manufactures, markets, and sells the Company's Gridstream and advanced meter solutions, digital electricity meters, commercial/industrial and grid meters, system deployment services, managed network services, and other advanced metering infrastructure offerings including software, installation, implementation, consulting, maintenance support, and related services.

EMEA – The EMEA segment produces the majority of its revenue in Europe with the balance generated in the Middle East, South Africa and certain other markets which adopt European standards. The EMEA reportable segment designs, manufactures, markets, and sells the Company's Gridstream and advanced meter solutions, digital electricity meters, prepayment electricity meters, commercial / industrial and grid meters, gas meters and prepayment solutions, heat and water meters and solutions, load control devices, system deployment services, and advanced metering infrastructure offerings including software, installation, implementation, consulting, maintenance support, and related services.

Asia Pacific – The Asia Pacific segment generates the majority of its revenue in Australia, China, Hong Kong and India, while the balance is generated in Singapore and other markets in Asia. The Asia Pacific reportable segment designs, manufactures, markets, and sells the Company's Gridstream and advanced meter solutions, digital electricity meters, prepayment electricity meters, commercial / industrial and grid meters, gas meters and prepayment solutions, heat and water meters and solutions, load control devices, system deployment services, and advanced metering infrastructure offerings including software, installation, implementation, consulting, maintenance support, and related services.

Headquarter activities, global research and development and other centralized functions are included within Corporate unallocated.

The Chief Operating Decision Maker (CODM) is the Company's Chief Executive Officer. The CODM allocates resources to and assesses the performance of each operating segment using the information outlined in the table below. Each operating segment offers products for different applications and markets and provides separate financial information that is evaluated regularly by the CODM. Decisions by the CODM on how to allocate resources and assess performance are based on a reported measure of segment profitability.

The Company has two primary measures for evaluating segment performance: net revenue to third parties (excluding any inter-company sales) and the adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA). Management defines Adjusted EBITDA as operating income (loss) excluding (i) depreciation and amortization, (ii) impairment of intangible assets, (iii) restructuring charges, (iv) exceptional warranty related expenses, (v) warranty normalization adjustments and (vi) timing difference on FX derivatives.

SEGMENT INFORMATION

USD in thousands	SIX MONTHS ENDED SEPTEMBER 30, 2019	2018
Net revenues		
Americas	478,886	498,339
thereof to external customers	475,955	497,459
thereof to other segments	2,931	880
EMEA	344,379	331,824
thereof to external customers	306,307	291,594
thereof to other segments	38,072	40,230
Asia Pacific	81,738	65,687
thereof to external customers	80,493	63,857
thereof to other segments	1,245	1,830
Elimination	(42,248)	(42,940)
Total Company	**862,755**	**852,910**
Adjusted EBITDA		
Americas	92,052	102,205
EMEA	23,369	(425)
Asia Pacific	4,937	(3,603)
Corporate unallocated	4,585	8,629
Total Company	**124,943**	**106,806**
Restructuring charges[1]	(646)	(2,589)
Exceptional warranty related expenses[2]	98	(641)
Warranty normalization adjustments[3]	(4,766)	11,292
Timing difference on FX derivatives[4]	8,572	–
Depreciation	(19,860)	(22,659)
Amortization of intangible assets	(23,473)	(24,621)
Interest income	5,053	272
Interest expense	(3,570)	(3,114)
Non-operational pension (cost) credit	2,289	2,080
Gain on divestments	–	15,545
Income (loss) on foreign exchange, net	(624)	(2,484)
Income (loss) before income tax expense	**88,016**	**79,887**

1 Restructuring charges are summarized in Note 14: Restructuring Charges including the line items in the Interim Condensed Consolidated Statements of Operations that include the restructuring charges.
2 Exceptional warranty related expense relates to a legacy component issue in the EMEA segment.
3 Warranty normalization adjustments represents warranty expense that diverges from three-year average of actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of warranty and warranty-like claims.
4 Unrealized mark to market gains or losses on hedges are booked each period in the Statement of Operations; however, such gains or losses are excluded from Adjusted EBITDA until the date of realization of the underlying hedged transaction or at hedge maturity, if earlier.

NOTE 16: RELATED PARTY TRANSACTIONS

Transactions with affiliated Companies

Since June 19, 2018 and resulting from the acquisition described in Note 5: Acquisitions and divestments, the Company has a 20.3% equity interest in Spark Holdco Pty Ltd ("Spark").

In the six months period ended September 30, 2019 and 2018, revenues from Spark were USD 11.8 million and USD 6.1 million, respectively. Sales of goods were made at the Company's usual prices.

As of September 30, 2019, and March 31, 2019, receivables due from Spark were USD 4.2 million and USD 3.0 million, respectively. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties.

Transactions with other related parties

The Company conducts business with certain companies where members of the Company's Board of Directors or Executive Committee act, or in recent years have acted, as directors or senior executives.

Eric A. Elzvik is a board member of LM Ericsson, Sweden. In the six months ended September 30, 2019, the Company sold products to and purchased products from LM Ericsson and its group companies of USD 1.5 million and USD 0.9 million, respectively. In the six months ended September 30, 2018, sales to and purchases from LM Ericsson and its group companies were USD 1.3 million and USD 2.6 million, respectively.

Supplemental Reconciliations and Definitions

Adjusted EBITDA

The reconciliation of EBITDA to Adjusted EBITDA is as follows for the six-month periods ended September 30, 2019 and 2018:

	L+G GROUP AG		AMERICAS		EMEA		ASIA PACIFIC		CORPORATE AND ELIMINATIONS	
	SIX MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,	
USD in millions, unless otherwise indicated	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Operating income	**84.9**	**67.6**	**60.8**	**79.8**	**20.2**	**(9.3)**	**2.8**	**(6.7)**	**1.1**	**3.8**
Amortization of intangible assets	23.4	24.6	16.2	16.7	3.3	3.7	0.7	0.9	3.2	3.3
Depreciation	19.9	22.7	11.0	13.3	7.2	7.4	1.4	1.7	0.3	0.3
EBITDA	**128.2**	**114.9**	**88.0**	**109.8**	**30.7**	**1.8**	**4.9**	**(4.1)**	**4.6**	**7.4**
Restructuring charges	0.6	2.6	0.1	1.5	0.6	0.5	–	0.6	(0.1)	–
Exceptional warranty related expenses [1]	(0.1)	0.6	–	–	–	(0.6)	–	–	(0.1)	1.2
Warranty normalization adjustments [2]	4.8	(11.3)	4.0	(9.1)	0.7	(2.1)	–	(0.1)	0.1	–
Timing difference on FX derivatives [3]	(8.6)	–	–	–	(8.6)	–	–	–	–	–
Adjusted EBITDA	**124.9**	**106.8**	**92.1**	**102.2**	**23.4**	**(0.4)**	**4.9**	**(3.6)**	**4.5**	**8.6**
Adjusted EBITDA margin (%)	14.5%	12.5%	19.3%	20.5%	7.6%	(0.1%)	6.1%	(5.6%)		

1 Exceptional warranty related expenses related to the X2 matter. See section “Warranty Provisions”
2 Warranty normalization adjustments represents warranty expenses that diverge from a three-year average of actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of warranty and warranty-like claims. For the calculation of the average of actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of warranty-like claims for the periods under review and going forward, see section “Warranty Provisions”.
3 Unrealized mark to market gains or losses on hedges are booked each period in the Statement of Operations; however, such gains or losses are excluded from Adjusted EBITDA until the date of realization of the underlying hedged transaction or at hedge maturity, if earlier.

Adjusted Gross Profit

The reconciliation of Gross Profit to Adjusted Gross Profit is as follows for the six-month periods ended September 30, 2019 and 2018:

	L+G GROUP AG		AMERICAS		EMEA		ASIA PACIFIC		CORPORATE AND ELIMINATIONS	
	SIX MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,		SIX MONTHS ENDED SEPTEMBER 30,	
USD in millions, unless otherwise indicated	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Gross Profit	**282.8**	**275.9**	**170.7**	**192.1**	**96.5**	**73.8**	**17.3**	**11.1**	**(1.7)**	**(1.1)**
Amortization of intangible assets	6.2	6.9	2.5	2.7	3.0	3.5	0.7	0.7	–	–
Depreciation	16.4	18.8	9.4	11.5	6.4	6.4	0.7	0.9	(0.1)	–
Restructuring charges	–	1.0	–	0.8	–	–	–	0.2	–	–
Exceptional warranty related expenses	(0.1)	0.6	–	–	–	(0.6)	–	–	(0.1)	1.2
Warranty normalization adjustments	4.8	(11.3)	4.0	(9.1)	0.7	(2.1)	–	(0.1)	0.1	–
Timing difference on FX derivatives	(8.6)	–	–	–	(8.6)	–	–	–	–	–
Adjusted Gross Profit	**301.5**	**291.9**	**186.6**	**198.0**	**98.0**	**81.0**	**18.7**	**12.8**	**(1.8)**	**0.1**
Adjusted Gross Profit margin (%)	34.9%	34.2%	39.2%	39.8%	32.0%	27.8%	23.2%	20.0%		

Adjusted Operating Expense

The reconciliation of Operating Expense to Adjusted Operating Expenses is as follows for the six-month periods ended September 30, 2019 and 2018:

	SIX MONTHS ENDED SEPTEMBER 30,	
USD in millions, unless otherwise indicated	**2019**	2018
Research and development	**76.8**	**78.9**
Depreciation	(1.8)	(2.0)
Restructuring charges	–	(0.5)
Adjusted Research and Development	**75.0**	**76.4**
Sales and marketing	42.1	46.9
General and administrative	61.8	64.9
Depreciation	(1.7)	(1.9)
Restructuring charges	(0.6)	(1.1)
Adjusted Sales, General and Administrative	**101.6**	**108.8**
Adjusted Operating Expenses	**176.6**	**185.2**

Warranty Provisions

We offer standard warranties on our metering products and our solutions for periods ranging from one to five years. In some instances, warranty periods can be further extended based on customer specific negotiations.

Under limited circumstances, we may also settle certain quality-related issues experienced by our customers even if not strictly required to do so by the terms of a warranty (referred to as "warranty-like" items). Warranty accruals represent our estimate of the cost of projected warranty and warranty-like claims and are based on historical and projected warranty trends, specific quality issues identified (if any), supplier information and other business and economic projections as well as other commercial considerations. Our results in any given period are affected by additions to as well as by releases of, or other adjustments to these accruals, offset by insurance proceeds, received or receivable, if any.

For the six-month periods ended September 30, 2019 and 2018, our Interim Condensed Consolidated Statements of Operations include net changes to the warranty and warranty-like accruals, which we recorded in Cost of revenue, of USD 16.9 million and USD (1.3) million, respectively, comprising additions to and releases of, or other adjustments to, accruals in respect of such claims. Our results were historically significantly impacted by warranty claims relating to the X2 capacitors (the "X2 matter"). For the six months ended September 30, 2019 and 2018 there was no impact to the Company's Interim Condensed Consolidated Results of Operations from warranty and warranty-like claims related to X2 capacitors.

Management considers the X2 matter to be an exceptional warranty case because of the uniqueness of the matter and because it was part of an industry-wide component failure that impacted not only our products, but also those of our competitors and the electronics industry generally.

In the six months ended September 30, 2019, net changes to warranty provisions were impacted by additional accruals of USD 11.3 million and insurance proceeds, net of USD (1.1) million, related to legacy component issues. In the six months ended September 30, 2018, net changes to warranty provisions were impacted by additional accruals net of insurance proceeds of USD (3.0) million, related to legacy component issues.

In assessing the underlying operational performance of the business over time, Management believes it is useful to consider average actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of warranty and warranty-like claims as an alternative to warranty accruals, which are estimates and subject to change and significant period-to-period volatility. For the purposes of determining warranty normalization adjustments, the average actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of warranty and warranty-like claims is calculated on the basis of a three-year rolling average for the six-month period ended September 30, 2019 and 2018.

Management presents Adjusted EBITDA in this Half-Year Report 2019 as an alternative performance measure (both at the Group and at the segment level). With regards to warranty and warranty-like claims, Adjusted EBITDA excludes the accruals associated with the X2 claim (as well as the associated legal expenses) and, with respect to other warranty and warranty-like claims, includes the average actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of such claims, which amounted to USD 12.1 million and USD 10.0 million for the six-month periods ended September 30, 2019 and 2018. For the six-month periods ended September 30, 2019 and 2018, the warranty normalization adjustments made in calculating Adjusted EBITDA amounted to USD 4.8 million and USD (11.3) million, respectively.

The following table provides information on our accruals in respect of warranty and warranty-like claims as well as the associated outflow (in cash and cash equivalents) for the periods under review.

	SIX MONTHS ENDED SEPTEMBER 30,	FISCAL YEAR ENDED MARCH 31,		SIX MONTHS ENDED MARCH 31,	FISCAL YEAR ENDED MARCH 31,	
USD in millions, unless otherwise indicated	**2019**	**2019**	2018	2017	2017	**Average**
Beginning of the year						
Warranty accrual	45.2	73.4	51.7		91.6	
Other warranty-like accrued liabilities [1]	–	–	–		6.5	
Total	**45.2**	**73.4**	**51.7**		**98.2**	
Additions [2]	19.2	18.7	48.0	23.3	46.6	
Other changes / adjustments to warranties [3]	(2.3)	(12.8)	(7.3)	(26.9)	(53.8)	
Outflow in respect of X2 matter	–	(1.2)	(1.0)	(9.5)	(18.9)	
Outflow in respect of other warranty and warranty-like claims	(13.3)	(30.8)	(20.5)	(7.8)	(15.7)	(24.1)
Total outflow in respect of X2 matter and other warranty and warranty-like claims	(13.3)	(32.0)	(21.5)	(17.2)	(34.6)	
Effect of changes in exchange rates	(0.8)	(2.2)	2.6	(2.4)	(4.7)	
Ending balance						
Warranty accrual	47.9	45.2	73.4		51.7	
Other warranty-like accrued liabilities [1]	–	–	–		–	
Total	**47.9**	**45.2**	**73.4**		**51.7**	

1 Other warranty-like accrued liabilities, which are reflected in Other current liabilities in the Interim Condensed Consolidated Balance Sheets.
2 “Additions” reflects new product warranty amounts included in warranty provisions (USD 19.2 million for the six months ended September 30, 2019 and USD 18.7 million, USD 48.0 million and USD 48.7 for the years ended March 31, 2019, 2018 and 2017, respectively, primarily due to legacy component issues) and other warranty-like accrued liabilities (USD nil for the six months ended September 30, 2019 and USD nil, USD nil and USD (2.1) million for the years ended March 31, 2019, 2018 and 2017, respectively).
3 Other changes/adjustments to warranties reflects amounts included in warranty provisions and other warranty-like accrued liabilities as a result of releases or other adjustments resulting from settlement of claims for which accruals had previously been recorded. In particular, the figure for the year ended March 31, 2017 reflects the reclassification of accruals for the X2 matter from warranty accruals to liabilities following a settlement in connection with the X2 matter.

The following table provides further information on our warranty and warranty-like claims, including the impact of the X2 matter on our accruals and the derivation of the warranty normalization adjustments used in calculating Adjusted EBITDA.

	SIX MONTHS ENDED SEPTEMBER 30,	
USD in millions, unless otherwise indicated	**2019**	2018
Additions		
Additions (including X2) [1]	19.2	3.2
X2 Additions	–	–
Additions (excluding X2)	**19.2**	**3.2**
Other changes / adjustments to warranties		
Releases (including X2)	(2.3)	(4.5)
X2 Reclassification	–	–
X2 Releases	–	–
Releases (excluding X2)	**(2.3)**	**(4.5)**
Net changes to warranty and warranty-like accruals (including X2)	16.9	(1.3)
Net changes to warranty and warranty-like accruals relating to X2	–	–
Net changes to warranty and warranty-like accruals (excluding X2)	**16.9**	**(1.3)**
Three year average actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of warranty claims (excluding X2)	12.1	10.0
Warranty normalization adjustments	**4.8**	**(11.3)**

1 "Additions (including X2)" reflects new product warranty amounts included in warranty provisions (USD 19.2 million and USD 3.2 million for the six-month periods ended September 30, 2019 and 2018, respectively).

Main Exchange Rates applied

The following exchange rates against the USD have been applied for the most important currencies concerned:

	Income statement average exchange rate, six months		Exchange rate on balance-sheet date	
Exchange rates	**2019**	2018	**30.09.2019**	31.03.2019
Euro countries – EUR	1.1178	1.1775	1.0903	1.1221
United Kingdom – GBP	1.2584	1.3313	1.2290	1.2993
Switzerland – CHF	1.0058	1.0155	1.0021	1.0043
Brazil – BRL	0.2536	0.2649	0.2401	0.2564
Australia – AUD	0.6927	0.7439	0.6747	0.7097

Glossary

The following table provides definitions for key terms and abbreviations used within this half-year report.

Term	Definition
Adjusted EBITDA	Operating income (loss) excluding depreciation and amortization, impairment of intangible assets, restructuring charges, exceptional warranty related expenses, warranty normalization adjustments and timing difference on FX derivatives
Adjusted Gross Profit	Total revenue minus the cost of revenue, adjusted for depreciation, amortization, restructuring charges, exceptional warranty related expenses, warranty normalization adjustments and timing difference on FX derivatives
Adjusted Operating Expense	Research and development expense (net of research and development related income), plus sales and marketing expense, plus general and administrative expense, adjusted for depreciation and restructuring charges
Committed Backlog	Cumulative sum of the awarded contracts, with firm volume and price commitments, that are not fulfilled as of the end of the reporting period
Cost of Revenue	Cost of manufacturing and delivering the products or services sold during the period
EBITDA	Earnings before Interest, Taxes, Depreciation & Amortization and Impairment of intangible assets
EPS	Earnings Per Share (the Company's total earnings divided by the weighted average number of shares outstanding during the period)
Free Cash Flow	Cash flow from operating activities (including changes in net operating working capital) minus cash flow from investing activities (capital expenditures in fixed and intangible assets), excluding merger & acquisition activities
Net Debt	Current and non-current loans and borrowings less cash and cash equivalents
Net Revenue	Income realized from executing and fulfilling customer orders, before any costs or expenses are deducted
Order Intake	Sum of awarded contracts during the reporting period, with firm volume and price commitments

Information for Shareholders

KEY STOCK EXCHANGE FIGURES

For the period	**01.04.2019 – 30.09.2019**	01.10.2018 – 31.03.2019	01.04.2018 – 30.09.2018
Share price period end (CHF)	89.45	63.00	65.55
Share price high (CHF)	91.40	65.95	76.85
Share price low (CHF)	63.50	54.05	62.60
Average volume per trading day (number of shares)[1]	126,331	89,455	91,547
Market capitalization period end (excl. treasury shares; CHF million)	2,597	1,847	1,934
Number of issued shares (period end)	29,251,249	29,510,000	29,510,000
Number of treasury shares (period end)	213,601	198,674	5,000
Number of registered shareholders (period end)	7,855	11,099	12,476

1 On SIX Swiss Exchange.

KEY PER SHARE FIGURES

For the six months ended	**30.09.2019**	31.03.2019	30.09.2018
Earnings per share – diluted (USD)	2.45	2.14	2.01

1 Calculated as net cash provided by operating activities, minus net cash used in investing activities, excluding merger and acquisiton activities.

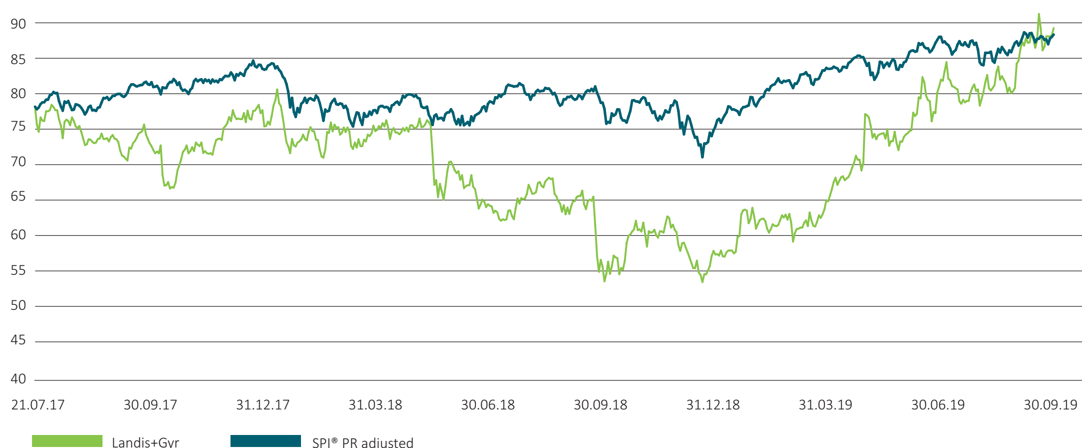
SHAREHOLDER STRUCTURE

As of September 30, 2019, the following shareholders held 3% or more of the outstanding share capital of Landis+Gyr Group AG (as per SIX Swiss Exchange filings):

Shareholder	Number of shares	% of share capital[1]
KIRKBI Invest A/S, Denmark	4,445,265	15.20%
Rudolf Maag, Switzerland	3,000,000	10.26%
Franklin Resources, Inc., United States	1,049,086	3.59%
JPMorgan Chase & Co, United States	920,296	3.15%
Nordea 1, SICAV, Luxembourg	918,351	3.14%
Credit Suisse Funds AG, Switzerland	907,466	3.10%

1 Based on the number of shares outstanding as of September 30, 2019

SHARE PRICE PERFORMANCE LANDIS+GYR GROUP AG



LANDIS+GYR GROUP AG REGISTERED SHARES	
Listing	SIX Swiss Exchange (International Reporting Standard)
Bloomberg Symbol	LAND SW
Reuters Symbol	LANDI.S
ISIN	CH0371153492
Valor Number	37115349
Indices	SPI®, SPI EXTRA®, SPI ex SLI®, Swiss All Share Index, STOXX® Europe 600 UBS 100 Index, Ethos Swiss Corporate Governance Index
Accounting Standard	US GAAP

CORPORATE CALENDAR	
Capital Markets Day 2020	January 27, 2020
Release of Results for Financial Year 2019 and Annual Report	May 28, 2020
Annual General Meeting 2020	June 30, 2020
Release of Half Year Results 2020	October 28, 2020

Information Policy
Landis+Gyr maintains an open dialog with all internal and external stakeholders. Our information policy is based on consistent, effective, open, honest and timely communication. Matters affecting the share price are published immediately in accordance with the ad hoc publicity rules of the SIX Swiss Exchange.

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