

Half Year Report 2017
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OCTOBER 26, 2017

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Letter to Shareholders
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A LETTER TO SHAREHOLDERS

Zug, October 26, 2017



Chairman
Andreas Umbach

CEO
Richard Mora

A handwritten signature in black ink, appearing to read 'A. Umbach'.

A handwritten signature in black ink, appearing to read 'R. Mora'.

Dear Shareholders,

Landis+Gyr Group AG has had a very dynamic and successful first half of fiscal year 2017. The highlight was the initial public offering (IPO) which took place July 21, 2017 on the SIX Swiss Exchange. The company was welcomed back to the Swiss public markets after a 20-year hiatus, thus adding an important, new chapter to Landis+Gyr's rich 121-year history. The share sales by Toshiba and INCJ created tremendous interest in Switzerland and internationally, and the IPO was accordingly oversubscribed multiple times. The listing further enhances the positioning of Landis+Gyr as the global leader in transforming how energy is managed and delivered.

Our mission is simple, yet multifaceted. To help the world manage energy better we must continuously innovate as well as drive and apply technologies that solve complex utility problems around the globe. This requires a breadth of offering, from the most advanced open standards based, multi-technology network solution in the industry – being deployed in Japan today – to leading hardware, services and software capabilities, that allow Landis+Gyr to execute a proven strategy. This capability and flexibility in providing critical ecosystem ingredients, from Internet of Things networks, for instance in Japan, through to connected intelligent devices and related managed services, is part of what makes our company unique, and we think the best positioned to capture the coming growth in utility infrastructure upgrade programs.

The markets Landis+Gyr participates in developed positively in the first half of FY2017. Driven by continued deployment of smart grid projects internationally, with associated increases in advanced metering infrastructure content, the company continued to experience growth. This trend towards increased utility infrastructure spending was global in nature and reflects the importance of Landis+Gyr's products, solutions and services that are provided to utilities.

Landis+Gyr had improved financial and operational results in the first six months of this fiscal year (FY 2017) compared to the same period in FY 2016. As the market leader in the smart metering space Landis+Gyr is very well positioned – both now and in the future – to benefit from the ongoing deployment of advanced technologies and solutions across the world as Smart Grids and Communities take form.

Based on continued demand for smart metering products and solutions, net revenues for Landis+Gyr Group reached USD 865.6 million in the first half of FY 2017 growing 9.9% compared to the first half of FY 2016, or 9.6% on a constant currency basis. All three regions contributed to the first half sales performance, with Americas, EMEA and Asia Pacific increasing net revenues by 5.4%, 16.9% and 8.6% respectively on a constant currency basis, compared to the year ago period. Order intake reached USD 821.4 million in the first half of FY 2017, an increase of 27.6% in constant currency terms on the same period last year, reflecting the trust which our customers continue to place in the technological excellence of our market leading portfolio. Committed backlog was USD 2.479 billion at the end of the first half of FY 2017.

Adjusted gross profit for the reporting period was USD 304.4 million, a USD 7.0 million increase year over year from the USD 297.4 million delivered in FY 2016. First half FY 2017 Adjusted EBITDA reached USD 108.8 million compared to USD 96.3 million in the prior year, an increase of 13.0%. We made a number of EBITDA adjustments in the first half of FY 2017 totaling USD 65.7 million, mainly related to IPO expenses of USD 24.2 million (of which USD 9.8 million was funded by the selling shareholders) and warranty adjustments of USD 30.3 million, the latter primarily reflecting a significant increase to warranty provisions in the Americas due to legacy component issues. We are working with the affected customers on these issues as well as ensuring that our current quality processes continue to improve to minimize the risk of such issues recurring. Overall, the adjusted EBITDA margin increased from 12.2% to 12.6% and was primarily driven by an outstanding performance in the Americas' region.

Net income for the FY 2017 first half was USD 5.1 million, or USD 0.17 per share and compares to a net loss of USD 13.0 million, or a loss of USD 0.44 per share, for the first half FY 2016. Free cash flow, defined as cash flow provided by operating activities (including changes in net working capital) minus cash flow used by investing activities (capital expenditures and intangible assets), reached USD 20.6 million in the first half of FY 2017, an increase of USD 42.0 million from the first half of FY 2016. Net debt fell by USD 121.8 million compared to September 30, 2016 and Landis+Gyr ended the period with net debt of USD 107.3 million, a ratio of net debt to annualized first half FY 2017 adjusted EBITDA of 0.5.

While the three regional performances in net revenues were encouraging, profit flow-through was clearly visible in only one segment. Driven by continued growth across the region, particularly the U.S. public power segment, as well as execution of their business model the Americas region showed an improvement in both net revenues and margins. Adjusted gross profit improved year over year by USD 7.5 million and adjusted EBITDA reached USD 105.9 million, representing a margin increase of 35 basis points.

EMEA's top line performance was very encouraging, as double-digit growth continued. Driving this result was a broad range of countries, including the UK, France, Spain & Portugal. However, we continued to experience margin pressure with Adjusted EBITDA improving only slightly to a loss of USD 1.6 million as the first savings from our restructuring program (known as Project Phoenix which has a short-term focus on our operating and product costs in EMEA) offset a decline at the gross profit level. As we have shared during the IPO, our major focus in 2017 is improving the financial performance of this region. The good news is that EMEA's Adjusted EBITDA margins will improve as our identified cost saving initiatives have been making clear progress, and we are on

target to achieve the savings expected by the end of March 2018. Furthermore, Project Lightfoot (which is focused on supply chain and manufacturing rationalization in EMEA) is on track to deliver its expected benefits which, as noted during the IPO, will mainly be realized in FY 2018 and beyond.

In the Asia Pacific region, double digit net revenue expansion was realized with projects in Hong Kong offsetting near term weakness in Australia, as the temporary market slowdown due to the impending Power of Choice program is expected to abate by the end of the calendar year. The upside from that situation is that our intelliHUB service model is designed specifically to participate in and leverage this new market structure. Notwithstanding some pressure at the gross profit margin level during the reporting period, cost control measures allowed for a slight improvement in Adjusted EBITDA.

Overall, global developments continue to progress and Landis+Gyr is positioned extremely well to benefit from these trends. From important product milestones in the UK with the industry's first SMETS2 meter coming to market, the addition to our services business in Finland at Caruna, India's Tata Power announcement, and the latest developments in our partnership with TEPCO, there have been many indicators of Landis+Gyr's leading positioning. Accordingly, Landis+Gyr's IPO guidance for FY 2017 Adjusted EBITDA is confirmed, which is for flat year over year performance on a USD basis, at approximately USD 212 million. FY 2017 net revenues and free cash flow are expected slightly higher than guidance provided during the IPO, which was for FY 2017 net revenues to increase 3% year over year and free cash flow to be between USD 60–70 million. The FY 2017 dividend, to be paid out of capital reserves in 2018, will be the Swiss franc equivalent of at least USD 70 million.

Even further ahead, we remain confident in the upcoming revenue opportunities for the Group that primarily comes from the momentum which we see in all regions as technology driven AMI rollouts continue to be announced or expanded. As a result, IPO guidance through FY 2020 is also confirmed. Compared to FY 2016, net revenues are expected to grow annually on average by a high single digit percentage, Adjusted EBITDA margin to expand by 100–150 basis points, free cash flow to be well above USD 100 million per year and a dividend each fiscal year of at least 75% of free cash flow.

Looking through the whirlwind of activity that has surrounded Landis+Gyr for the year to date, we remain convinced that the company has the right strategy, technology, products, and people to continue to be the global leader in this exciting industry. As a business that successfully transitioned from being 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.

In conclusion, we thank you for your support and ownership of Landis+Gyr, and are extremely pleased that you have joined us in helping the world manage energy better.

B Key figures
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B KEY FIGURES

(U.S. Dollars in millions, unless otherwise indicated)	H1 (Sep 2017)	H1 (Sep 2016)	CHANGE	
			USD	Constant Currency
Order Intake	821.4	637.1	28.9%	27.6%
Committed Backlog	2'478.8	2'699.0	(8.2%)	(9.3%)
Net revenue	865.6	787.5	9.9%	9.6%
Adjusted Gross Profit	304.4	297.4	2.4%	
Adjusted EBITDA	108.8	96.3	13.0%	
as % of net revenue	12.6%	12.2%		
Net income (loss) attributable to Landis+Gyr Group AG Shareholders	5.1	(13.0)	-	
Basic and diluted earnings per share (\$)	0.17	(0.44)	-	
Net cash provided by (used in) operating activities	39.1	(2.4)	-	
Free Cash Flow	20.6	(21.4)	-	
Net Debt	107.3	229.1	(53.2%)	
Committed Backlog				
Americas	1'716.4	1'958.7	(12.4%)	(12.5%)
EMEA	712.3	697.0	2.2%	(1.9%)
Asia Pacific	50.1	43.3	15.7%	14.6%
Total	2'478.8	2'699.0	(8.2%)	(9.3%)
In addition to the committed backlog shown above, contingent backlog represents an amount of US\$ 364.2 million as of September 30, 2017 versus an amount of US\$ 386 million as of September 30, 2016.				
Net revenue to external customers				
Americas	475.2	449.5	5.7%	5.4%
EMEA	320.7	274.9	16.7%	16.9%
Asia Pacific	69.7	63.1	10.5%	8.6%
Total	865.6	787.5	9.9%	9.6%
Adjusted Gross Profit				
Americas	208.5	200.9	3.8%	3.5%
EMEA	79.8	83.0	(3.9%)	(3.5%)
Asia Pacific	15.0	13.6	10.3%	8.7%
Inter-segment eliminations	1.1	(0.1)		
Total	304.4	297.4	2.4%	2.3%
Adjusted EBITDA				
Americas	105.9	98.4	7.6%	7.5%
EMEA	(1.6)	(4.3)	62.8%	59.0%
Asia Pacific	(5.5)	(6.5)	15.4%	19.1%
Corporate (incl. eliminations)	10.0	8.7		
Total	108.8	96.3	13.0%	12.6%
Adjusted EBITDA % of net revenue to external customers				
Americas	22.3%	21.9%		
EMEA	(0.5%)	(1.6%)		
Asia Pacific	(7.9%)	(10.3%)		
Group	12.6%	12.2%		

Interim Condensed Consolidated Financial Statements (unaudited)

C Interim Condensed Consolidated Financial Statements (unaudited)

Interim Condensed Consolidated Financial Statements (unaudited)

Interim Condensed Consolidated Financial Statements (unaudited)

C INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

U. S. Dollars in thousands	SIX MONTHS ENDED	
	September 30, 2017	September 30, 2016
Net revenue	\$ 865'639	\$ 787'464
Cost of revenue	622'913	519'044
Gross profit	242'726	268'420
Operating expenses		
Research and development	83'247	81'297
Sales and marketing	54'725	52'073
General and administrative	92'622	98'220
Amortization of intangible assets	17'674	17'530
Operating income	(5'542)	19'300
Other income (expense)		
Interest income	368	288
Interest expense	(3'761)	(5'901)
Income (loss) on foreign exchange related to intercompany loans, net	7'862	(10'778)
Income (loss) before income tax expense	(1'073)	2'909
Income tax benefit (expense)	6'330	(15'924)
Net income (loss) before noncontrolling interests	5'257	(13'015)
Net income (loss) attributable to noncontrolling interests, net of tax	185	(30)
Net income (loss) attributable to Landis+Gyr Group AG Shareholders	\$ 5'072	\$ (12'985)
Net income (loss) per share		
Basic and diluted	\$ 0.17	\$ (0.44)
Weighted average shares used in computing income (loss) per share:		
Basic and diluted	29'510'000	29'510'000

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

C INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

U.S. Dollars in thousands	SIX MONTHS ENDED	
	September 30, 2017	September 30, 2016
Net income (loss) before noncontrolling interests	\$ 5'257	\$ (13'015)
Other comprehensive (loss) income:		
Foreign currency translation adjustments, net of income tax expense	(413)	4'462
Pension plan benefits liability adjustments, net of income tax expense	7'073	(10'080)
Comprehensive income (loss)	11'917	(18'633)
Add: net loss (gain) attributable to the noncontrolling interests in subsidiaries	(185)	30
Add: foreign currency translation adjustments attributable to the noncontrolling interests	29	(106)
Comprehensive income (loss) attributable to Landis+Gyr Group AG Shareholders	\$ 11'761	\$ (18'709)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

C INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

U. S. Dollars in thousands except share data	September 30, 2017	March 31, 2017 AUDITED
ASSETS		
Current assets		
Cash and cash equivalents	\$ 120'365	\$ 101'033
Restricted cash	5'049	-
Accounts receivable, net of allowance for doubtful accounts of \$6.4 million and \$4.7 million	294'191	301'400
Inventories, net	133'019	115'682
Prepaid expenses and other current assets	50'096	44'432
Total current assets	602'720	562'547
Property, plant and equipment, net	177'678	188'832
Intangible assets, net	402'799	425'453
Goodwill	1'361'464	1'361'167
Deferred tax assets	13'810	12'920
Other long-term assets	37'210	34'190
Total assets	\$ 2'595'681	\$ 2'585'109
LIABILITIES AND EQUITY		
Current liabilities		
Trade accounts payable	\$ 149'276	\$ 144'199
Accrued liabilities	42'515	37'000
Warranty provision	43'991	43'780
Payroll and benefits payable	55'881	76'637
Loans payable	227'757	12'890
Current portion of shareholder loans	-	215'000
Tax payable	5'320	16'171
Other current liabilities	66'977	66'542
Total current liabilities	591'717	612'219
Warranty provision – non current	35'915	7'954
Pension and other employee liabilities	58'797	65'161
Deferred tax liabilities	53'736	54'976
Tax payable	18'994	28'703
Other long-term liabilities	82'140	83'457
Total liabilities	841'299	852'470
Commitments and contingent liabilities – Note 6		
EQUITY		
Landis+Gyr Group AG shareholders' equity		
Registered ordinary shares (29'510'000 authorized, issued and outstanding and 29'510'000 authorized, issued, and outstanding at September 30, 2017 and March 31, 2017, respectively).	309'050	309'050
Additional paid-in capital	1'475'421	1'465'595
Retained earnings (Accumulated deficit)	14'422	9'350
Accumulated other comprehensive loss	(47'241)	(53'930)
Total Landis+Gyr Group AG shareholders' equity	1'751'652	1'730'065
Noncontrolling interests	2'730	2'574
Total equity	1'754'382	1'732'639
Total liabilities and equity	\$ 2'595'681	\$ 2'585'109

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

C INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

USD in thousands except for shares	Registered ordinary shares ¹	Additional paid-in capital	Retained earnings (Accumulated deficit)	Accumulated other comprehensive income (loss)	Total Landis+Gyr Group AG equity	Noncontrolling interests	Total equity
Balance at March 31, 2016	29'510'000	\$ 1'437'078	\$ 71'920	\$ (90'057)	\$ 1'727'991	\$ 1'848	\$ 1'729'839
Net income (loss)	-	-	(12'985)	-	(12'985)	(30)	(13'015)
Foreign currency translation adjustments, net of income tax expense	-	-	-	4'356	4'356	106	4'462
Pension plan benefits liability adjustment, net of income tax expense	-	-	-	(10'080)	(10'080)	-	(10'080)
Balance at September 30, 2016	29'510'000	\$ 1'437'078	\$ 58'935	\$ (95'781)	\$ 1'709'282	\$ 1'924	\$ 1'711'206
Balance at March 31, 2017	29'510'000	\$ 1'465'595	\$ 9'350	\$ (53'930)	\$ 1'730'065	\$ 2'574	\$ 1'732'639
Net income	-	-	5'072	-	5'072	185	5'257
Foreign currency translation adjustments, net of income tax expense	-	-	-	(384)	(384)	(29)	(413)
Pension plan benefits liability adjustment, net of income tax expense	-	-	-	7'073	7'073	-	7'073
IPO recognition bonus	-	9'826	-	-	9'826	-	9'826
Balance at September 30, 2017	29'510'000	\$ 1'475'421	\$ 14'422	\$ (47'241)	\$ 1'751'652	\$ 2'730	\$ 1'754'382

¹ The number of shares for all periods has been restated in connection with the Reverse Stock Split. Refer to Note 2 "Shareholder's equity" for further details.

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

C INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	SIX MONTHS ENDED	
	September 30, 2017	September 30, 2016
Cash flow from operating activities		
Net income (loss)	\$ 5'257	\$ (13'015)
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	48'629	47'827
IPO recognition bonus – equity component	6'551	-
Accumulated interest on shareholder loans	1'636	4'988
Gain on disposal of property, plant and equipment	516	22
Effect of foreign currencies translation on non-operating items, net	2'886	(5'187)
Change in allowance for doubtful accounts	1'662	(744)
Deferred income tax	(1'654)	(9'579)
Change in operating assets and liabilities, net of effect of businesses acquired and effect of changes in exchange rates:		
Accounts receivable	20'253	8'410
Inventories	(5'310)	(21'024)
Trade accounts payable	(5'318)	(5'097)
Interest payment on shareholder loans	(2'950)	(4'848)
Other assets and liabilities	(33'065)	(4'134)
Net cash provided by (used in) operating activities	39'093	(2'381)
Cash flow from investing activities		
Payments for property, plant and equipment	(19'055)	(19'019)
Payments for intangible assets	(46)	(200)
Proceeds from the sale of property, plant and equipment	558	219
Net cash used in investing activities	(18'543)	(19'000)
Cash flow from financing activities		
Capital contribution related to IPO recognition bonus – cash component	3'275	-
Proceeds from third party facility	215'000	-
Repayment of borrowings to third party facility	(24)	(855)
Proceeds from shareholders and related party facility	-	55'663
Repayment of borrowings to shareholders and related party facility	(215'000)	(35'000)
Net cash used in financing activities	3'251	19'808
Net increase (decrease) in cash and cash equivalents	23'801	(1'573)
Cash and cash equivalents at beginning of period, including restricted cash	101'033	22'092
Effects of foreign exchange rate changes on cash and cash equivalents	580	(142)
Cash and cash equivalents at end of period, including restricted cash	\$ 125'414	\$ 20'377
Supplemental cash flow information		
Cash paid for income tax	\$ 22'296	\$ 21'468
Cash paid for interest	\$ 4'661	\$ 5'644

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Notes to Interim Condensed Consolidated Financial Statements (unaudited)
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C NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

1.1 General Information

Landis+Gyr Group AG (“Landis+Gyr”), formerly known as Landis+Gyr Holding AG, and subsidiaries (together, the “Company”) form a leading global provider of energy metering products and solutions to utilities.

On February 6, 2013, Toshiba Corporation, one of the former shareholders, acquired a 100% equity interest in Consort Inc., incorporated in the USA. Consort converts electric consumption in homes and small businesses into cost-effective, clean sources of capacity and energy reserves for utilities. Toshiba Corporation sold certain assets and liabilities of Consort to the Company on November 1, 2016.

The following notes relate to the interim condensed consolidated financial statements of Landis+Gyr and the combined presentation of Consort for each of the six months ended September 30, 2017 and September 30, 2016.

The condensed consolidated half-year financial statements have not been audited by the auditors. They were approved for publication by the Board of Directors on October 25, 2017.

1.2 Initial Public Offering

On July 12, 2017, the Company’s listing application (Securities number: 37115349; ISIN: CH.037’115’349’2; Ticker symbol: LAND) relating to an initial public offering (“IPO”) of its common stock was declared effective by the SIX Swiss Exchange. On July 21, 2017, the Company completed the IPO at a price to the public of CHF 78 per share. In connection with the IPO, the Company’s stockholders sold an aggregate of 29’510’000 shares of common stock, thereof 81’945 shares were set aside to grant and fund the IPO recognition bonus (see Note 2: Shareholders’ equity). The selling stockholders received all of the net proceeds and bore all commissions and discounts from the sale of the Company’s common stock. The Company did not receive any proceeds from the IPO.

In preparation for the IPO, the Company incurred \$24.2 million of costs for professional services and an IPO recognition bonus. The IPO recognition bonus amounted to \$9.8 million, was fully funded by the selling shareholders, and consisted of shares and cash. The Company has expensed the IPO related professional fees as incurred. The IPO recognition bonus was expensed pursuant to the stock compensation guidance and recognized as increase in additional paid-in capital (see Note 2: Shareholders’ equity).

Before the IPO, the Company was owned by Toshiba Corporation (60%) and Innovation Network Corporation of Japan (40%).

1.3 Basis of Presentation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United 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, 2017 which were included in the Company’s listing prospectus dated July 12, 2017.

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. The Company’s comparative consolidated financial statements have been retrospectively adjusted to include Consort’s net assets and related operations for all periods during which the entities were under common control. Certain amounts reported in the interim consolidated financial information for prior periods have been reclassified to

C NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

conform to the current year's presentation. These changes primarily relate to the reclassification and netting of deferred tax assets and liabilities, as result of the adoption of an accounting standard update on the classification of deferred taxes (see Note 1.7: Recent accounting pronouncements).

All share, per share and capital stock amounts for all periods presented have been restated to give effect to the Reverse Stock Split (see Note 2: Shareholders' equity).

The Company's interim condensed consolidated financial statements have been prepared on a going concern basis. The Company's going concern assumption is based on its ability to address near-term financing requirements. In accordance with ASC 205-40, Going Concern, the Company has evaluated whether the maturity of the loan facility entered into on June 1, 2017 (or a mandatory prepayment of the loan) raises substantial doubt about the Company's ability to continue as a going concern within one year after the date the interim condensed financial statements are issued. In the event of a capital market transaction or in the event of change in control (as defined by the facility agreement), management will use the proceeds to first settle the outstanding debt thus alleviating substantial doubt of the Company's ability to continue as a going concern if a mandatory prepayment is required. In the absence of a required prepayment, the loan will become due at maturity whereby Management's plan for alleviating substantial doubt of the Company's ability to continue as a going concern includes refinancing the loan which Management believes it has the ability to do.

1.4 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.

1.5 Restricted Cash

We are required to maintain cash balances that are restricted in order to secure certain bank guarantees. Restricted cash is generally deposited in bank accounts earning market rates; therefore, the carrying value approximates fair value. Such cash is excluded from cash and cash equivalents in the interim condensed consolidated balance sheet.

1.6 Earnings per Share

ASC 260, "Earnings per Share", requires entities to present both basic and diluted earnings per share. Basic earnings per share is calculated by dividing net income by the weighted-average number of common shares outstanding during the period.

Diluted earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period plus all dilutive potential common shares outstanding. Potentially dilutive shares that are anti-dilutive are excluded from the diluted earnings per share calculation.

As of September 30, 2017 and September 30, 2016 the Company had no dilutive shares outstanding.

C NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1.7 Recent Accounting Pronouncements

New accounting pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers: Topic 606, to supersede nearly all existing revenue recognition guidance under US GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). The Company will adopt the new standard as of April 1, 2018 and is currently in the process of evaluating the effect that this guidance will have on its consolidated financial statements and related disclosures.

In March 2017, the FASB issued ASU 2017-07, Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which requires an entity to present net periodic pension cost and net periodic postretirement benefit cost as a net amount that may be capitalized as part of an asset where appropriate. The amendments in this guidance require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. It also requires the other components of net periodic pension cost and net periodic postretirement benefit cost to be presented in the consolidated income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. The Company will adopt the new standard as of April 1, 2018 and does not believe that this update will have a significant impact on its consolidated financial statements, other than the statement of operations presentation.

Recently Adopted Accounting Pronouncements

In September 2015, the FASB issued ASU 2015-16 Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments, which eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Instead, an acquirer will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment. The Company has adopted this guidance as of April 1, 2017. There were no transactions within the scope of the new guidance in the interim period ended September 30, 2017.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes which requires deferred tax liabilities and assets to be classified as noncurrent in the consolidated statement of financial position. The Company has adopted this guidance as of April 1, 2017 on a retrospective basis. This resulted in a decrease of \$43.9 million of current deferred tax assets and a decrease of less than \$0.1 million of current deferred tax liabilities, offset by an increase in the non-current deferred tax assets of \$3.5 million and a decrease in the non-current deferred tax liabilities of \$40.3 million.

On November 17, 2016, the FASB issued ASU 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Company has early adopted this guidance as of April 1, 2017 on a retrospective basis. As result of the adoption, the Company is now presenting the restricted cash combined with unrestricted cash and cash equivalents when reconciling the beginning and end of period balances of statement of cash flow.

C NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 2: SHAREHOLDERS' EQUITY

Reverse Stock Split

On July 11, 2017, in connection with the mentioned Initial Public Offering, the Company's Shareholders approved an amendment to the Company's Certificate of Incorporation to effect a 1-for-10 reverse stock split of the Company's shares of common stock effective on July 12, 2017 (the "Reverse Stock Split").

As result of the Reverse Stock Split, every 10 shares of the Company's then outstanding common stock was combined and automatically converted into one share of the Company's common stock, par value CHF 10 per share. Proportionate voting rights and other rights of common stockholders were not affected by the Reverse Stock Split, other than as a result of the rounding of fractional shares, as no fractional shares were issued in connection with the Reverse Stock Split.

All share, per share and capital stock amounts for all periods presented have been restated to give effect to the Reverse Stock Split.

At September 30, 2017 and March 31, 2017, the capital structure reflected 29'510'000 authorized, issued, and outstanding 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. No dividends have been declared in the current period.

IPO recognition bonus

In relation to the mentioned IPO, the Chairman and some members of senior management were granted a bonus, in recognition of their efforts and to provide them with an equity stake in the Company to support its long-term performance (the "Recognition Bonus"). The Recognition Bonus comprised a share and a cash portion, both funded by the former Shareholders. The share portion consisted of 81'945 fully vested shares of common stock which were set aside prior to the IPO. Because the award is fully vested and includes no future service requirements, the Company recognized a stock based compensation charge of \$6.6 million and \$3.3 million personnel expense for the six-month period ended September 30, 2017. Both amounts are included within general and administrative expenses in the interim consolidated statements of operations and recognized as increase in additional paid-in capital in the interim condensed consolidated Statements of Changes in Shareholders' Equity, because the award was funded by the former Shareholders.

C NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Accumulated Other Comprehensive Income (Loss)

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

	SEPTEMBER 30,	
	2017	2016
Foreign currency translation adjustments	\$ (27'369)	\$ (30'527)
Pension plan benefits liability adjustments, net of taxes of \$2'271 and \$2'300 as of September 30, 2017 and September 30, 2016, respectively	(19'872)	(65'254)
Accumulated other comprehensive income (loss)	\$ (47'241)	\$ (95'781)

The following tables present the reclassification adjustments in accumulated other comprehensive income (loss) by component (in thousands):

USD in thousands	Defined benefit pension items	Foreign currency items	Total
Beginning balance, April 1, 2017	\$ (26'945)	\$ (26'985)	\$ (53'930)
Other comprehensive income (loss) before reclassifications	7'294	(384)	6'910
Amounts reclassified from accumulated other comprehensive income	(221)	-	(221)
Net current-period other comprehensive income (loss)	7'073	(384)	6'689
Ending balance, September 30, 2017	\$ (19'872)	\$ (27'369)	\$ (47'241)

USD in thousands	Defined benefit pension items	Foreign currency items	Total
Beginning balance, April 1, 2016	\$ (55'174)	\$ (34'883)	\$ (90'057)
Other comprehensive income (loss) before reclassifications	(11'353)	4'356	(6'997)
Amounts reclassified from accumulated other comprehensive income	1'273	-	1'273
Net current-period other comprehensive income (loss)	(10'080)	4'356	(5'724)
Ending balance, September 30, 2016	\$ (65'254)	\$ (30'527)	\$ (95'781)

C NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The pension plan benefits liability adjustment, net of taxes, in the AOCL changed by \$7.1 million and \$(10.1) million in the six months ended September 30, 2017 and September 30, 2016. 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, 2017
Amortization of actuarial loss / (gain)	\$ 301
Amortization of prior service cost	(522)
Amounts reclassified from other comprehensive income to net income	(221) a)
Net actuarial (loss) / gain	7'323
Prior service cost	-
Total before tax	\$ 7'102
Tax (expense) or benefit	(29)
Total other comprehensive income (loss) from defined benefit pension plans for the six months ended September 30, 2017, net of tax	\$ 7'073

USD in thousands	SIX MONTHS ENDED
	September 30, 2016
Amortization of actuarial loss / (gain)	\$ 1'263
Amortization of prior service cost	10
Amounts reclassified from other comprehensive income to net income	1'273 a)
Net actuarial (loss) / gain	(11'875)
Prior service cost	-
Total before tax	\$ (10'602)
Tax (expense) or benefit	522
Total other comprehensive income (loss) from defined benefit pension plans for the six months ended September 30, 2016, net of tax	\$ (10'080)

- a) These accumulated other comprehensive income components are included in the computation of net periodic pension costs (see Pension footnote for additional details).

C NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 3: DEBT PAYABLE

On June 1, 2017, the Company entered into a facility agreement with a lender in the amount of \$215 million to replace the shareholder loan. On June 8, 2017, the Company received the funds from the lender and repaid the shareholder loan without any pre-payment penalties. The new loan has a stated interest rate equal to the LIBOR rate plus a margin of 0.8% per annum. The principal including accrued interest is payable on May 31, 2018. The facility agreement also contains a financial covenant requiring that the Company's net debt divided by EBITDA be less than 2.00x and its EBITDA be greater than zero, on a quarterly rolling basis in respect of the most recent four financial quarters. Further, the Company is required to make a mandatory prepayment towards the facility in the amount of (1) 100% of the net proceeds from any capital market transactions (debt and equity transactions) of a Group Company (as defined by the facility agreement) within 45 days after proceeds are received by the Group Company and (2) the entire outstanding balance on the last day of the month of a change in control (as defined by the facility agreement) transaction.

NOTE 4: PENSION AND POST RETIREMENT BENEFIT PLANS

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

USD in thousands	SIX MONTHS ENDED	
	September 30, 2017	September 30, 2016
Service cost	\$ 3'636	\$ 3'691
Interest cost	1'623	1'506
Termination benefits	-	29
Expected return on plan assets	(3'676)	(3'336)
Amortization of prior service costs (benefit)	(522)	10
Amortization of actuarial loss (gain)	301	1'263
Settlements and curtailments	-	(16)
Net periodic benefit cost	\$ 1'362	\$ 3'147

Employer contributions for the six month ended September 30, 2017 and 2016 were \$3.3 million and \$3.8 million, respectively.

NOTE 5: 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, 2017 were provided at a rate of 589.9%, including \$10.6 million benefit from the change in unrecognized tax benefits related to uncertain tax positions whose likelihood was reassessed in connection with the IPO.

Income taxes for the six month period ended September 30, 2016 were provided at a rate of 547.4%, including \$7.6 million expense related to uncertain tax positions, changes in valuation allowance and other discrete items.

C NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 6: COMMITMENTS & CONTINGENCIES

Commitments:

The Company is obligated under capital leases covering certain machinery and equipment that will expire at various dates during the next three years. The gross amount of property, plant and equipment and related accumulated amortization recorded under capital leases were as follows (in thousands):

USD in thousands	SIX MONTHS ENDED	
	September 30, 2017	March 31, 2017
Machinery and equipment	\$ 5'110	\$ 4'812
Less: accumulated amortization	4'191	3'930
	\$ 919	\$ 882

Amortization of assets held under capital leases is included within depreciation expenses.

The Company is also party to several noncancelable operating leases, primarily for office space and company vehicles, that expire over the next five years. These leases generally contain renewal options for periods ranging from one to five years and require the Company to pay all common area maintenance costs such as maintenance and insurance.

Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease including any periods of free rent. Rental expense for operating leases for the six months ended September 30, 2017 and September 30, 2016 was \$12.0 million and \$11.3 million, respectively.

Guarantees

From time to time, the Company issues performance guarantees whereby it guarantees its performance under the specific terms of contracts with suppliers, customers, and financial institutions. These guarantees are typically comprised of performance bonds and bank guarantees. These guarantees could become payable in the event that the Company were to default under the related contracts. The Company had total outstanding performance bonds and bank guarantees of \$111.0 million as of September 30, 2017.

The Company, from time to time, guarantees the obligations of its wholly owned subsidiaries, including obligations under certain contracts with customers. At September 30, 2017, the Company had a maximum potential amount payable of \$1'077 million under such financial guarantees outstanding. The guarantees outstanding have various maturity dates.

Legal proceedings

The Company is subject to various legal proceedings and claims of which the outcomes are subject to significant uncertainty. Our 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, Energisa SA and a number of other plaintiffs filed two related lawsuits in Brazil, alleging that our 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. L+G has filed a petition with technical inquiries ("Levantamento de quesitos") for a technical expert in metering to evaluate the L+G meters' performance in relation to the functional requirement of the project. There is a jurisdictional conflict to be defined at the Federal Superior Court.

C NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Indemnification

We generally provide an indemnification related to the infringement of any patent, copyright, trademark, or other intellectual property right on software or equipment within our 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) we control the defense and all related settlement negotiations. We may also provide an indemnification to our customers for third party claims resulting from damages caused by the negligence or willful misconduct of our 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 accrual account activity is as follows (in thousands):

USD in thousands	2017	2016
Beginning balance, April 1,	\$ 51'734	\$ 91'643
New product warranties	42'981	16'864
Other changes / adjustments to warranties	(6'118)	(9'381)
Claims activity	(10'408)	(11'671)
Effect of changes in exchange rates	1'717	(1'803)
Ending balance, September 30,	79'906	85'652
Less: current portion of warranty	(43'991)	(27'467)
Long-term warranty	\$ 35'915	\$ 58'185

New product warranties for the six month periods ended September 30, 2017 and 2016 include warranty accruals of \$40.9 million and \$11.7 million, respectively, due to legacy component issues in the Americas segment which are unrelated to the X2 capacitor issue. For further details, refer to the warranty provision paragraph in the "Supplemental reconciliation and definitions" section.

C NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 7: 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 months ended September 30, 2017, the Company continued its cost reduction effort within the EMEA geographical area, aimed at reducing costs and improving operating performance in a number of European countries. 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 \$8.1 million for the six months ended September 30, 2017 consist of severance related costs. Some of the severance payments were completed during the six months ended September 30, 2017 and the remaining payments are expected to be completed during the fiscal year ending March 31, 2018.

A summary of the Company's restructuring activity, including costs incurred during the six months ended September 30, 2017 and September 30, 2016 is as follows (in thousands):

USD in thousands	2017	2016
Balance as of April, 1	\$ 2'460	\$ 2'478
Restructuring charges, net	8'149	1'198
Cash payments	(4'471)	(2'069)
Effect of changes in exchanges rates	215	(49)
Balance as of September 30,	\$ 6'353	\$ 1'558

The outstanding balance at September 30, 2017 and September 30, 2016, respectively, is included under accrued liabilities in the interim consolidated balance sheets. Substantially all of the remaining accrued restructuring balance is expected to be paid out by the end of the fiscal year ending March 31, 2018.

Restructuring activity charges have been recognized in the following statement of operations line items (in thousands):

USD in thousands	SIX MONTHS ENDED	
	September 30, 2017	September 30, 2016
Cost of revenue	\$ 1'981	\$ 305
Research and development	690	138
Sales and marketing	644	50
General and administrative	4'834	705
Total	\$ 8'149	\$ 1'198

C NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

	CUMULATIVE COSTS INCURRED UP TO	TOTAL COSTS INCURRED IN THE SIX MONTHS ENDED
	September 30, 2017	September 30, 2017
USD in thousands		
Americas	\$ 5'971	\$ (62)
EMEA	22'125	7'682
Asia Pacific	9'775	-
Corporate	1'788	529
Restructuring Charges	\$ 39'659	\$ 8'149

The cumulative costs incurred up to September 30, 2017 represent the Company's ongoing restructuring efforts under various programs from FY 2011 to FY 2016. The expected future costs for the restructuring programs are \$11.3 million spread over the next four years and are limited to EMEA.

NOTE 8: RELATED PARTY TRANSACTION

Shareholder loan

Upon the acquisition of Landis+Gyr AG, the Company received a loan from Toshiba Corporation in the amount of \$600.1 million. The loan was fully repaid on June 8, 2017 with the proceeds obtained from the third party lender facility (refer to Note 3: Debt payable). The outstanding balance as of March 31, 2017 was \$ 215.0 million.

NOTE 9: SEGMENT INFORMATION

In the fourth quarter of 2016 fiscal year, there was an organizational shift in the business as result of the planned IPO. Accordingly, the Company realigned its operations into the following operating segments: Americas, EMEA (Europe Middle East and Africa) and Asia Pacific, which are also our reportable segments. Prior to the realignment, the Company operated and managed its business as one distinct operating segment. A description of each reportable segment is as follows:

- Americas – The Americas generates the majority of its revenue in the United States, with most of the residual balance produced in South America, Canada and Japan.
- EMEA – The EMEA segment produces the majority of its revenue in Europe with most of the residual balance generated in South Africa.
- Asia Pacific – The Asia Pacific segment, which excludes Japan, generates the majority of its revenue in Australia, China, India and Hong Kong.

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. Decisions by the chief operating decision maker on how to allocate resources and assess performance are based on a reported measure of segment profitability.

We have two primary measures for evaluating segment performance: revenue to third parties (excluding any inter-company sales) and adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA). We define Adjusted EBITDA as income (loss) before income tax expense excluding interest income and expense, net, gain (loss) on foreign exchange related to intercompany loans, net, depreciation and amortization, impairment of intangible and long-lived assets, restructuring charges, exceptional warranty related expenses, warranty normalization adjustments and special items.

C NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

USD in thousands	SIX MONTHS ENDED	
	September 30, 2017	September 30, 2016
Net revenues		
Americas	\$ 477'338	\$ 450'353
thereof to external customers	475'196	449'487
thereof to other segments	2'142	867
EMEA	355'998	302'771
thereof to external customers	320'660	274'831
thereof to other segments	35'338	27'940
Asia Pacific	72'192	65'151
thereof to external customers	69'783	63'146
thereof to other segments	2'409	2'005
Elimination	(39'889)	(30'812)
Total Company	\$ 865'639	\$ 787'464
Adjusted EBITDA		
Americas	\$ 105'936	\$ 98'371
EMEA	(1'569)	(4'350)
Asia Pacific	(5'497)	(6'514)
Corporate and elimination	9'882	8'764
Total by Segment	108'752	96'271
Restructuring charges ¹	(8'149)	(1'198)
Exceptional warranty related expenses ²	(2'419)	(1'449)
Warranty normalization adjustments ³	(30'339)	(4'263)
Special items ⁴	(24'758)	(22'234)
Depreciation	(23'888)	(23'166)
Amortization of intangible assets	(24'741)	(24'661)
Interest income	368	288
Interest expense	(3'761)	(5'901)
Income (loss) on foreign exchange related to intercompany loans, net	7'862	(10'778)
Income (loss) before income tax expense	\$ (1'073)	\$ 2'909

1 Restructuring charges are summarized in note 7 including the line items in the statements of operations that include the restructuring charges.

2 Exceptional warranty related expense related to the X2 matter. Refer to the warranty provision paragraph in the "Supplemental reconciliation and definitions" section.

3 Warranty normalization adjustments represents warranty expense that diverge 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. For the calculation of the average of actual warranty costs incurred, refer to the warranty provision paragraph in the "Supplemental reconciliation and definitions" section.

4 Special items represent costs incurred, or income earned, related to non-recurring events, certain settlements of litigation and other miscellaneous items. Special items for the six months ended September 30, 2017 included \$24.2 million costs incurred in connection with the IPO and \$0.6 million other miscellaneous items. Special items for the six months ended September 30, 2016 included the settlement amount (including legal costs) for a patent case of \$15.6 million, costs incurred for strategic activities that did not materialize of \$6.0 million and \$0.6 million other miscellaneous items.

C NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The following table represents the continuing operations' revenue for the six months ended September 30, 2017 and 2016.

SIX MONTHS ENDED SEPTEMBER 30, 2017				
USD in thousands	Total	Americas	EMEA	Asia Pacific
Total revenue	\$ 865'639	\$ 475'196	\$ 320'660	\$ 69'783
thereof United States	428'985	428'985	-	-
thereof United Kingdom	98'263	-	98'263	-
thereof Switzerland	29'419	-	29'419	-
thereof Australia	29'294	-	-	29'294

SIX MONTHS ENDED SEPTEMBER 30, 2016				
USD in thousands	Total	Americas	EMEA	Asia Pacific
Total revenue	\$ 787'464	\$ 449'487	\$ 274'831	\$ 63'146
thereof United States	388'728	388'728	-	-
thereof United Kingdom	81'794	-	81'794	-
thereof Switzerland	30'107	-	30'107	-
thereof Australia	33'957	-	-	33'957

NOTE 10: SUBSEQUENT EVENTS

The Company evaluated subsequent events and transactions that occurred after the balance sheet date. As at October 25, 2017, which is the date that the interim financial statements were available to be issued, the Company has no subsequent events which either warrant a modification of the value of its assets and liabilities or any additional disclosure.

Supplemental Reconciliation and Definitions
D Supplemental Reconciliation and Definitions
Supplemental Reconciliation and Definitions
Supplemental Reconciliation and Definitions

D SUPPLEMENTAL RECONCILIATION AND DEFINITIONS

ADJUSTED EBITDA

The reconciliation of EBITDA to Adjusted EBITDA is as follows for the six months period ended September 30, 2017 and 2016:

(U. S. Dollars in millions, unless otherwise indicated)	L+G Group AG		Americas		EMEA		Asia Pacific		Corporate and eliminations	
	H1 17	H1 16	H1 17	H1 16	H1 17	H1 16	H1 17	H1 16	H1 17	H1 16
Operating income	(5.5)	19.3	36.7	46.2	(15.1)	(16.5)	(8.2)	(8.9)	(18.9)	(1.5)
Amortization of intangible assets	24.7	24.7	16.6	16.7	3.7	3.6	1.1	0.9	3.3	3.5
Depreciation	23.9	23.1	15.1	15.1	6.8	6.4	1.8	1.6	0.2	-
Impairment of intangible and long-lived assets		-		-		-		-	-	-
EBITDA	43.1	67.1	68.4	78.0	(4.6)	(6.5)	(5.3)	(6.4)	(15.4)	2.0
Restructuring charges	8.1	1.2	(0.1)	1.2	7.7	-	-	-	0.5	-
Exceptional warranty related expenses	2.4	1.4	-	-	2.4	1.4	-	-	-	-
Normalized warranty related expenses	30.3	4.3	37.6	3.6	(7.1)	0.8	(0.2)	(0.1)	0.0	0.0
Special items	24.8	22.3	-	15.6	-	-	-	-	24.8	6.7
Adjusted EBITDA	108.8	96.3	105.9	98.4	(1.6)	(4.3)	(5.5)	(6.5)	10.0	8.7
Adjusted EBITDA margin (%)	12.6%	12.2%	22.3%	21.9%	(0.5%)	(1.6%)	(7.9%)	(10.3%)		

ADJUSTED GROSS PROFIT

The reconciliation of Gross Profit to Adjusted Gross Profit is as follows for the six months period ended September 30, 2017 and 2016:

(U. S. Dollars in millions, unless otherwise indicated)	L+G Group AG		Americas		EMEA		Asia Pacific		Corporate and eliminations	
	H1 17	H1 16	H1 17	H1 16	H1 17	H1 16	H1 17	H1 16	H1 17	H1 16
Gross Profit	242.7	268.4	154.9	180.9	73.1	75.5	13.5	12.2	1.2	(0.2)
Amortization of intangible assets	7.1	7.1	2.8	2.9	3.5	3.5	0.8	0.7	-	-
Depreciation	19.9	19.4	13.2	13.2	5.8	5.3	0.9	0.8	-	0.1
Restructuring charges	2.0	0.3	-	0.3	2.0	-	-	-	-	-
Exceptional warranty related expenses	2.4	(2.1)	-	-	2.4	(2.1)	-	-	-	-
Normalized warranty related expenses	30.3	4.3	37.6	3.6	(7.0)	0.8	(0.2)	(0.1)	(0.1)	0.0
Special items	-	-	-	-	-	-	-	-	-	-
Adjusted Gross Profit	304.4	297.4	208.5	200.9	79.8	83.0	15.0	13.6	1.1	(0.1)
Adjusted Gross Profit margin (%)	35.2%	37.8%	43.9%	44.7%	24.9%	30.2%	21.5%	21.6%		

ADJUSTED OPERATING EXPENSES

The reconciliation of Operating Expenses to Adjusted Operating Expenses is as follows for the six months period ended September 30, 2017 and 2016:

(U.S. Dollars in millions, unless otherwise indicated)	L+G Group AG	
	H1 17	H1 16
Research and development	83.2	81.3
Depreciation	(2.2)	(1.8)
Restructuring charges	(0.7)	(0.1)
Adjusted Research and Development	80.3	79.4
Sales and Marketing	54.7	52.1
General and administrative	92.6	98.2
Depreciation	(1.8)	(2.0)
Restructuring charges	(5.5)	(0.8)
Exceptional warranty related legal expenses	-	(3.5)
Special items	(24.8)	(22.3)
Adjusted Sales, General and Administrative	115.2	121.7
Adjusted Operating Expenses	195.5	201.1

WARRANTY PROVISION

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). Our 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.

For the six-month period ended September 30, 2017 and 2016 our statements of operations include net changes to the warranty and warranty-like accruals, which we record in cost of goods sold, of USD 36.9 million and USD 7.5 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”), which resulted in net changes to the accruals for warranty and warranty-like claims of USD 0.2 million, and USD (2.1) million, respectively, for the six-month period ended September 30, 2017 and 2016. In addition, we incurred legal expenses related to the X2 matter in the amount of USD nil and USD 3.5 million in the six-month period ended September 30, 2017 and 2016, respectively.

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. Excluding X2-related accruals, our net changes to accruals for warranty and warranty-like claims for the six-month period ended September 30, 2017 and 2016 would have been USD 36.7 million and USD 9.6 million, respectively. The first half of 2017 net changes to warranty accruals were impacted by additional accruals of \$40.9 million related to legacy component issues in the Americas.

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, 2017. For the six-month period ended September 30, 2016, we have used half of the three-year average actual warranty costs incurred (in cash or the value of other compensation paid out to customers) of USD 10.6 million that was fully disclosed in the offering memorandum.

Management presents Adjusted EBITDA in this Half-Year Report 2017 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 only 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 6.4 million and USD 5.3 million for the six-month period ended September 30, 2017 and 2016. For the six-month period ended September 30, 2017 and 2016, the warranty normalization adjustments made in calculating Adjusted EBITDA amounted to USD 30.3 million and USD 4.3 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.

(U.S. Dollars in millions, unless otherwise indicated)	Six months ended	Fiscal year ended		Six month ended	Fiscal year ended	Average
	Septem- ber 30, 2017	March 31, 2017	March 31, 2016	March 31, 2015 ⁽⁴⁾	March 31, 2015	
Beginning of the year						
Warranty accrual	51.7	91.6	48.5		58.3	
Other warranty-like accrued liabilities ⁽¹⁾	-	6.5	2.3		0.2	
Total	51.7	98.2	50.8		58.5	
Additions ⁽²⁾	43.0	46.6	64.6	14.0	28.0	
Other changes / adjustments to warranties ⁽³⁾	(6.1)	(53.8)	(7.9)	(8.9)	(18.0)	
Outflow in respect of X2 matter	(0.4)	(18.9)	(1.2)	(2.6)	(5.3)	
Outflow in respect of other warranty and warranty-like claims	(10.0)	(15.7)	(9.0)	(3.5)	(7.0)	(12.7)
Total outflow in respect of other warranty and warranty-like claims	(10.4)	(34.6)	(10.1)	(6.1)	(12.3)	
Effect of changes in exchange rates	1.7	(4.7)	0.7	(2.8)	(5.5)	
Ending balance						
Warranty accrual	-	51.7	91.6		48.5	
Other warranty-like accrued liabilities ⁽¹⁾	-	-	6.5		2.3	
Total	79.9	51.7	98.2		50.8	

- 1) Other warranty-like accrued liabilities, which are reflected in other current liabilities in the consolidated balance sheets.
- 2) "Additions" reflects new product warranty amounts included in warranty provisions (USD 43.0 million for the six month ended September 30, 2017 and USD 48.7 million, USD 54.7 million and USD 24.6 million for the years ended March 31, 2017, 2016 and 2015, respectively) and other warranty-like accrued liabilities (USD nil for the six month ended September 30, 2017 and USD (2.1) million, USD 9.9 million and USD 3.4 million for the years ended March 31, 2017, 2016 and 2015, 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.
- 4) A method of convenience was used to calculate the relevant amounts for the six month period ended March 31, 2015 by taking the relevant amounts per the column Fiscal Year ended March 31, 2015 and dividing them by the factor 2.

(U.S. Dollars in millions, unless otherwise indicated)	Six month period ended	
	September 30, 2017	September 30, 2016
Additions		
Additions (including X2) ⁽¹⁾	43.0	16.9
X2 Additions	(0.2)	-
Additions (excluding X2)	42.8	16.9
Other changes / adjustments to warranties		
Releases (including X2)	(6.1)	(9.4)
X2 Reclassification	-	-
X2 Releases	-	2.1
Releases (excluding X2)	(6.1)	(7.3)
Net changes to warranty and warranty-like accruals (including X2)	36.9	7.5
Net changes to warranty and warranty-like accruals relating to X2	(0.2)	2.1
Net changes to warranty and warranty-like accruals (excluding X2)	36.7	9.6
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)	6.4	5.3
Warranty normalization adjustments	30.3	4.3

1) "Additions" reflects new product warranty amounts included in warranty provisions (USD 43.0 million and USD 16.9 million for the periods ended September 30, 2017 and 2016, respectively).

MAIN EXCHANGE RATES APPLIED

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

Exchange rates	Income statement		Exchange rate	
	average exchange rate, 6 months		on balance-sheet date	
	2017	2016	30.09.2017	31.03.2017
Euro countries – EUR	1.1381	1.1227	1.1814	1.0652
United Kingdom – GBP	1.2943	1.3714	1.3394	1.2554
Switzerland – CHF	1.0275	1.0276	1.0327	0.9965
Brazil – BRL	0.3131	0.2964	0.3162	0.3202
Australia – AUD	0.7702	0.7516	0.7833	0.7628

E Dates and Contacts

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E DATES AND CONTACTS

Important Dates

- Release Annual Results: June 5, 2018
- Ordinary General Assembly: June 28, 2018, Lorzensaal, Cham, Switzerland

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Declaration of forward-looking statements:

This Half Year Report includes forward-looking information and statements, including statements concerning the outlook for our businesses. These statements are based on current expectations, estimates and projections about the factors that may affect our future performance, including global economic conditions, and the economic conditions of the regions and industries that are major markets for Landis+Gyr Group AG. These expectations, estimates and projections are generally identifiable by statements containing words such as “expects,” “believes,” “estimates,” “targets,” “plans,” “outlook” or similar expressions.

There are numerous risks and uncertainties, many of which are beyond our control that could cause our actual results to differ materially from the forward-looking information and statements made in this Half Year Report and which could affect our ability to achieve any or all of our stated targets. Forward-looking statements involve inherent known and unknown risks, uncertainties and contingencies because they relate to events and depend on circumstances that may or may not occur in the future and may cause the actual results, performance or achievements of Landis+Gyr Group AG to be materially different from those expressed or implied by such forward-looking statements. The important factors that could cause such differences include, among others:

- business risks associated with the volatile global economic environment and political conditions
- costs associated with compliance activities
- market acceptance of new products and services
- changes in governmental regulations and currency exchange rates,
- estimates of future warranty claims and expenses and sufficiency of accruals; and
- such other factors as may be discussed from time to time in Landis+Gyr Group AG filings with the SIX Swiss Exchange.

Although Landis+Gyr Group AG believes that its expectations reflected in any such forward-looking statements are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved. As a result, investors are cautioned not to place undue reliance on such forward-looking statements.

This Half Year Report contains non-GAAP measures of performance. Definitions of these measures and reconciliations between these measures and their US GAAP counterparts can be found in the “Supplemental reconciliations and definitions” section of this Half Year Report.

Except as otherwise required by law, Landis+Gyr Group AG disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after the date of this report.



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