Financial Report 2018

Landis+Gyr
manage energy better

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Financial Review of Landis+Gyr Group

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Financial Review

Overview

The following discussion of the financial condition and results of the operations of Landis+Gyr Group AG ("Landis+Gyr") and its subsidiaries (together, the "Company") should be read in conjunction with the Consolidated Financial Statements, which have been prepared in accordance with US GAAP, and the related notes thereto included in this Financial Review.

This Financial 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 Financial Review.

The Company is the leading global provider of smart metering solutions helping utilities, energy retailers and energy consumers manage energy better. Building on over 120 years of industry experience, we enable our customers to manage their billing for revenue assurance, improve the efficiency of their networks, upgrade energy delivery infrastructures, reduce energy costs and contribute to a sustainable use of resources.

Traditional standalone metering products represent the historical core of the Company's offerings. However, over the last 10 to 15 years, many utilities have transitioned from using standalone, or non-smart, meters, which require on-site or one-way reading to report energy consumption, to modernized networks that deploy intelligent devices and two-way communications technologies for near real-time measurement, management and control of energy distribution and consumption, i.e., "smart metering". Smart metering technology serves, in turn, as an essential building block in the development of the Smart-Grid and smart communities where utilities are able to measure and control production, transmission and distribution of energy resources more efficiently through the use of communications technology. Increasingly, we are also seeing the adoption of grid edge technologies.

We provide our products, services and solutions in more than 70 countries around the world.

To best serve our customers, we have organized our business into three regional reportable segments: the Americas, EMEA and Asia Pacific.

- Americas comprises the United States, Canada, Central America, South America, Japan and certain other markets which adopt US standards. This segment reported 55.9% of our total revenue for the financial year 2018 (FY 2018; April 1, 2018 to March 31, 2019). We are a leading supplier of Advanced Metering Infrastructure ("AMI") communications networks and the leading supplier of smart electricity meters in North America. In addition, we are one of the leading suppliers of modern standalone and smart electric meters in South America.
- EMEA, which comprises Europe, the Middle East, South Africa and certain other markets adopting European standards, reported 35.8% of our total revenue for the financial year 2018. In EMEA, we are one of the leading providers of smart electricity meters and we are the leading supplier of smart ultrasonic gas meters.
- Asia Pacific comprises Australia, New Zealand, China, Hong Kong and India, while the balance is generated in Singapore and other markets in Asia. It reported 8.3% of our total revenue for the financial year 2018. In Asia Pacific (excluding China), we are one of the leading smart electricity meter providers.

Summary of Financial Information

RESULTS OF OPERATIONS

	FINANCIAL YEAR ENDED MARCH 31,				
USD in millions, except per share data	**2019**	2018	2017	2016	2015
Order Intake	2,079.0	1,574.4	1,325.5	1,998.7	1,309.0
Committed Backlog as of March 31,	2,603.1	2,389.0	2,491.4	2,887.9	2,482.0
Net revenue	**1,765.2**	**1,737.8**	**1,659.2**	**1,573.5**	**1,529.1**
Cost of revenue	1,188.8	1,227.7	1,117.0	1,087.7	1,040.8
Gross profit	**576.3**	**510.1**	**542.2**	**485.7**	**488.3**
Operating expenses (*)					
Research and development	156.8	163.8	162.8	148.3	151.6
Sales and marketing	95.4	104.9	104.7	99.7	100.0
General and administrative	130.9	161.6	186.2	146.2	165.3
Amortization of intangible assets	34.9	35.7	35.1	42.4	41.9
Impairment of intangible assets	–	–	60.0	34.1	–
Operating income (loss)	**158.3**	**44.0**	**(6.6)**	**15.1**	**29.5**
Net interest and other finance expense	(7.9)	1.2	(25.0)	(16.9)	(21.6)
Non-operational pension (cost) credit (*)	4.1	3.8	1.4	0.8	2.0
Gain on divestments	14.6	–	–	–	–
Income (loss) before income tax expense	**169.0**	**49.0**	**(30.3)**	**(1.0)**	**9.8**
Income tax benefit (expense)	(42.1)	(2.2)	(31.8)	(12.5)	0.5
Net income (loss) before noncontrolling interests and equity method investments	**126.9**	**46.8**	**(62.1)**	**(13.5)**	**10.3**
Net loss from equity investments	(4.3)	–	–	–	–
Net income before noncontrolling interests	**122.6**	**46.8**	**(62.1)**	**(13.5)**	**10.3**
Net income attributable to noncontrolling interests, net of tax	0.4	0.4	0.5	0.2	–
Net income (loss) attributable to Landis+Gyr Group AG Shareholders	**122.2**	**46.4**	**(62.6)**	**(13.7)**	**10.3**
Earnings per share (basic and diluted)	4.15	1.57	(2.12)	(0.46)	0.35
Adjusted Gross Profit	609.3	597.3	620.2	601.9	562.3
Adjusted Operating Expenses	371.4	389.1	409.6	381.7	405.0
Adjusted EBITDA	**237.9**	**208.2**	**210.6**	**220.2**	**157.3**
Free Cash Flow (excluding M&A)	**123.5**	**87.5**	**53.1**	**84.6**	**96.3**

* Following the adoption by the Company of ASU 2017-07 relating to defined benefit pension scheme costs, all pension income and expenses other than service costs are now reported under "Non-operational pension (cost) credit". Net income is unchanged. For comparison purposes, we applied the new standard retrospectively in the Consolidated Statements of Operations for the years ended March 31, 2018, 2017, 2016 and 2015 presented above.

SUMMARY CONSOLIDATED BALANCE SHEETS

USD in millions (*)	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
ASSETS					
Current assets					
Cash and cash equivalents	73.4	101.8	101.0	22.1	18.5
Accounts receivable, net	367.9	315.8	301.4	302.4	279.8
Inventories, net	133.7	121.4	115.7	117.0	121.5
Prepaid expenses and other current assets	54.8	50.4	44.4	136.7	125.6
Total current assets	**629.8**	**589.3**	**562.5**	**578.1**	**545.4**
Property, plant and equipment, net	142.1	164.4	188.8	199.8	220.6
Goodwill and other Intangible assets, net	1,686.1	1,743.3	1,786.6	1,895.6	1,981.2
Deferred tax assets	15.8	16.0	12.9	28.1	17.6
Other long-term assets	78.2	37.7	34.2	35.1	36.3
TOTAL ASSETS	**2,551.9**	**2,550.7**	**2,585.1**	**2,736.7**	**2,801.1**
LIABILITIES AND EQUITY					
Current liabilities					
Trade accounts payable	220.3	150.2	139.3	147.3	176.6
Accrued liabilities	31.2	40.0	37.0	45.2	50.2
Warranty provision – current	34.3	47.9	43.8	32.9	22.0
Payroll and benefits payable	66.8	65.2	76.6	73.9	66.4
Loans and current portion of shareholder loans	90.7	142.3	227.9	113.8	107.4
Other current liabilities	81.4	69.7	87.6	73.3	76.1
Total current liabilities	**524.7**	**515.2**	**612.2**	**486.4**	**498.7**
Shareholder loans	–	–	–	215.0	285.0
Warranty provision – non current	10.9	25.6	8.0	58.8	26.6
Pension and other employee liabilities	48.4	55.7	65.2	101.1	90.0
Deferred tax liabilities	37.3	32.5	55.0	95.1	99.1
Tax provision	29.2	25.5	28.7	21.1	15.5
Other long-term liabilities	68.0	88.1	83.5	29.4	31.0
Total liabilities	**718.6**	**742.7**	**852.5**	**1,006.8**	**1,045.9**
Shareholders' equity					
Total Landis+Gyr Group AG shareholders' equity	**1,830.7**	**1,804.6**	**1,730.1**	**1,728.0**	**1,753.2**
Noncontrolling interests	2.7	3.4	2.6	1.8	2.0
Total shareholders' equity	**1,833.4**	**1,808.0**	**1,732.6**	**1,729.9**	**1,755.2**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,551.9**	**2,550.7**	**2,585.1**	**2,736.7**	**2,801.1**

* Certain amounts reported for prior years in the Consolidated Balance Sheets have been reclassified to conform to the current year's presentation. These changes primarily relate to 1) the reclassification of certain contract liabilities, from Trade accounts payable to Other current liabilities, following the adoption of the ASU 2014-09 Revenue from Contracts with Customers and 2) the reclassification and netting of deferred tax assets and liabilities as a result of the adoption of the ASU 2015-17 Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, which requires deferred tax assets and liabilities to be classified as noncurrent in the Consolidated Balance Sheets.

Order Intake
Order intake increased by USD 504.6 million, or 32.0%, from USD 1,574.4 million in the year ended March 31, 2018 (FY 2017) to USD 2,079.0 million in the year ended March 31, 2019 (FY 2018), on a reported currency basis (34.0% on a constant currency basis). The increase in order intake was predominantly driven by EMEA with projects won in the UK (SMETS2) and in France (Linky) and by the Americas with large AMI projects wins in the United States (We Energies and Ameren Missouri).

Committed Backlog
We define our committed backlog as the sum of our awarded contracts with firm volume and price commitments.

Our committed backlog represents the aggregate amount of individual contract orders we have for specified products, services or solution sales that have a specified value and delivery schedule. As of March 31, 2019, in the Americas, committed backlog related to products, services and solutions was USD 1,754.9 million compared to USD 1,679.0 million as of March 31, 2018. In EMEA, as of March 31, 2019, committed backlog was USD 754.6 million compared to USD 654.1 million as of March 31, 2018. In addition, in EMEA, we had "Contingent Backlog" (representing the portion of an awarded firm volume contract that relies on meeting performance criteria in order to trigger the customer order) in an amount of USD 270.0 million and USD 395.2 million for the years ended March 31, 2019 and 2018, respectively. The decrease of USD 125.2 million is primarily attributable to the transfer into committed backlog of amounts previously included within contingent backlog, in respect of which the Company has met the performance criteria. More than half of the committed and contingent backlog in EMEA relates to contracts in the UK. In Asia Pacific, as of March 31, 2019, committed backlog was USD 93.6 million compared to USD 55.9 million as of March 31, 2018.

Net Revenue
Net revenue increased by USD 27.3 million, or 1.6%, from USD 1,737.8 million in the year ended March 31, 2018 to USD 1,765.2 million in the year ended March 31, 2019, on a reported currency basis (3.1% on a constant currency basis). The increase in net revenue was predominantly driven by stronger sales in the Americas segment which grew by USD 23.6 million in constant currency as compared to previous period, the EMEA and APAC segments showed also a constant currency growth of respectively USD 14.7 million and USD 14.8 million. In the Americas segment, the increase in net revenue was driven by strong US roll-outs running at peak deployment speed and solid sales in public power and IOU, offsetting the slowdown in Japan because of the expected year-over-year decline of USD 46.9 million in revenue from TEPCO's AMI project. The EMEA segment experienced a reasonable growth as major planned AMI rollouts commenced (predominantly in the UK), offsetting the expected lower sales in the Netherlands and Spain which reached their peak in the previous period. Meanwhile, the Asia Pacific segment net revenue recorded an increase of 6.0% on a reported currency basis (11.2% on a constant currency basis) driven by sales in Australia to intelliHUB JV. In the year ended March 31, 2019, revenues were not significantly affected, in contrast to previous period, by certain industry-wide supply chain constraints.

Cost of Revenue and Gross Profit
Cost of revenue decreased by USD 38.9 million, or 3.2%, from USD 1,227.7 million in the year ended March 31, 2018 to USD 1,188.8 million in the year ended March 31, 2019. This decrease reflects the lower level of warranty reaching USD 18.7 million for the year ended March 31, 2019 as compared to USD 48.0 million in the previous period where an amount of USD 40.9 million related to legacy component issues was recorded in the Americas. In addition, the decrease was further driven by product cost downs and restructuring in EMEA offsetting the incremental costs incurred due to supply chain constraints (freight and premium prices paid for components). As a result, gross profit increased by USD 66.3 million, or 13.0%, from USD 510.1 million (or 29.4% in percentage of revenue) in the financial year 2017 to USD 576.3 million (or 32.7% as a percentage of revenue) in the financial year 2018.

OPERATING EXPENSES (*)

USD in millions	FINANCIAL YEAR ENDED MARCH 31, 2019	2018
Research and development	156.8	163.8
Sales and marketing	95.4	104.9
General and administrative	130.9	161.6
Amortization of intangible assets	34.9	35.7
Total operating expenses	**418.1**	**466.1**

* Following the adoption by the Company of ASU 2017-07 relating to defined benefit pension scheme costs, FY 2017 General and administrative expense has been revised up by USD 3.8 million as all pension income and expenses other than service costs are now reported under "Other income (expense)".

Research and Development

Research and development expenses decreased by USD 7.0 million, or 4.3%, from USD 163.8 million in the year ended March 31, 2018 to USD 156.8 million in the year ended March 31, 2019. The slight decline is attributable to development project timing and productivity improvements mainly in the Americas segment.

Sales and Marketing

Sales and marketing expenses decreased by USD 9.5 million, or 9.1%, from USD 104.9 million in the year ended March 31, 2018 to USD 95.4 million in the year ended March 31, 2019. This decrease in sales and marketing expenses results from control of expenses.

General and Administrative

General and administrative expenses decreased by USD 30.7 million, or 19.0%, from USD 161.6 million (USD 157.8 million as presented in the year ended March 31, 2018, plus a restatement for pensions of USD 3.8 million) to USD 130.9 million in the year ended March 31, 2019. The decrease in general and administrative expenses was driven, on the one hand, by the non-recurring expenses recorded by the corporate function for the IPO of USD 24.2 million in the year ended March 31, 2018, and on the other hand, by the continuous effort worldwide to reduce expenses, for example with the Phoenix Program in EMEA.

Amortization of Intangible Assets

Certain amortization charges were included in cost of revenue in the amount of USD 13.8 million and USD 14.1 million for the years ended March 31, 2019 and 2018, respectively; amortization of intangible assets included under operating expenses decreased by USD 0.8 million, or 2.1%, from USD 35.7 million in the year ended March 31, 2018 to USD 34.9 million in the year ended March 31, 2019.

Operating Income

Operating income increased by USD 114.3 million to USD 158.3 million for the year ended March 31, 2019 from USD 44.0 million for the year ended March 31, 2018 largely as a result of higher gross margin on sales combined with lower overhead expenses, whereas FY 2017 had been impacted by the IPO expenses. Operating income included depreciation and amortization of USD 92.8 million for the year ended March 31, 2019 and USD 97.3 million for the year ended March 31, 2018, which are included in various line items in the Consolidated Statement of Operations.

Operating income before depreciation and amortization, which corresponds to EBITDA, increased by USD 109.8 million, or 77.7%, to USD 251.1 million for the year ended March 31, 2019 from USD 141.3 million for the year ended March 31, 2018. EBITDA included non-recurring and other items in the financial year ended March 31, 2019, which amounted to USD (13.2) million. These non-recurring and other items included (i) restructuring expenses in the amount of USD 4.8 million relating to costs associated with restructuring programs in all segments, (ii) exceptional warranty related expenses of USD 1.1 million in respect of the X2 matter (refer to section Warranty Provision below), (iii) warranty normalization adjustments of USD (16.1) million, included to adjust warranty expenses to the 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 and (iv) change in unrealized gains and losses on derivatives where the underlying hedged transactions have not yet been realized amounting to USD (3.0) million. EBITDA included non-recurring and other items in the financial year ended March 31, 2018, which amounted to USD 66.9 million. In the financial year ended March 31, 2018, adjustments for these items amounted to (i) USD 14.7 million, (ii) USD 2.4 million, (iii) USD 24.2 million, (iv) USD 0.0 million and (v) USD 25.6 million special items, including USD 24.2 million costs incurred in preparation of the Initial Public Offering of the Company's stock.

In the year ended March 31, 2019, Adjusted EBITDA, which corresponds to EBITDA adjusted for certain non-recurring or other items that Management believes are not indicative of operational performance (as outlined above), was USD 237.9 million, compared to USD 208.2 million in the year ended March 31, 2018. The improved Adjusted EBITDA was driven by an overall better performance worldwide. EMEA and Asia Pacific returned to profitability while Americas remained resilient. For further details, refer to the next chapter Segment Information.

OTHER INCOME (EXPENSE) AND INCOME TAXES

	FINANCIAL YEAR ENDED MARCH 31,	
USD in millions	**2019**	2018
Other income (expense)		
Interest income	0.5	0.9
Interest expense	(6.8)	(7.0)
Income (loss) on foreign exchange, net	(1.5)	7.3
Non-operational pension (cost) credit (*)	4.1	3.8
Gain on divestments	14.6	–
Income before income tax expense	**169.0**	**49.0**
Income tax benefit (expense)	(42.1)	(2.2)

* Following the adoption by the Company of ASU 2017-07 relating to defined benefit pension scheme costs, all pension income and expenses other than service costs are now reported under "Other income (expense)". FY 2017 has been restated to conform to the new presentation.

Interest Income
Interest income decreased by USD 0.4 million, or 45.4%, from USD 0.9 million in the year ended March 31, 2018 to USD 0.5 million in the year ended March 31, 2019.

Interest Expense
Interest expense decreased by USD 0.2 million, or 2.9%, from USD 7.0 million in the year ended March 31, 2018 to USD 6.8 million in the year ended March 31, 2019.

Income (Loss) on Foreign Exchange, Net
Loss on foreign exchange, net decreased by USD 8.8 million, from an income of USD 7.3 million in the year ended March 31, 2018 to a loss of USD (1.5) million in the year ended March 31, 2019. The loss in FY 2018 was driven primarily by the stronger USD against the other major currencies. The income in FY 2017 was primarily attributable to the weaker USD against the EUR and CHF as well as the recovery of the GBP against other currencies.

Gain on divestment
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 19.1 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 14.6 million gain on divestments, which is included within Other income (expense), net in the Consolidated Financial Statements.

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.

Non-operational pensions (cost) credit
Non-operational pension credit increased by USD 0.3 million, from USD 3.8 million in the year ended March 31, 2018 to USD 4.1 million in the year ended March 31, 2019. Following the adoption of ASU 2017-07 relating to defined pension scheme costs, all pensions income and expenses other than service costs are now reported under "other income (expenses)".

Provision for Taxes
Income tax expense increased by USD 40.0 million, from USD 2.2 million in the year ended March 31, 2018 to USD 42.1 million in the year ended March 31, 2019. The increase in tax expenses is mainly driven by the improved earnings in Americas and EMEA in the current financial year, as well as certain one-off benefits in the prior financial year, with the enactment of U.S. tax reform being the largest impact. In the financial year 2017, the aforementioned U.S. tax reform resulted in a provisional net benefit of USD 17.3 million from the re-measurement of deferred tax balances. The Company completed the accounting for the income tax effects of the Act, and it did not make any material adjustments to these provisional amounts for the financial year ended March 31, 2019.

Segment Information

The following tables set forth net revenues and Adjusted EBITDA for our segments: Americas, EMEA and Asia Pacific for the years ended March 31, 2019 and 2018.

	FINANCIAL YEAR ENDED MARCH 31,		CHANGE	
USD in millions, unless otherwise indicated	**2019**	2018	**USD**	**Constant Currency**
Committed Backlog				
Americas	1,754.9	1,679.0	4.5%	5.7%
EMEA	754.6	654.1	15.4%	25.6%
Asia Pacific	93.6	55.9	67.4%	77.3%
Total	**2,603.1**	**2,389.0**	**9.0%**	**12.5%**

In addition to the committed backlog shown above, contingent backlog represents an amount of USD 270 million as of March 31, 2019 versus an amount of USD 395 million as of March 31, 2018.

Net revenue to external customers				
Americas	986.0	972.2	1.4%	2.5%
EMEA	632.5	627.2	0.8%	2.4%
Asia Pacific	146.7	138.4	6.0%	11.2%
Total	**1,765.2**	**1,737.8**	**1.6%**	**3.1%**
Adjusted Gross Profit				
Americas	392.8	409.2	(4.0%)	
EMEA	186.9	155.9	19.9%	
Asia Pacific	30.0	28.3	6.0%	
Inter-segment eliminations	(0.4)	3.9		
Total	**609.3**	**597.3**	**2.0%**	
Adjusted EBITDA*				
Americas	193.7	198.7	(2.5%)	
EMEA	19.7	(12.0)	–	
Asia Pacific	1.5	(9.6)	–	
Corporate unallocated	23.0	31.1		
Total	**237.9**	**208.2**	**14.3%**	
Adjusted EBITDA % of net revenue to external customers				
Americas	19.6%	20.4%		
EMEA	3.1%	(1.9%)		
Asia Pacific	1.0%	(6.9%)		
Group	**13.5%**	**12.0%**		

* Following the adoption by the Company of ASU 2017-07 relating to defined benefit pension scheme costs, FY 2017 EBITDA has been revised down by USD 3.8 million as all pension income and expenses other than service costs are now reported under "Other income (expense)". Net income is unchanged.

AMERICAS

Segment Revenue

Net revenue to external customers in the Americas segment increased by USD 13.8 million, or 1.4%, from USD 972.2 million in the year ended March 31, 2018 to USD 986.0 million in the year ended March 31, 2019, on a reported currency basis (2.5% on a constant currency basis). The increase in revenue in the Americas segment was primarily driven by a peak deployment in AMI projects, strong sales to investor owned utilities ("IOU") and public power utilities ("PP") in North America offsetting the planned year-over-year decline of USD 46.9 million in revenue from TEPCO's AMI in Japan and the downtrend in sales in South America.

Segment Adjusted EBITDA

Adjusted EBITDA in the Americas segment decreased by USD 5.0 million, or 2.5%, from USD 198.7 million in the year ended March 31, 2018 to USD 193.7 million in the year ended March 31, 2019. The decrease in Adjusted EBITDA is largely the result of lower Adjusted Gross Profit of USD (16.4) million due to supply chain costs of USD 10.2 million and sales mix. Partly offsetting these negative trends, Americas showed lower Adjusted operating expenses of USD (11.4) million due to strict cost control and temporarily lower R&D expenses. For a reconciliation of Adjusted EBITDA on a segment basis to Adjusted EBITDA on a Group basis, see the section Supplemental Reconciliations and Definitions.

EMEA

Segment Revenue

Net revenue to external customers in the EMEA segment increased by USD 5.3 million, or 0.8%, from USD 627.2 million in the year ended March 31, 2018 to USD 632.5 million in the year ended March 31, 2019, on a reported currency basis (2.4% on a constant currency basis). The increase in revenue to external customers in the EMEA segment was mainly driven by AMI deployments in the UK and stronger sales in Denmark and Germany.

Segment Adjusted EBITDA

Adjusted EBITDA in the EMEA segment increased by USD 31.7 million, from a loss of USD 12.0 million in the year ended March 31, 2018 to USD 19.7 million in the year ended March 31, 2019. The increase in Adjusted EBITDA is largely the result of the expected benefit from product cost reduction and restructuring programs initiated in the previous period, which translated into improved Adjusted Gross Profit (USD 31.0 million increase), and quite stable Adjusted operating expenses (decrease of USD (0.7) million). For a reconciliation of Adjusted EBITDA on a segment basis to Adjusted EBITDA on a Group basis, see the section Supplemental Reconciliations and Definitions.

ASIA PACIFIC

Segment Revenue

Net revenue to external customers in the Asia Pacific segment increased by USD 8.3 million, or 6.0%, from USD 138.4 million in the year ended March 31, 2018 to USD 146.7 million in the year ended March 31, 2019, on a reported currency basis (11.2% on a constant currency basis). The increase in revenue in the Asia Pacific segment was primarily driven by AMI sales in Australia to IntelliHUB JV and stronger sales in India offsetting partly lower sales in Hong Kong.

Segment Adjusted EBITDA

Adjusted EBITDA in the Asia Pacific segment increased by USD 11.1 million, from a loss of USD 9.6 million in the year ended March 31, 2018 to USD 1.5 million in the year ended March 31, 2019. The increase in profitability in the Asia Pacific segment was driven by a slightly better Adjusted Gross Profit (increase of USD 1.7 million) and overall lower Adjusted operating expenses (mainly the results of lower R&D expenses and lower Marketing and selling expense). For a reconciliation of Adjusted EBITDA on a segment basis to Adjusted EBITDA on a Group basis, see the section Supplemental Reconciliations and Definitions.

Restructuring and other Saving Initiatives

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 unfavourable economic conditions.

The following table outlines the cumulative three-year and current costs incurred to date under these programs per segment:

USD in millions	Cumulative Costs incurred up to March 31, 2019	Total Costs incurred in the Financial year ended March 31, 2019
Americas	4.3	2.1
EMEA	15.8	1.0
Asia Pacific	1.6	0.6
Corporate	1.6	1.1
Restructuring Charges	**23.2**	**4.8**

During the financial year 2018, the Company continued its effort on maximizing the efficiency of our manufacturing footprint through capacity and utilization improvements (“Project Lightfoot”). Currently, Project Lightfoot concentrates on our operations in EMEA where we are continuing to improve our production and assembly processes, consolidate our manufacturing capacities in a reduced number of designated facilities, transfer selected manufacturing activities to lower cost countries in order to gain cost efficiencies and reduce our depth of manufacturing through outsourcing.

Meanwhile, the second major initiative launched in the second half of 2016 (“Project Phoenix”) aimed to optimize our cost base in EMEA, mainly through reductions in our fixed cost set-up around the region. This program is now complete having achieved savings of USD 21.7 million.

In conjunction with the two above mentioned restructuring initiatives, we have incurred one-time costs of USD 13.6 million and USD 1.0 million for the financial years 2017 and 2018, respectively, predominantly relating to severance and redundancy costs. In the mid-term, we expect to realize savings of approximately USD 25 million per annum from Project Lightfoot with full savings expected to be achieved by the year ended March 31, 2021.

Furthermore, during the financial year 2018 the Company initiated cost saving programmes in Americas, aimed to improve our cost structure, reduce fixed cost and react to the economic constraints in South America. The Company incurred USD 2.1 million severance cost in connection with these initiatives.

Liquidity and Capital Resources

The Company funds its operations and growth with cash flow from operations and borrowings. Cash flows may fluctuate and are sensitive to many factors including changes in working capital, the timing and magnitude of capital expenditures and repayment of debt.

We believe that cash flow from operating activities as well as the borrowing capacity under our Credit Facility Agreements will be sufficient to fund currently anticipated working capital, planned capital spending, debt service requirements, dividend payments to shareholders and purchase of treasury shares under the Company's share buy-back program and the share-based compensation schemes for at least the next twelve months. Over the longer term, we believe that our cash flows from operating activities and available cash and cash equivalents and access to borrowing facilities, will be sufficient to fund our capital expenditures, debt service requirements, dividend payments and the purchase of treasury shares under the Company's share buy-back program. We also regularly review acquisition and other strategic opportunities, which may require additional debt or equity financing.

CASH FLOWS

	FINANCIAL YEAR ENDED MARCH 31,	
USD in millions	**2019**	2018
Cash flows provided by operating activities	162.9	124.7
Cash flows used in investing activities	(60.6)	(37.3)
Business acquisitions	21.1	–
Free Cash Flow (excluding M&A)	**123.5**	**87.5**
Cash flows used in financing activities	(132.7)	(83.2)

Operating Activities

Cash flow provided by operating activities increased by USD 38.2 million, or 30.7%, from USD 124.7 million in financial year 2017 to USD 162.9 million in the financial year 2018, as higher EBITDA was partly offset by lower improvements in working capital and higher cash outs for legacy warranty and warranty settlement.

Investing Activities

Cash flow used in investing activities increased by USD (23.3) million, or 62.6%, from USD (37.3) million in the financial year 2017 to USD (60.6) million in the financial year 2018. The increase in cash flow used in investing activities was driven by USD 19.1 million paid to establish a joint venture with Pacific Equity Partners, an Australian private equity firm, for the acquisition of Acumen, a metering service provider, formerly owned by Origin Energy Limited, an Australian energy retailer, as well as USD 2.0 million paid to acquire a minority interest in Sense, a US provider of electronic devices for residential applications. In accordance with the Company's definitions, this amount was excluded in the computation of Free Cash Flow, excluding mergers and acquisition activities.

Financing Activities

Cash flow used in financing activities increased by USD (49.5) million, or 59.5%, from USD (83.2) million in the financial year 2017 to USD (132.7) million in the financial year 2018. In the year ended March 31, 2019, the outflow for financing activities was driven mainly by the dividend payment of USD 68.4 million, USD 12.7 million used to purchase treasury shares under the Company's share buy-back program and the share-based compensation schemes, as well as the decrease by USD (50) million of the borrowings under the Credit Facility Agreement, thanks to the cash provided by operating activities. In the year ended March 31, 2018, the net outflow of USD 83.2 million was primarily attributable to the repayment of the pre-existing shareholder loan of USD 215 million; this was partly offset by the proceeds from the borrowings of USD 130 million under the Credit Facility Agreement which we entered into in March 2018.

Net Operating Working Capital

A key factor affecting cash flow from operating activities is, amongst others, changes in working capital. Operating working capital ("OWC") reflects trade account receivables from third and related parties (net of allowance for doubtful accounts) including notes receivables and unbilled receivables, plus inventories less trade accounts payable from third and related parties including prepayments. The table below outlines our operating working capital for the Group and each of our segments as of March 31, 2019 and 2018.

NET OPERATING WORKING CAPITAL

USD in millions, except percentages	March 31, 2019	March 31, 2018
Accounts receivable, net	367.9	315.8
Inventories, net	133.7	121.4
Trade accounts payable (1)	(220.3)	(150.2)
Operating Working Capital	**281.3**	**287.0**
Operating Working Capital as a percentage of Net Revenue	15.9%	16.5%

1) Following the adoption of the ASU 2014-09 Revenue from Contracts with Customers certain contract liabilities were reclassified from Trade accounts payable to Other current liabilities. Amounts reported for prior years in the Consolidated Balance Sheets have been reclassified to conform to the current year's presentation.

During the periods under review, the main changes to the Group's OWC arose from the stronger turnover in the second half of financial year 2018, as compared to the corresponding period in prior year, which resulted in higher trade accounts receivable and inventories, compensated by higher trade accounts payable.

Capital Expenditures

A key component of cash flow used in investing activities is capital expenditures ("Capex"). We calculate Capex as the amounts invested in property, plant and equipment and intangibles assets. Our Capex is composed of three elements: (i) Replacement Capex; (ii) Expansion Capex (i.e. directly linked to expected volume growth); and (iii) Service Contract Capex (i.e. for our Managed Services business unit in the Americas to fund on-balance sheet metering devices). Capex slightly increased relative to sales and in absolute terms during the periods under review and amounted to 2.3%, and 2.2% of net revenue for the financial years 2018 and 2017, respectively. Capex has been fully funded by cash flow from operating activities.

CAPITAL EXPENDITURES

	FINANCIAL YEAR ENDED MARCH 31,	
USD in millions, except percentages	2019	2018
Service contracts	5.4	2.9
Expansion	15.4	18.7
Replacement	19.7	16.4
CapEx	**40.5**	**38.0**
CapEx as a percentage of Net Revenue	2.3%	2.2%

Capital expenditures increased by USD 2.5 million, or 6.6%, from USD 38.0 million in the financial year 2017 to USD 40.5 million in the financial year 2018. A significant portion of Capex is driven by the large number of product variants, which we are required to have to support different customer and market requirements, especially in connection with the deployment of AMI projects.

Net Debt

The table below presents the components of net debt as of March 31, 2019 and 2018.

NET DEBT

USD in millions	March 31, 2019	March 31, 2018
Cash and cash equivalents	(73.4)	(101.8)
Credit facility	80.0	130.0
Other borrowings from banks	10.7	12.3
Other financial liabilities (assets), net	(0.1)	(0.1)
Net Debt	**17.2**	**40.5**

The Company's policy is to ensure the Group will have adequate financial flexibility at all times without incurring unnecessary cost. Financial flexibility can be either provided through direct access to debt capital markets (private placement markets), or money markets (commercial paper) or through the establishment of bank facilities, either on a bilateral basis or on a syndicated basis.

Indebtedness

Total outstanding debt was as follows:

INDEBTEDNESS

USD in millions	March 31, 2019	March 31, 2018
Credit Facility	80.0	130.0
Other borrowings from banks	10.7	12.3

For the description of the Company's indebtedness, refer to the Note 16: Loans payable in our Consolidated Financial Statements.

Critical Accounting Policies and Estimates

The Consolidated Financial Statements of the Company have been prepared in accordance with US GAAP. The preparation of the financial statements requires management to make estimates and assumptions, which have an effect on the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and on the reported amounts of revenues and expenses during the reporting period.

Management evaluates the estimates on an ongoing basis, including, but not limited to, those related to costs of product guarantees and warranties, provisions for bad debts, recoverability of inventories, fixed assets, goodwill and other intangible assets, income tax expenses and provisions related to uncertain tax positions, pensions and other post-retirement benefit assumptions and legal and other contingencies.

Where appropriate, the estimates are based on historical experience and on various other assumptions that Management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from our estimates and assumptions.

The Company deems an accounting policy to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made and if different estimates that reasonably could have been used, or if changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the Company's Consolidated Financial Statements.

Management also deems an accounting policy to be critical when the application of such policy is essential to the Company's ongoing operations. Management believes the following critical accounting policies require to make difficult and subjective judgments, often as a result of the need to make estimates regarding matters that are inherently uncertain.

The following policies should be considered when reading the Consolidated Financial Statements:
- Revenue Recognition
- Contingencies
- Pension and Other Post-retirement Benefits
- Income Taxes
- Goodwill and Other Intangible Assets

For a summary of the Company's accounting policies and a description of accounting changes and recent accounting pronouncements, including the expected dates of adoption and estimated effects, if any, on our Consolidated Financial Statements, see "Note 2: Summary of Significant Accounting Principles" in our Consolidated Financial Statements.

Supplemental Reconciliations and Definitions

Adjusted EBITDA

The reconciliation of EBITDA to Adjusted EBITDA is as follows for the financial years ended March 31, 2019 and 2018:

	L+G GROUP AG		AMERICAS		EMEA		ASIA PACIFIC		CORPORATE AND ELIMINATIONS	
	FINANCIAL YEAR ENDED MARCH 31,		FINANCIAL YEAR ENDED MARCH 31,		FINANCIAL YEAR ENDED MARCH 31,		FINANCIAL YEAR ENDED MARCH 31,		FINANCIAL YEAR ENDED MARCH 31,	
USD in millions, unless otherwise indicated	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Operating income (*)	**158.3**	**44.0**	**148.8**	**102.8**	**1.0**	**(41.9)**	**(4.0)**	**(15.7)**	**12.5**	**(1.2)**
Amortization of intangible assets	48.7	49.8	33.0	33.5	7.3	7.4	1.6	2.1	6.8	6.8
Depreciation	44.1	47.5	25.1	29.0	15.1	14.6	3.3	3.7	0.6	0.2
EBITDA	**251.1**	**141.3**	**206.9**	**165.3**	**23.4**	**(19.9)**	**0.9**	**(9.9)**	**19.9**	**5.8**
Restructuring charges	4.8	14.7	2.1	0.6	1.0	13.6	0.6	–	1.1	0.5
Exceptional warranty related expenses (1)	1.1	2.4	–	–	(1.0)	2.2	–	–	2.1	0.2
Warranty normalization adjustments (2)	(16.1)	24.2	(15.3)	32.8	(0.7)	(7.9)	–	(0.6)	(0.1)	(0.1)
Timing difference on FX derivatives (3)	(3.0)	–	–	–	(3.0)	–	–	–	–	–
Special items (4)	–	25.6	–	–	–	–	–	0.9	–	24.7
Adjusted EBITDA	**237.9**	**208.2**	**193.7**	**198.7**	**19.7**	**(12.0)**	**1.5**	**(9.6)**	**23.0**	**31.1**
Adjusted EBITDA margin (%)	13.5%	12.0%	19.6%	20.4%	3.1%	(1.9%)	1.0%	(6.9%)		

* Following the adoption by the Company of ASU 2017-07 relating to defined benefit pension scheme costs, FY 2017 General and administrative expense has been revised up by USD 3.8 million as all pension income and expenses other than service costs are now reported under "Other income (expense)".

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) Timing difference on FX derivatives represents unrealized gains and losses on derivatives where the underlying hedged transactions have not yet been realized.
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 year ended March 31, 2018 included, among others, USD 24.2 million costs incurred in connection with the IPO and USD 1.4 million other miscellaneous items.

Adjusted Gross Profit

The reconciliation of Gross Profit to Adjusted Gross Profit is as follows for the financial years ended March 31, 2019 and 2018:

	L+G GROUP AG		AMERICAS		EMEA		ASIA PACIFIC		CORPORATE AND ELIMINATIONS	
	FINANCIAL YEAR ENDED MARCH 31,		FINANCIAL YEAR ENDED MARCH 31,		FINANCIAL YEAR ENDED MARCH 31,		FINANCIAL YEAR ENDED MARCH 31,		FINANCIAL YEAR ENDED MARCH 31,	
USD in millions, unless otherwise indicated	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Gross Profit	**576.3**	**510.1**	**380.4**	**345.8**	**171.6**	**135.0**	**26.7**	**25.6**	**(2.4)**	**3.7**
Amortization of intangible assets	13.8	14.1	5.4	5.6	7.0	7.0	1.4	1.5	–	–
Depreciation	36.4	39.5	21.5	25.1	13.3	12.6	1.7	1.8	(0.1)	–
Restructuring charges	0.8	7.0	0.9	–	(0.3)	7.0	0.2	–	–	–
Exceptional warranty related expenses	1.1	2.4	–	–	(1.0)	2.2	–	–	2.1	0.2
Warranty normalization adjustments	(16.1)	24.2	(15.4)	32.7	(0.7)	(7.9)	–	(0.6)	–	–
Timing difference on FX derivatives	(3.0)	–	–	–	(3.0)	–	–	–	–	–
Special items	–	–	–	–	–	–	–	–	–	–
Adjusted Gross Profit	**609.3**	**597.3**	**392.8**	**409.2**	**186.9**	**155.9**	**30.0**	**28.3**	**(0.4)**	**3.9**
Adjusted Gross Profit margin (%)	34.5%	34.4%	39.8%	42.1%	29.5%	24.9%	20.4%	20.4%		

Adjusted Operating Expense

The reconciliation of Operating Expenses to Adjusted Operating Expenses is as follows for the financial years ended March 31, 2019 and 2018:

	FINANCIAL YEAR ENDED MARCH 31,	
USD in millions	**2019**	2018
Research and development	**156.8**	**163.8**
Depreciation	(4.0)	(4.4)
Restructuring charges	(0.9)	(1.4)
Adjusted Research and Development	**151.9**	**158.0**
Sales and Marketing	95.4	104.9
General and administrative	130.9	161.6
Depreciation	(3.7)	(3.6)
Restructuring charges	(3.1)	(6.2)
Special items	–	(25.6)
Adjusted Sales, General and Administrative	**219.5**	**231.1**
Adjusted Operating Expenses	**371.4**	**389.1**

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 financial years ended March 31, 2019 and 2018, our Consolidated Statements of Operations include net changes to the warranty and warranty-like accruals, which we recorded in cost of goods sold, of USD 5.8 million and USD 40.7 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 (0.4) million, and USD 1.4 million, respectively, for the years ended March 31, 2019 and 2018.

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 financial years 2018 and 2017, net changes to warranty accruals were impacted by additional accruals net of insurance proceeds of USD (1.1) million and USD 40.9 million related to legacy component issues in the Americas.

In assessing the underlying operational performance of the business over time, Management believes that 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 years ended March 31, 2019, 2018 and 2017, the outflow (in cash or the value of other compensation paid out to customers) in respect of warranty and warranty-like claims (excluding X2) amounted to USD 30.8 million, USD 20.5 million and USD 15.7 million, respectively, resulting in three-year average actual warranty costs incurred (in cash or the value of other compensation paid out to customers) in respect of such claims of USD 22.3 million. For the year ended March 31, 2018, the three-year average actual warranty costs incurred (in cash or the value of other compensation paid out to customers) amounted to USD 15.0 million. The main part of the outflow (in cash or the value of other compensation paid out to customers) in respect of warranty and warranty-like claims (excluding X2) in the year ended March 31, 2019 was related to the legacy component issues in the Americas.

Management presents Adjusted EBITDA in this Financial Report 2018 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 22.3 million and USD 15.0 million for the years ended March 31, 2019 and 2018. For the years ended March 31, 2019 and 2018, the warranty normalization adjustments made in calculating Adjusted EBITDA amounted to USD (16.1) million and USD 24.2 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.

	FINANCIAL YEAR ENDED MARCH 31,			
USD in millions, unless otherwise indicated	2019	2018	2017	Average
Beginning of the year				
Warranty accrual	73.4	51.7	91.6	
Other warranty-like accrued liabilities [1]	–	–	6.5	
Total	**73.4**	**51.7**	**98.2**	
Additions [2]	18.7	48.0	46.6	
Other changes / adjustments to warranties [3]	(12.8)	(7.3)	(53.8)	
Outflow in respect of X2 matter	(1.2)	(1.0)	(18.9)	
Outflow in respect of other warranty and warranty-like claims	(30.8)	(20.5)	(15.7)	(22.3)
Total outflow in respect of X2 matter and other warranty and warranty-like claims	(32.0)	(21.5)	(34.6)	
Effect of changes in exchange rates	(2.2)	2.6	(4.7)	
Ending balance				
Warranty accrual	45.2	73.4	51.7	
Other warranty-like accrued liabilities [1]	–	–	–	
Total	**45.2**	**73.4**	**51.7**	

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 18.7 million, USD 48.0 million and USD 48.7 million for the years ended March 31, 2019, 2018 and 2017, respectively, due to legacy component issues in Americas and EMEA) and other warranty-like accrued liabilities (USD nil million, USD nil million 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.

	FINANCIAL YEAR ENDED MARCH 31,	
USD in millions, unless otherwise indicated	**2019**	2018
Additions		
Additions (including X2)[1]	18.7	48.0
X2 Additions	–	(1.4)
Additions (excluding X2)	**18.7**	**46.6**
Other changes / adjustments to warranties		
Releases (including X2)	(12.8)	(7.3)
X2 Reclassification	–	–
X2 Releases	0.4	–
Releases (excluding X2)	**(12.4)**	**(7.3)**
Net changes to warranty and warranty-like accruals (including X2)	5.8	40.7
Net changes to warranty and warranty-like accruals relating to X2	0.4	(1.4)
Net changes to warranty and warranty-like accruals (excluding X2)	**6.2**	**39.3**
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)	(22.3)	(15.0)
Warranty normalization adjustments	**(16.1)**	**24.2**

1 "Additions (including X2)" reflects new product warranty amounts included in warranty provisions (USD 18.7 million and USD 48.0 million for the years ended March 31, 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, 12 MONTHS		EXCHANGE RATE ON BALANCE-SHEET DATE	
Exchange rates	**2019**	2018	**31.03.2019**	31.03.2018
Euro countries – EUR	1.1580	1.1707	1.1221	1.2327
United Kingdom – GBP	1.3126	1.3269	1.2993	1.4037
Switzerland – CHF	1.0098	1.0307	1.0043	1.0492
Brazil – BRL	0.2645	0.3107	0.2564	0.3031
Australia – AUD	0.7293	0.7739	0.7097	0.7686

Glossary

The following table provides definitions for key terms and abbreviations used within this annual report.

Term	Definition
Adjusted EBITDA	Net income (loss) 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, timing difference on FX derivatives, special items, and income tax expense
Adjusted Gross Profit	Total revenue minus the cost of revenue, adjusted for depreciation, amortization and certain non-recurring or other items that Management believes are not indicative of operational performance
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 non-recurring or other items that Management believes are not indicative of operational performance
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
Effective cash tax rate	Total projected cash tax payments as a percentage of income (loss) before income tax expenses
Effective P&L tax rate	Total projected tax expense including current and deferred taxes, as well as discrete events as a percentage of income (loss) before income tax expenses
EPS	Earnings Per Share (the Company's total earnings divided by the weighted average number of shares outstanding during the period)
Free Cash Flow (excluding M&A)	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 mergers and 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

Consolidated Financial Statements of Landis+Gyr Group

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Report of the statutory auditor

to the General Meeting of Landis+Gyr Group AG

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Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Landis+Gyr Group AG and its subsidiaries (the "Company"), which comprise the consolidated statement of operations, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and notes (pages 33 to 90), for the year ended 31 March 2019.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 March 2019 present fairly, in all material respects, the financial position, the results of operations and the cash flows in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law.

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Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of goodwill

Key audit matter	*How our audit addressed the key audit matter*
As of 31 March 2019, the Company's carrying value of goodwill was USD 1.4 billion, which represents approximately 53% of Company's total assets. Goodwill is allocated to three reporting units. The Company tests goodwill for impairment annually, or more frequently if events or changes in circumstances indicate a potential impairment. The impairment test involves comparing the fair value of each reporting unit to its carrying value. If the carrying value exceeds its fair value, goodwill is considered impaired. The determination of the fair value of each reporting unit involves significant estimation and judgment, including determining key assumptions used in estimating the future cash flows to support the fair value of each reporting unit, such as the projections of future business performance and profitability, terminal growth rates and discount rates. Refer to Note 2.14 *Goodwill* and Note 12 *Goodwill* of the consolidated financial statements.	• We assessed management's allocation of goodwill to the reporting units, considering the consistency with management reporting and how the business is managed within and across geographies. • We obtained management's fair value calculation for each reporting unit and assessed the consistency of the methodology applied with prior years. • We tested the mathematical accuracy of each model and agreed inputs to supporting documentation. • We agreed the FY 2019-FY 2023 projections to the Board of Directors approved mid-term plan and discussed with management the key drivers, as well as the intentions and the actions planned to achieve expected results. We also compared the current year actual results with prior year projections to assess any inaccuracies or bias in assumptions. • We utilized PwC internal valuation specialists to assess the appropriateness of management's value in use models and the reasonableness of management's discount and terminal growth rates. • We obtained the Company's sensitivity analysis around key assumptions to ascertain the effect of changes to those assumptions on the fair value estimates and recalculated these sensitivities. In addition, we performed our own independent sensitivity analysis by changing various key assumptions to reasonable changes of assumptions to assess whether these would result in an impairment. • We considered the reasonableness of the sum of the fair value estimates in relation to the overall market capitalization of the company. On the basis of procedures performed, we determined that the conclusions reached by management with regards to the recoverability of goodwill were reasonable.

Warranty provision–legacy component issue (Americas segment)

Key audit matter	*How our audit addressed the key audit matter*
As of 31 March 2019, a significant portion of the Company's warranty provision relates to a legacy component issue in the Americas segment. The warranty provision is an estimate that involves management's judgement on key assumptions, namely failure rates, costs incurred to repair or replace each unit, and affected units in service. Due to the inherent uncertainty, size and judgement pertaining to the estimate, we view the matter as a key audit matter. Refer to Note 24 *Commitments and Contingencies* of the consolidated financial statements.	• We obtained an understanding of management's estimate and methodology in determining the warranty provision. • We assessed the historical failure rates for major customers to ensure the estimated future failure rates were reasonable. • We tested the cost incurred to repair or replace each unit used in the provision calculation and agreed them to supporting documentation. • We recalculated a sample of units in service by agreeing them to original purchase orders and proofs of delivery. Based on the procedures performed, we found the judgments made by management in relation to the warranty provision pertaining to the legacy component issue (Americas segment) to be reasonable.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Rolf Johner
Audit expert
Auditor in charge

Claudia Muhlinghaus
Audit expert

Zug, 28 May 2019

Consolidated Statements of Operations

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands, except per share data	**2019**	2018
Net revenue	**1,765,159**	**1,737,814**
Cost of revenue	1,188,824	1,227,743
Gross profit	**576,335**	**510,071**
Operating expenses		
Research and development	156,847	163,833
Sales and marketing	95,407	104,946
General and administrative	130,892	161,623
Amortization of intangible assets	34,937	35,702
Operating income	**158,252**	**43,967**
Other income (expense)		
Interest income	479	877
Interest expense	(6,847)	(6,966)
Non-operational pension (cost) credit	4,078	3,801
Gain on divestments	14,563	–
Income (loss) on foreign exchange, net	(1,526)	7,290
Income before income tax expense	**168,999**	**48,969**
Income tax expense	(42,121)	(2,175)
Net income before noncontrolling interests and equity method investments	**126,878**	**46,794**
Net loss from equity investments	(4,250)	–
Net income before noncontrolling interests	**122,628**	**46,794**
Net income attributable to noncontrolling interests, net of tax	383	423
Net income attributable to Landis+Gyr Group AG Shareholders	**122,245**	**46,371**
Earnings per share:		
Basic and diluted (USD)	4.15	1.57
Weighted average number of shares used in computing earnings per share:		
Basic and diluted	29,489,321	29,510,000

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

Consolidated Statements of Comprehensive Income

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands	2019	2018
Net income before noncontrolling interests	**122,628**	**46,794**
Other comprehensive (loss) income:		
Foreign currency translation adjustments, net of income tax expense	(14,930)	6,127
Pension plan benefits liability adjustments, net of income tax expense	(2,227)	12,635
Comprehensive income	**105,471**	**65,556**
Net income attributable to noncontrolling interests, net of tax	(383)	(423)
Foreign currency translation adjustments attributable to the noncontrolling interests	566	(386)
Comprehensive income attributable to Landis+Gyr Group AG Shareholders	**105,654**	**64,747**

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

Consolidated Balance Sheets

USD in thousands, except share data	March 31, 2019	March 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	73,381	101,763
Restricted cash	–	5,000
Accounts receivable, net of allowance for doubtful accounts of USD 9.9 million and USD 6.2 million	367,943	315,788
Inventories, net	133,659	121,398
Prepaid expenses and other current assets	54,798	45,363
Total current assets	**629,781**	**589,312**
Property, plant and equipment, net	142,058	164,400
Intangible assets, net	332,030	381,674
Goodwill	1,354,094	1,361,591
Deferred tax assets	15,821	16,021
Other long-term assets	78,156	37,683
TOTAL ASSETS	**2,551,940**	**2,550,681**
LIABILITIES AND EQUITY		
Current liabilities		
Trade accounts payable	220,314	150,168
Accrued liabilities	31,232	40,015
Warranty provision – current	34,257	47,870
Payroll and benefits payable	66,842	65,210
Loans payable	90,661	142,327
Other current liabilities	81,438	69,655
Total current liabilities	**524,744**	**515,245**
Warranty provision – non current	10,920	25,557
Pension and other employee liabilities	48,382	55,743
Deferred tax liabilities	37,347	32,520
Tax provision	29,172	25,492
Other long – term liabilities	68,000	88,103
Total liabilities	**718,565**	**742,660**
Commitments and contingencies – Note 24		
Shareholders' equity		
Landis+Gyr Group AG shareholders' equity Registered ordinary shares (29,510,000 issued shares at March 31, 2019 and 2018, respectively)	309,050	309,050
Additional paid-in capital	1,408,122	1,475,421
Retained earnings	177,966	55,721
Accumulated other comprehensive loss	(52,145)	(35,554)
Treasury shares, at cost (198,674 and nil shares at March 31, 2019 and March 31, 2018, respectively)	(12,332)	–
Total Landis+Gyr Group AG shareholders' equity	**1,830,661**	**1,804,638**
Noncontrolling interests	2,714	3,383
Total shareholders' equity	**1,833,375**	**1,808,021**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,551,940**	**2,550,681**

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

Consolidated Statements of Changes in Shareholders' Equity

USD in thousands except for shares	Registered ordinary shares [1]		Additional paid-in capital	Retained earnings	Accumulated other compre-hensive loss	Treasury shares	Total Landis+Gyr Group AG equity	Noncontrol-ling interests	Total shareholders' equity
Balance at March 31, 2017	**29,510,000**	**$ 309,050**	**1,465,595**	**9,350**	**(53,930)**	**–**	**1,730,065**	**2,574**	**1,732,639**
Net income	–	–	–	46,371	–	–	46,371	423	46,794
Foreign currency translation adjustments, net of income tax expense	–	–	–	–	5,741	–	5,741	386	6,127
Pension plan benefits liability adjustment, net of income tax expense	–	–	–	–	12,635	–	12,635	–	12,635
IPO recognition bonus			9,826	–	–	–	9,826	–	9,826
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	–	–	–	122,245	–	–	122,245	383	122,628
Foreign currency trans-lation adjustments, net of income tax expense	–	–	–	–	(14,364)	–	(14,364)	(566)	(14,930)
Pension plan benefits liability adjustment, net of income tax expense	–	–	–	–	(2,227)	–	(2,227)	–	(2,227)
Dividends paid (CHF 2.30 per share)	–	–	(68,383)	–	–	–	(68,383)	–	(68,383)
Dividends paid to noncontrolling interest	–	–	–	–	–	–	–	(486)	(486)
Share based compensation	–	–	1,461	–	–	–	1,461	–	1,461
Purchase of treasury shares	–	–	–	–	–	(12,709)	(12,709)	–	(12,709)
Delivery of shares	–	–	(377)	–	–	377	–	–	–
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**

1 The number of shares for all periods has been restated in connection with the Reverse Stock Split. Refer to Note 3: Shareholders' equity for further details.

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

Consolidated Statements of Cash Flows

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands	2019	2018
Cash flow from operating activities		
Net income	122,628	46,794
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	92,815	97,346
Net loss (income) from equity investments	4,250	–
Share-based compensation	1,461	–
Gain on divestments	(14,563)	–
IPO recognition bonus – equity component	–	6,551
Gain on disposal of property, plant and equipment	526	688
Effect of foreign currencies translation on non-operating items, net	(4,203)	6,112
Change in allowance for doubtful accounts	3,633	1,496
Deferred income tax	4,625	(24,858)
Change in operating assets and liabilities, net of effect of businesses acquired and effect of changes in exchange rates:		
Accounts receivable	(77,040)	6,633
Inventories	(10,818)	16,276
Trade accounts payable	89,271	(8,772)
Other assets and liabilities	(49,647)	(23,560)
Net cash provided by operating activities	**162,938**	**124,706**
Cash flow from investing activities		
Payments for property, plant and equipment	(40,328)	(37,870)
Payments for intangible assets	(141)	(107)
Proceeds from the sale of property, plant and equipment	1,016	725
Business acquisitions	(21,101)	–
Net cash used in investing activities	**(60,554)**	**(37,252)**
Cash flow from financing activities		
Proceeds from third party facility	195,073	130,000
Repayment of borrowings to third party facility	(245,620)	(216)
Dividends paid to noncontrolling interests	(486)	–
Debt issuance cost	(614)	(1,270)
Dividends paid	(68,383)	–
Purchase of treasury shares	(12,709)	–
Repayment of borrowings to shareholders and related party facility	–	(215,000)
Capital contribution related to IPO recognition bonus – cash component	–	3,275
Net cash used in financing activities	**(132,739)**	**(83,211)**
Net increase (decrease) in cash and cash equivalents	**(30,355)**	**4,243**
Cash and cash equivalents at beginning of period, including restricted cash	106,763	101,033
Effects of foreign exchange rate changes on cash and cash equivalents	(3,027)	1,487
Cash and cash equivalents at end of period, including restricted cash	**73,381**	**106,763**
Supplemental cash flow information		
Cash paid for income tax	32,569	45,419
Cash paid for interest	5,912	6,925

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

Notes to the Consolidated Financial Statements

NOTE 1: DESCRIPTION OF BUSINESS AND ORGANIZATION

Description of Business
Landis+Gyr Group AG ("Landis+Gyr") and subsidiaries (together, the "Company") form a leading global provider of energy metering products and solutions to utilities. The Company is organized in a geographical structure, which corresponds to the regional segments of the Americas, EMEA, and Asia Pacific. Landis+Gyr offers a comprehensive portfolio of products, solutions and services, including meters, related devices, communications technologies and software applications that are essential to the measurement and management of energy distribution and consumption.

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 Swiss Francs ("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 3: 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 conjunction with the IPO, the Company incurred USD 24.2 million of costs for professional services and an IPO recognition bonus. The IPO recognition bonus amounted to USD 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 3: Shareholders' equity).

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

2.1 Basis of Presentation
The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the Unites States of America ("US GAAP"). All amounts are presented in United States dollars ("USD"), unless otherwise stated.

As a result of the adoption of certain accounting pronouncements (see Note 2.27), certain amounts reported in the consolidated financial information for the financial year ended March 31, 2018 have been reclassified to conform to the current year's presentation. These changes primarily relate to the reclassification of certain net periodic pension and post-retirement benefits costs/credits, in the amount of USD 3.8 million, from General and administrative expenses to Non-operational pension (cost) credit and the reclassification of certain contract liabilities, in the amount of USD 3.6 million, from Trade accounts payable to Other current liabilities.

2.2 Principles of Consolidation
The consolidated financial statements include the accounts of Landis+Gyr Group AG and its wholly-owned and majority owned subsidiaries. The Company consolidates companies in which it owns or controls more than fifty percent of the voting shares or has the ability to execute direct or indirect control.

The Company presents noncontrolling interests in less-than-wholly-owned subsidiaries within the equity section of its consolidated financial statements. At March 31, 2019, and at March 31, 2018, the Company had one less-than-wholly-owned subsidiary in South Africa with an ownership interest of 76.7% in both periods.

All intercompany balances and transactions have been eliminated.

Affiliates are companies where the Company has the power to exercise a significant influence but does not exercise control. Significant influence may be obtained when the Company has 20% or more of the voting rights in the investee or has obtained a seat on the Board of Directors or otherwise participates in the policy-making process of the investee. Affiliated companies are accounted for using the equity method.

2.3 Use of Estimates

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant items subject to such estimates include warranty provisions, allowances for doubtful accounts, valuation allowances for deferred tax assets, valuation of goodwill and other intangible assets, valuation of defined benefit pension obligations, income tax uncertainties and other contingencies and items recorded at fair value including, assets and liabilities obtained in a business combination. Actual results could differ materially from these estimates.

2.4 Revenue Recognition

The majority of the Company's revenues consist primarily of hardware sales, but may also include the license of software, software implementation services, project management services, installation services, post-sale maintenance support, and extended or noncustomary warranties. The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and the collectability of consideration is probable. In determining whether the definition of a contract has been met, the Company considers whether the arrangement creates enforceable rights and obligations, which involves evaluation of agreement terms that would allow for the customer to terminate the agreement. If the customer is able to terminate the agreement without providing further consideration to the Company, the agreement would not be considered to meet the definition of a contract.

Many of the Company's revenue arrangements involve multiple performance obligations consisting of hardware, meter reading system software, installation, and/or project management services.

Separate contracts entered into with the same customer (or related parties of the customer) at or near the same time are accounted for as a single contract where one or more of the following criteria are met:

– The contracts are negotiated as a package with a single commercial objective;
– The amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
– The goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

Once the contract has been defined, the Company evaluates whether the promises in the contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment, and the decision to separate the combined or single contract into multiple performance obligations could change the amount of revenue and profit recognized in a given period. For some projects, the customer requires the Company to provide a significant service of integrating, customizing or modifying goods or services in the contract in which case the goods or services would be combined into a single performance obligation. It is common that the Company may promise to provide multiple distinct goods or services within a contract in which case the Company separates the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, the Company allocates the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. If applicable, for goods or services where observable standalone sales are available, the observable standalone sales are used to determine the standalone selling price. In the absence of observable standalone sales, the Company estimates the standalone selling price using either the adjusted market assessment approach or the expected cost plus a margin approach. Approaches used to estimate the standalone selling price for a given good or service will maximize the use of observable inputs and considers several factors, including the Company's pricing practices, costs to provide a good or service, the type of good or service, and availability of other transactional data, among others. The Company determines the estimated standalone selling prices of goods or services used in the allocation of arrangement consideration on an annual basis or more frequently if there is a significant change in the business or if the Company experiences significant variances in its transaction prices.

Many of the Company's contracts with customers include variable consideration, which can include liquidated damage provisions, rebates and volume and early payment discounts. Some of the contracts with customers contain clauses for liquidated damages related to the timing of delivery or milestone accomplishments, which could become material in an event of failure to meet the contractual deadlines. At the inception of the arrangement and on an ongoing basis, the Company evaluates the probability and magnitude of having to pay liquidated damages. The Company estimates variable consideration using the expected value method, taking into consideration contract terms, historical customer behavior and historical sales. In the case of liquidated damages, the Company also takes into consideration progress towards meeting contractual milestones, including whether milestones have not been achieved, specified rates, if applicable, stated in the contract, and the history of paying liquidated damages to the customer or similar customers. Variable consideration is included in the transaction price if, in management's judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur.

In the normal course of business, the Company does not accept product returns unless the item is defective as manufactured. The Company establishes provisions for estimated returns and warranties. In addition, the Company does not typically provide customers with the right to a refund.

Hardware revenues are recognized at a point in time. Transfer of control is typically at the time of shipment, receipt by the customer, or, if applicable, upon receipt of customer acceptance provisions. The Company recognizes revenue prior to receipt of customer acceptance for hardware in cases where the customer acceptance provision is determined to be a formality. Transfer of control would not occur until receipt of customer acceptance in hardware arrangements where such provisions are subjective or where the Company does not have a history of meeting the acceptance criteria.

Perpetual software licenses are considered to be a right to use intellectual property and are recognized at a point in time. Transfer of control is considered to be at the point at which it is available to the customer to download and use or upon receipt of customer acceptance. In certain contracts, software licenses may be sold with professional services that include implementation services that include a significant service of integrating, customizing or modifying the software. In these instances, the software license is combined into a single performance obligation with the implementation services and recognized over time as the implementation services are performed or, if applicable, upon receipt of customer acceptance provisions.

Hardware and software licenses (when not combined with professional services) are typically billed when shipped and revenue recognized at a point-in-time. As a result, the timing of revenue recognition and invoicing does not have a significant impact on contract assets and liabilities.

Professional services, which include implementation, project management, installation, and consulting services are recognized over time. The Company measures progress towards satisfying these performance obligations using input methods, most commonly based on the costs incurred in relation to the total expected costs to provide the service. The Company expects this method to best depict its performance in transferring control of services promised to the customer or represents a reasonable proxy for measuring progress. The estimate of expected costs to provide services requires judgment. Cost estimates take into consideration past history and the specific scope requested by the customer and are updated quarterly. The Company may also offer professional services on a stand-ready basis over a specified period of time, in which case revenue would be recognized ratably over the term. Invoicing of these services is commensurate with performance and occurs on a monthly basis. As such, these services do not have a significant impact on contract assets and contract liabilities. Services, including professional services, are commonly billed on a monthly basis in arrears and typically result in an unbilled receivable, which is not considered a contract asset as the Company's right to consideration is unconditional.

Certain revenue arrangements include extended or noncustomary warranty provisions that cover all or a portion of a customer's replacement or repair costs beyond the standard or customary warranty period. Whether or not the extended warranty is separately priced in the arrangement, such warranties are considered to be a separate good or service, and a portion of the transaction price is allocated to this extended warranty performance obligation. This revenue is recognized, ratably over the extended warranty coverage period.

Hardware and software post-sale maintenance support fees are recognized over time, ratably over the life of the related service contract. Shipping and handling costs and incidental expenses billed to customers are recognized as revenue, with the associated cost charged to cost of revenues. The Company recognizes sales, use, and value added taxes billed to customers on a net basis.

Payment terms with customers can vary by customer; however, amounts billed are typically payable within 30 to 90 days, depending on the destination country.

The Company incurs certain incremental costs to obtain contracts with customers, primarily in the form of sales commissions. Where the amortization period is one year or less, the Company has elected to apply the practical expedient and recognize the related commissions as an expense when incurred.

2.5 Accounting for Business and Assets Acquisitions

The Company evaluates each transaction in order to determine if the assets acquired constitute a business. The evaluation consists of consideration of the inputs, processes, and outputs acquired. For assets acquired in transactions that do not meet the definition of a business, the full fair value of the consideration given is allocated to the assets acquired based on their relative fair values, and no goodwill is recognized.

The Company uses the acquisition method of accounting to account for business combinations. The Company allocates the purchase price to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition, including intangible assets that can be identified. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired. Among other sources of relevant information, the Company uses independent appraisals and actuarial or other valuations to assist in determining the estimated fair values of the assets and liabilities acquired.

2.6 Cash and Cash Equivalents
The Company considers all highly liquid investments purchased with an original maturity or remaining maturity at the date of purchase of three months or less to be cash equivalents.

2.7 Restricted Cash
From time to time, the Company is 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 Consolidated Balance Sheets.

2.8 Derivative Instruments
The Company's activities expose it to the financial risks of changes in foreign exchange rates. The Company uses derivative financial instruments, primarily foreign currency forward contracts, to economically hedge specific substantial foreign currency payments and receipts. Derivatives are not used for trading or speculative purposes.

The Company enters into foreign exchange derivative contracts to economically hedge the risks associated with foreign currency transactions and minimize the impact of changes in foreign currency exchange rates on earnings. Derivative instruments that the Company uses to economically hedge these foreign denominated contracts include foreign exchange forward contracts. Revaluation gains and losses on these foreign currency derivative contracts are recorded within cost of revenue in the Consolidated Statements of Operations.

All derivative instruments are recorded on the Consolidated Balance Sheet at fair value on the date the derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The Company does not apply hedge accounting and, therefore, changes in the fair value of all derivatives are recognized in cost of revenue during the period. The fair value of derivative instruments is presented on a gross basis, even when the derivative instruments are subject to master netting arrangements. Cash collateral payables and receivables associated with derivative instruments are not added to or netted against the fair value amounts. The Company classifies cash flows from its derivative programs as cash flows from operating activities in the Consolidated Statement of Cash Flows.

The fair values of the Company's derivative instruments are determined using the fair value measurements of significant other observable inputs, as defined by ASC 820, "Fair Value Measurements and Disclosures". The Company uses observable market inputs based on the type of derivative and the nature of the underlying instrument. When appropriate, the Company adjusts the fair values of derivative instruments for credit risk, which is a risk of loss due to the failure by either the Company or counterparty to meet its contractual obligations, considering the credit risk of all parties, as well as any collateral pledged.

2.9 Concentrations of Credit Risk
Financial instruments, which potentially subject the Company to concentrations of credit risk, are primarily accounts receivable, cash and cash equivalents and derivative instruments.

The Company performs ongoing credit evaluations of its customers and, in general, does not require collateral from its customers.

The Company maintains cash and cash equivalents with various financial institutions that management believes to be of high credit quality. These financial institutions are located in many different locations throughout the world. The Company's cash equivalents are primarily comprised of cash deposited in checking and money market accounts. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions with reputable credit and therefore bear minimal credit risk.

The amount subject to credit risk related to derivative instruments is generally limited to the amount, if any, by which a counterparty's obligations exceed the obligations of the Company with that counterparty.

2.10 Fair Value Measurement

The Company accounts for certain assets and liabilities at fair value. Fair value is defined as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, emphasizing that fair value is a market-based measurement and not an entity-specific measurement. These valuation techniques include the market approach, income approach and cost approach. The income approach involves converting future cash flows to a single present amount. The measurement is valued based on current market expectations about those future amounts. The market approach uses observable market data for identical or similar assets and liabilities while the cost approach would value the cost that a market participant would incur to develop a comparable asset.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the instrument's fair value measurement. The three levels within the fair value hierarchy are described as follows:

- Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The fair value measurement involves various valuation techniques and models, which involve inputs that are observable, when available, and include derivative financial instruments and long-term debt.

2.11 Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are initially recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for doubtful accounts for probable losses inherent in its trade accounts receivable portfolio at the balance sheet date. The allowance is maintained at a level which the Company considers to be adequate and is based on ongoing assessments and evaluations of the collectability and historical loss experience of accounts receivable. The allowance is established through the provision for doubtful accounts, which is charged to income. Credit losses are charged, and recoveries are credited to the allowance. Account balances are written-off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

The allowance is based on the Company's review of the historical credit loss experience and such factors that, in management's judgment, deserve consideration under existing economic conditions in estimating probable credit losses. Management considers, among other factors, historical losses, current receivables aging, periodic credit evaluation of its customers' financial condition, and existing industry and national economic data.

From time to time, the Company may sell certain accounts receivable to third party financial institutions under the factoring arrangements with these financial institutions.

Under the terms of these agreements, the Company transfers the receivables in an outright sale, with no recourse, and no continued involvement with the assets transferred. The Company records such transfers as sales of accounts receivable when it is considered to have surrendered control of such receivables.

2.12 Inventories
Inventories are stated at the lower of cost (which approximates cost determined on a weighted average basis) or net realizable value. The costs include direct materials, labor, and an appropriate portion of fixed and variable overhead expenses and are assigned to inventories using the weighted average method. The Company writes down the value of inventories for estimated excess and obsolete inventories based upon historical trends, technological obsolescence, assumptions about future demand and market conditions.

2.13 Property, Plant & Equipment
Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are recognized on a straight-line basis over the estimated useful life of the related asset, with the exception of leasehold improvements which are amortized over the shorter of the asset's useful life or the term of the lease, and network equipment which is depreciated over the shorter of the useful life of the asset or the life of the customer contract under which the equipment is deployed. The estimated useful lives are as follows:

Item	Years
Land	no depreciation
Buildings	20–40
Network equipment	5–10
Machinery and equipment	5–10
Vehicles and other equipment	3–10
Construction in progress	no depreciation

Repairs and maintenance are expensed as incurred, while major renovations and improvements are capitalized as property, plant and equipment and depreciated over their estimated useful lives. Gains or losses on disposals are included in the Consolidated Statements of Operations at amounts equal to the difference between the net book value of the disposed assets and the proceeds received upon disposal.

2.14 Goodwill

Goodwill is tested for impairment annually in the fourth quarter of each financial year or more often if an event or circumstance indicates that an impairment may have occurred.

When evaluating goodwill for impairment, the Company uses either a qualitative or quantitative assessment method for each reporting unit. The qualitative assessment involves determining, based on an evaluation of qualitative factors, if it is more likely than not that the fair value of a reporting unit is less than its carrying value. If, based on this qualitative assessment, it is determined to be more likely than not that the reporting unit's fair value is less than its carrying value or the Company elects not to perform the qualitative assessment for a reporting unit, the Company proceeds to perform a quantitative impairment assessment.

Since the financial year ended March 31, 2017, the Company early adopted the simplified quantitative impairment test, prescribed by ASU 2017-14. The simplified quantitative impairment test compares the fair value of a reporting unit (based on the income approach whereby the fair value is calculated based on the present value of future cash flows) with its carrying value. If the carrying value of the reporting unit exceeds its fair value, the Company records an impairment charge equal to the difference.

2.15 Intangible Assets with Finite Lives

Intangible assets with finite lives, principally customer contracts and relationships, are amortized on a straight-line basis over their estimated useful lives, ranging from three to twenty years, which management has determined is the methodology best reflective of the expected benefits arising from the intangibles. The Company believes that the straight-line method is appropriate as these relationships are generally distributed over a long period of time and historical experience from each acquired entity has indicated a consistent experience with each customer.

Intangible assets with finite lives and property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Where such indicators exist, the Company first compares the undiscounted cash flows expected to be generated by the asset (or asset group) to the carrying value of the asset (or asset group). If the carrying value of the long-lived asset exceeds the future undiscounted cash flows to be generated by the asset (or asset group), an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and assistance by third-party independent appraisals, as considered necessary.

2.16 Investments

Investments in Affiliated Companies

Each reporting period, the Company reviews all equity method investments to determine whether a significant event or change in circumstance has occurred that may have an adverse effect on the fair value of each investment. When such events or changes occur, the Company evaluates the fair value compared to the carrying amount of the investment. Management's assessment of fair value is based on valuation methodologies using discounted cash flows, EBITDA and revenue multiples, as appropriate.

In the event the fair value of an investment declines below the carrying amount, the Company determines if the decline in fair value is other than temporary. If the Company determines the decline is other than temporary, an impairment charge is recorded. The Company's assessment as to the nature of a decline in fair value is based on, among other things, the length of time and the extent to which the market value has been less than its cost basis, the financial condition and near-term prospects of the entity, and the Company's intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value.

Other investments

Other investments include participation in other entities where the Company does not have the power to exercise a significant influence nor to exercise control. Other investments without readily determinable fair values are accounted at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer.

2.17 Warranty

The Company offers standard warranties on its metering products and its solution products for periods ranging from one to five years. In some instances, warranty periods can be further extended based on customer specific negotiations. Standard warranty provision represents the Company's estimate of the cost of projected warranty claims and are based on historical and projected warranty trends, specific quality issues identified (if any), supplier information and other business and economic projections. If the Company's quality control processes fail to detect a fault in a product, the Company could experience an increase in warranty claims.

The Company tracks warranty claims to identify potential product specific design or quality issues. If an unusual trend is noted, an additional warranty provision may be recorded when a product failure is probable, and the cost can be reasonably estimated. Management continually evaluates the sufficiency of the warranty provisions and makes adjustments when necessary. The calculation of the warranty provision requires management to make estimates with respect to projected failure rates, as well as material, labor and other cost to be incurred in order to satisfy the Company's warranty commitments. As a result, actual warranty costs incurred in the future could differ significantly from the provision. The long-term warranty balance includes estimated warranty claims beyond one year. Warranty expense is included within Cost of revenue in the Consolidated Statements of Operations.

2.18 Commitments and Contingencies

Liabilities for loss contingencies, including environmental remediation costs, arising from claims, assessments, litigation, fines, penalties and other sources, are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Any such provision is generally recognized on an undiscounted basis using the Company's best estimate of the amount of loss incurred or at the lower end of an estimated range when a single best estimate is not determinable. Changes in these factors and related estimates could materially affect the Company's financial position, results of operations, and cash flows.

The Company has asset retirement obligations ("ARO") arising from contractual requirements to remove certain leasehold improvements at the time that the Company vacates leased property. The liability is initially measured on the date of executing the lease agreement at fair value, and subsequently is adjusted for accretion expense and changes in the amount or timing of the estimated cash flows. In determining the fair value of the ARO, the Company has considered, among other factors, the estimated cost to remove the assets based on consultations with, and written estimates from, third party contractors, the expected settlement dates, ranging from financial year ending March 31, 2020 to 2026, and an effective interest rate, which for the Company is driven based on the credit-adjusted risk-free rate. The corresponding AROs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the shorter of the asset's remaining useful life or the lease term. The Company classifies such liabilities in Other long-term liabilities on the Consolidated Balance Sheets.

Legal costs incurred in connection with loss contingencies are expensed as incurred.

Accruals for estimated losses from environmental remediation obligations, excluding AROs, generally are recognized no later than completion of the remediation feasibility study. Such accruals are adjusted as further information develops or circumstances change. Recoveries of environmental remediation costs from third parties, which are probable of realization, are separately recorded as assets, and are not offset against the related environmental liability.

2.19 Employee Benefit Plans

The Company accounts for employee and retirement benefits in accordance with ASC 715, "Compensation – Retirement Benefits".

Employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required, and the liability can be estimated reliably. Liabilities recognized in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognized in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to the reporting date.

Retirement benefits

The Company contributes, in accordance with legal and statutory requirements, to various statutory defined benefit and defined contribution pension plans. In addition, the Company sponsors various post-retirement benefit plans that provide medical benefits to retired participants.

The Company records annual amounts relating to its defined benefit plans and post-retirement plans based on calculations that incorporate various actuarial and other assumptions including discount rates, mortality table assumptions, assumed rates of return, compensation increases, turnover rates and healthcare cost trend rates. The Company reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The effect of modifications to those assumptions is recorded in other comprehensive income/(loss). The unrecognized amounts recorded in accumulated other comprehensive income are subsequently recognized as expense on a straight-line basis only to the extent that they exceed 10% of the higher of the market-related value or the projected benefit obligation, over the average remaining service period of active participants.

In addition to the defined benefit pension plans and post-retirement benefits plans, the Company also sponsors various employee retirement savings plans in which employees of certain subsidiaries are eligible to participate. Each plan provides for employee contributions as well as matching contributions by the Company. The Company recognizes an expense for matching contributions to defined contribution plans as they are incurred.

2.20 Income Taxes

Income taxes are based on the laws and rates in effect in the countries in which operations are conducted or in which the Company or its subsidiaries are considered resident for income tax purposes.

The Company accounts for income taxes using the asset and liability method. Under this method, deferred income taxes are recorded for temporary differences between the financial reporting basis and tax basis of assets and liabilities in each of the taxing jurisdictions in which the Company operates. These deferred taxes are measured using the tax rates expected to be in effect when the temporary differences reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Deferred tax assets are evaluated each period to determine whether or not it is more likely than not that they will be realized. In making such determination, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. Valuation allowances are established where it is considered more likely than not that the Company will not realize the benefit of such assets.

Valuation allowances are reviewed each period on a tax jurisdiction by tax jurisdiction basis to analyze whether there is sufficient positive or negative evidence to support a change in judgment about the realizability of the related deferred tax assets.

The Company accounts for uncertain tax positions in accordance with ASC 740, “Income Taxes”, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities based solely on the technical merits of the position.

The Company recognizes interest expense and penalties accrued related to unrecognized tax benefits in the provision for income taxes. Accrued interest and penalties are included within the related tax liability caption in the Consolidated Balance Sheets.

2.21 Foreign Currencies

The reporting currency of Landis+Gyr is the U.S. dollar. The functional currency of most of the Company’s subsidiaries is the applicable local currency. The translation from the applicable functional currencies into the Company’s reporting currency is performed for Balance Sheet accounts using exchange rates in effect at the balance sheet date, and for Statement of Operations and Statement of Cash Flows using average exchange rates prevailing during the year. The resulting translation adjustments are excluded from earnings and are recognized in accumulated other comprehensive income/(loss) until the entity is sold, substantially liquidated or evaluated for impairment in anticipation of disposal.

Foreign currency exchange gains and losses, such as those resulting from foreign currency denominated receivables or payables, are included in the determination of earnings with the exception of inter-company loans that are long-term investment in nature with no reasonable expectation of repayment, which are recognized in other comprehensive income.

2.22 Leases

The Company leases primarily real estate, office equipment and company cars. Rental expense for operating leases is recorded on a straight-line basis over the life of the lease term. Lease transactions where substantially all risks and rewards incidental to ownership are transferred from the lessor to the lessee are accounted for as capital leases. All other leases are accounted for as operating leases. Amounts due under capital leases are recorded as a liability. The interest in assets acquired under capital leases is recorded as property, plant and equipment. Depreciation and amortization of assets recorded under capital leases is included as depreciation and amortization expense.

2.23 Research and Development Costs

Research and development costs primarily consists of salaries and payroll taxes, third party contracting fees, depreciation and amortization of assets used in R&D activities, and other overhead infrastructure costs. Research and development activities primarily consist of the development and design of new meters, network equipment and related software and are expensed as incurred.

2.24 Advertising

Advertising costs are expensed as incurred. Advertising expenses included in Sales and marketing expenses were USD 5.1 million and USD 5.5 million, respectively, for the financial years ended March 31, 2019 and March 31, 2018.

2.25 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 year.

Diluted earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the year 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 March 31, 2019 and 2018, the Company had no dilutive shares outstanding.

2.26 Share-based Compensation

In April 2018, the Company introduced a new share-based long-term incentive plan (“LTIP”) providing the members of the Group Executive Management and other eligible key managers with a possibility to receive shares in the Company, subject to certain conditions. The LTIP consists of two components that are weighted equally: (i) a component with a market condition, that is based on the total shareholders’ return (“TSR”) measured over three years relative to the Swiss Performance Index (“SPI”), summarized under the heading Performance Share Plan PSP-TSR, and (ii) a component with a performance condition that is based on the Company’s fully diluted earnings per share (“EPS”) performance, summarized under the heading Performance Share Plan PSP-EPS.

Share-based compensation expense is recognized and measured based on the guidance codified in the Compensation – Stock Compensation Topic of FASB ASC (“ASC 718”).

The fair value of performance stock units (“PSUs”) granted under the PSP-TSR is estimated using the Monte Carlo simulation methodology. The Monte Carlo simulation input assumptions are determined based on available internal and external data sources. The risk-free rate is interpolated from country-specific government sovereign debt yields derived from Bloomberg as of the valuation date matching the measurement period. The expected volatility of the share price returns is based on the historic volatility of daily share price returns of the Company, derived from Bloomberg and measured over a historical period matching the performance period of the awards. The dividend yield is based on the expected dividend yield over the expected term of the awards granted.

The fair value of performance stock units granted under the PSP-EPS is determined based on the closing share price of the Company’s share at the day preceding the grant date less the present value of expected dividends.

The Company recognizes stock-based compensation costs considering estimated future forfeiture rates. The latter are reviewed annually or whenever indicators are present that actual forfeitures may differ materially from previously established estimates.

Total compensation costs for the PSP-EPS, and for the PSP-TSR, is recognized on a straight-line basis over the requisite service period for the entire award (see Note 22: Share-based compensation).

2.27 Recent Accounting Pronouncements
Applicable for future periods
In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update (ASU) No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended to include codification improvements and practical expedients in transition. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the Statement of Operations.

The new standard is effective for the Company on April 1, 2019. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either the beginning of the earliest comparative period presented in the financial statements as its date of initial application or, as practical expedient, its effective date. The Company expects to use the effective date as its date of initial application. Consequently, financial information will not be updated, and the disclosures required under the new standard will not be provided for dates and periods before April 1, 2019.

The new standard provides a number of optional practical expedients in transition. The Company expects to elect the ‘package of practical expedients’, which permits not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs.

The Company expects that this standard will have a material effect on its Consolidated Financial Statements. While management continues to assess all of the effects of adoption, it currently believes the most significant effects relate to the recognition of new ROU assets and lease liabilities on the Consolidated Balance Sheet for the Company’s office and equipment operating leases and providing significant new disclosures about leasing activities of the Company.

The Company currently expects the update will result in the increase of both total assets and total liabilities between USD 40 million and USD 50 million.

In February 2018, the FASB issued ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which permits a company to reclassify the disproportionate income tax effects of the 2017 Act on items within accumulated other comprehensive income (AOCI) to retained earnings. The FASB refers to these amounts as “stranded tax effects.” The ASU also requires certain new disclosures, some of which are applicable for all companies. This ASU is effective for annual periods beginning after December 15, 2018, with early adoption permitted. The requirements of the amended guidance should be applied on a retrospective basis to each period (or periods) in which the income tax effects of the 2017 Act related to items remaining in AOCI are recognized, or at the beginning of the period of adoption. The Company currently intends to adopt the new standard as of April 1, 2019 and is currently in the process of evaluating the effect that the amendments will have on its Consolidated Financial Statements and related disclosures.

In June 2016, the 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. This update will modify the Company's disclosures but will not have a material effect on its Consolidated Financial Statements.

Recently Adopted Accounting Pronouncements

As of April 1, 2018, the Company adopted a new accounting standard for recognizing revenues from contracts with customers ("ASC 606"). The new standard, which supersedes substantially all previously existing revenue recognition guidance, provides a single comprehensive model for recognizing revenues on the transfer of promised goods or services to customers in an amount that reflects the consideration that is expected to be received for those goods or services.

The Company adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of April 1, 2018. The Company's results for reporting periods beginning April 1, 2018 or later are presented under this guidance while prior periods are not retrospectively adjusted and are presented in accordance with the Company's previous accounting policy under ASC Topic 605. The Company identified insignificant differences in some multiple deliverables arrangements where the variable consideration is currently allocated to one or more but not to all deliverables, whereas, according to the new guidance, it should be allocated to all performance obligations. Furthermore, the Company identified certain incremental costs to obtain contracts with customers, which would have been eligible for capitalization under ASC 606. The impact to revenues and earnings for the financial year ended March 31, 2018 was immaterial as a result of applying ASC 606. Refer to the updated Revenue Recognition accounting policy described above and Note 5: Revenue for additional disclosure regarding the Company's revenues from contracts with customers and the adoption of ASC 606.

In April 2018, the Company adopted an accounting standard update which changes how employers that sponsor defined benefit pension plans and other post-retirement plans present the net periodic benefit cost in the income statement. Under this standard, the Company is required to 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. Other components of net periodic benefit cost are required to be presented in the income statement separately from the service cost component and outside the subtotal of income from operations. This update was applied retrospectively for the presentation requirements. For the financial year ended March 31, 2018, the Company reclassified USD 3.8 million of income and presented it outside of income from operations relating to net periodic pension costs.

Effective April 1, 2018, the Company adopted ASU 2016-16, Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory (Topic 740), which removes the prohibition in Topic 740 against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. Under ASU 2016-16, the selling entity is required to recognize a current tax expense or benefit upon transfer of the asset. Similarly, the purchasing entity is required to recognize a deferred tax asset or deferred tax liability, as well as the related deferred tax benefit or expense, upon receipt of the asset. The resulting deferred tax asset or deferred tax liability is measured by computing the difference between the tax basis of the asset in the buyer’s jurisdiction and its financial reporting carrying value in the consolidated financial statements and multiplying such difference by the enacted tax rate in the buyer’s jurisdiction. This update was applied with a modified retrospective transition method and it did not impact the Consolidated Financial Statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The standard clarifies how certain cash receipts and cash payments, including debt prepayment or extinguishment costs, the settlement of zero coupon debt instruments, contingent consideration paid after a business combination, proceeds from insurance settlements, distributions from certain equity method investees and beneficial interests obtained in a financial asset securitization, should be presented and classified in the Statement of Cash Flows. This update was applied as of April 1, 2018 and had no impact on the Consolidated Financial Statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805) – Clarifying the Definition of a Business, which narrows the definition of a business. It also provides a framework for determining whether a set of transferred assets and activities involves a business. This update was applied as of April 1, 2018 and had no impact on the Consolidated Financial Statements.

In May 2017, the FASB issued ASU 2017-09, Scope of Modification Accounting (stock compensation – topic 718), which clarifies when to account for a change to the terms or conditions of a share-based payment award as a modification. Under this update, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. This Company adopted this update on April 1, 2018 and applied to awards modified on or after this date with no impact on the Consolidated Financial Statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments – Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities, which requires entities to measure all investments in equity securities at fair value and recognize any changes in fair value within the statement of operations. Under the standard, equity investments that do not have readily determinable fair values are eligible for a measurement alternative that allows for these investments to be recorded at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Company adopted ASU 2016-01 on April 1, 2018. Adoption of ASU 2016-01 had no effect on the Company’s Consolidated Financial Statements.

NOTE 3: SHAREHOLDER'S EQUITY

At March 31, 2019 and 2018, the capital structure reflected 29,510,000 authorized, registered and issued 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.

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 March 31, 2019, and March 31, 2018 no shares were issued from this conditional share capital.

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 10-for-1 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.

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, in the financial year ended March 31, 2018, the Company recognized USD 6.6 million for the share portion and USD 3.3 million for the cash portion. Both amounts are included within General and administrative expenses in the Consolidated Statements of Operations and recognized as an increase in additional paid-in capital in the Consolidated Statements of Changes in Shareholders' Equity, because the award was funded by the former Shareholders.

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 programme 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 programme"). The implementation of the Buyback programme depends on market conditions. The Buyback programme lasts from January 30, 2019 to January 28, 2022 at the latest. The Company reserves the right to terminate the Buyback programme at any time and has no obligation to acquire its own registered shares as part of the Buyback programme. 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 programme.

In the financial year ended March 31, 2019, the Company purchased an aggregate of 204,590 of its own shares on the open market resulting in an increase in treasury stock of USD 12.7 million. In addition, the Company distributed 5,916 shares, out of the treasury stock, during the financial year ended March 31, 2019, as a compensation-in-kind to the members of the Board of Directors, in line with the Board of Directors Remuneration Policy.

Dividend

At the Annual General Meeting of Shareholders on June 28, 2018, shareholders approved the proposal of the Board of Directors to distribute CHF 2.30 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.

Accumulated Other Comprehensive Income (Loss)

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

	MARCH 31,	
USD in thousands	**2019**	2018
Foreign currency translation adjustments, net of tax	(35,608)	(21,244)
Pension plan benefits liability adjustments, net of taxes of $2,693 and $1,931 as of March 31, 2019 and March 31, 2018, respectively	(16,537)	(14,310)
Accumulated other comprehensive income (loss)	**(52,145)**	**(35,554)**

The following tables present the reclassification adjustments in accumulated other comprehensive loss by component:

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	(1,451)	(14,364)	(15,815)
Amounts reclassified from accumulated other comprehensive income	(776)	–	(776)
Net current-period other comprehensive income (loss)	(2,227)	(14,364)	(16,591)
Ending balance, March 31, 2019	**(16,537)**	**(35,608)**	**(52,145)**

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	13,279	5,741	19,020
Amounts reclassified from accumulated other comprehensive income	(644)	–	(644)
Net current-period other comprehensive income (loss)	12,635	5,741	18,376
Ending balance, March 31, 2018	**(14,310)**	**(21,244)**	**(35,554)**

The pension plan benefits liability adjustment, net of taxes, in the AOCL changed by USD (2.2) million and USD 12.6 million in the financial years ended March 31, 2019 and March 31, 2018, respectively. These changes represent the movement of the current year activity including the reclassified amounts from accumulated other comprehensive income to net income:

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Amortization of actuarial loss / (gain)	229	383
Amortization of prior service cost	(1,005)	(1,027)
Amounts reclassified from other comprehensive income to net income (1)	(776)	(644)
Net actuarial (loss) / gain	(2,198)	13,649
Prior service cost	(15)	–
Total before tax	**(2,989)**	**13,005**
Tax (expense) / benefit	762	(370)
Total other comprehensive income (loss) from defined benefit pension plans (net of tax) for the fiscal year ended March 31,	**(2,227)**	**12,635**

1) These accumulated other comprehensive income components are included in the computation of net periodic pension costs (see Note 21: Pension and Post-retirement benefit plans for additional details).

NOTE 4: 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 (see Note 22: Share-based compensation).

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 earnings per share.

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

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands, except per share data	**2019**	2018
Basic earnings per share		
Net income attributable to Landis+Gyr Group AG Shareholders	122,245	46,371
Weighted-average number of shares used in computing earnings per share	**29,489,321**	**29,510,000**
Basic earnings per share attributable to Landis+Gyr Group AG shareholders	**4.15**	**1.57**
Diluted earnings per share		
Net income attributable to Landis+Gyr Group AG Shareholders	122,245	46,371
Weighted-average number of shares used in computing earnings per share	**29,489,321**	**29,510,000**
Effect of dilutive securities	–	–
Adjusted weighted-average number of shares outstanding	**29,489,321**	**29,510,000**
Diluted earnings per share attributable to Landis+Gyr Group AG shareholders	**4.15**	**1.57**

There were 90,810 potentially dilutive securities for the financial year ended March 31, 2019. For the financial year ended March 31, 2019, the effect of dilutive securities from the new share-based long-term incentive plan is nil and no incremental potentially dilutive securities were included in the computation of the adjusted weighted-average number of share outstanding. These stock-based awards could be dilutive in future periods.

NOTE 5: REVENUE

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

USD in thousands	March 31, 2019	March 31, 2018
Contract assets	**1,259**	**–**
Advances from customers	4,789	3,611
Deferred revenue	48,937	60,518
Contract liabilities	**53,726**	**64,129**

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 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, 2018, the Company recognized revenue of USD 26.8 million during the financial year ended March 31, 2019.

Contract liabilities are included within Other current liabilities and Other non-current liabilities in the 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 future revenues as the Company 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 797.1 million for the next twelve months and approximately USD 1,806.0 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 the Company's 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.

Cost to obtain a contract and cost to fulfill a contract with a customer

Cost to obtain a contract and cost to fulfill a contract are capitalized and amortized using a systematic rational approach to align with the transfer of control of underlying contracts with customers.

As of March 31, 2019, the carrying balance of assets recognized from the cost incurred to obtain a contract was USD 1.5 million. This amount is included in Other long-term assets in the Consolidated Balance Sheets.

For the financial year ended March 31, 2019, the Company recognized USD 0.3 million amortization of capitalized cost incurred to obtain a contract. This amount is included within Sales and marketing expenses in the Consolidated Statements of Operations.

Disaggregation of revenue
The disaggregation of revenue into categories, which depict how revenue is affected by economic factors, is disclosed in Note 29: Segment Information.

NOTE 6: ACCOUNTS RECEIVABLE, NET

A summary of accounts receivable, net is as follows:

	MARCH 31,	
USD in thousands	**2019**	2018
Trade accounts receivable	342,729	283,692
Contract receivable	36,766	40,772
Allowance for doubtful accounts	(9,854)	(6,221)
Total trade accounts receivable, net	**369,641**	**318,243**
Less: current portion of accounts receivable, net	367,943	315,788
Long-term accounts receivable, net	**1,698**	**2,455**

The long-term portion of accounts receivable, net, is included in Other long-term assets in the Consolidated Balance Sheets.

The carrying amount of accounts receivable approximates their fair value. Normal credit terms are 30 to 90 days, averaging slightly more than 60 days.

Contract receivable amounts are recorded when revenues are recognized and rights to receive payment become unconditional, upon product shipment/installation or service delivery, and invoicing occurs at a later date. Generally, contract receivable amounts are invoiced within one week after month-end.

A summary of the provision for doubtful accounts activity is as follows:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Beginning balance	(6,221)	(4,725)
Provisions for doubtful accounts	(5,446)	(1,602)
Deductions, net of recoveries	1,813	106
Balance at March 31,	**(9,854)**	**(6,221)**

NOTE 7: INVENTORIES, NET

Inventories, net consist of the following:

	MARCH 31,	
USD in thousands	2019	2018
Raw material and supplies	94,852	90,496
Work in progress	7,739	6,874
Finished goods	40,611	36,298
Total inventories gross	**143,202**	**133,668**
Inventory reserve	(9,543)	(12,270)
Total inventories, net	**133,659**	**121,398**

NOTE 8: PREPAID EXPENSES AND OTHER CURRENT ASSETS

A summary of the prepaid expenses and other current assets balance is as follows:

	MARCH 31,	
USD in thousands	2019	2018
Prepaid expenses	10,866	9,594
Other tax receivables	8,514	7,190
Income tax receivables/advances	14,917	10,935
Others	20,501	17,644
Total prepaid expenses and other current assets	**54,798**	**45,363**

NOTE 9: PROPERTY, PLANT & EQUIPMENT

A summary of the property, plant & equipment balance is as follows:

	MARCH 31,	
USD in thousands	2019	2018
Land	3,342	3,819
Buildings	16,613	17,852
Network equipment (1)	147,309	189,627
Machinery and equipment	132,048	110,923
Vehicles and other equipment	70,109	97,184
Construction in progress	20,515	14,327
Total cost	**389,936**	**433,732**
Less accumulated depreciation	(247,878)	(269,332)
Property, plant and equipment, net	**142,058**	**164,400**

1) Network equipment is comprised of meters, and meter reading equipment that is deployed under various customer contracts of Landis+Gyr Technology Inc., a US based subsidiary of Landis+Gyr Group AG.

Total depreciation expense for the financial years ended March 31, 2019 and March 31, 2018 was USD 44.1 million and USD 47.5 million, respectively. The difference between the total change in accumulated depreciation and the depreciation expense of property, plant & equipment represents the effect from the disposal of assets and the change in exchange rates.

NOTE 10: ACQUISITIONS AND DIVESTMENTS

Intellihub

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 19.1 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 14.6 million gain on divestments, which is included within Other income (expense), net in the Consolidated Statement of Operations.

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

Sense

On January 16, 2019, the Company acquired a 3% equity interest in Sense Labs, Inc. ("Sense"), in exchange for USD 2 million in cash. Sense develops and provides electronic devices for analyzing electricity usage in households in the USA, as well as related application software.

NOTE 11: INTANGIBLE ASSETS, NET

The gross carrying amount, accumulated amortization, and impairments of the Company's intangible assets, other than goodwill, are as follows:

March 31, 2019 (USD in thousands)	Gross asset	Accumulated amortization	Accumulated impairment	Carrying amount	Weighted average useful life (in years)
Finite Lived Intangibles:					
Trade name and trademarks	113,960	(52,616)	–	61,344	10
Order backlog	35,643	(35,643)	–	–	–
Customer contracts & relationships	421,647	(205,996)	–	215,651	10
Developed technologies	185,923	(119,722)	(11,166)	55,035	4
Total finite lived intangibles	**757,173**	**(413,977)**	**(11,166)**	**332,030**	

March 31, 2018 (USD in thousands)	Gross asset	Accumulated amortization	Accumulated impairment	Carrying amount	Weighted average useful life (in years)
Finite Lived Intangibles:					
Trade name and trademarks	113,960	(45,800)	–	68,160	11
Order backlog	40,902	(40,902)	–	–	–
Customer contracts & relationships	422,688	(181,929)	–	240,759	12
Developed technologies	187,336	(103,415)	(11,166)	72,755	6
Total finite lived intangibles	**764,886**	**(372,046)**	**(11,166)**	**381,674**	

The following table presents the line items within the Consolidated Statement of Operations that include amortization of intangible assets:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Cost of revenue	13,810	14,116
Research and development	2,567	2,727
Sales and marketing	31,619	32,305
General and administrative	751	670
Total	**48,747**	**49,818**

Estimated future annual amortization expense related to identified intangible assets for each of the five years, to March 31, 2024 and thereafter is as follows:

Fiscal year ending March 31, (USD in thousands)	Estimated annual amortization
2020	46,975
2021	45,884
2022	44,344
2023	43,910
2024	31,806
Thereafter	119,111
Total identifiable intangibles, net	**332,030**

NOTE 12: GOODWILL

Landis+Gyr has three reporting units with goodwill: Americas, EMEA (Europe, Middle East and Africa) and Asia Pacific, which are also the Company's reportable segments.

Goodwill allocated to the reporting units was tested for impairment in the fourth quarter of the financial years 2017 and 2018, after the completion of the annual forecasting process.

The changes in the carrying amount of goodwill for the year ended March 31, 2019 and 2018, are as follows:

USD in thousands	Americas	EMEA	Asia Pacific	Total
Balance as of March 31, 2017	**1,133,350**	**196,817**	**31,000**	**1,361,167**
Currency translation adjustment	–	424	–	424
Balance as of March 31, 2018	**1,133,350**	**197,241**	**31,000**	**1,361,591**
Goodwill allocated to divestments	–	–	(7,497)	(7,497)
Balance as of March 31, 2019	**1,133,350**	**197,241**	**23,503**	**1,354,094**

NOTE 13: IMPAIRMENT OF INTANGIBLE ASSETS

At March 31, 2019 and 2018, the Company performed a quantitative goodwill impairment analysis that included an assessment of certain qualitative factors, the overall financial performance, macro-economic and industry conditions, as well as determining the fair value of the reporting units and comparing that fair value to the carrying values.

As a result of the assessment performed, no impairment charges were recorded in the financial years ended March 31, 2019 and March 31, 2018.

The Company's assessment that no impairment is required in EMEA and Asia Pacific assumes that trading conditions improve as planned and that the regions realize the cost cutting measures that have been put in place over the Company's planning period. The assumptions around market recovery and cost savings represent the Company's best estimate but the goodwill impairment analysis is sensitive to these assumptions.

NOTE 14: OTHER LONG-TERM ASSETS

The components of other long-term assets are as follows:

	MARCH 31,	
USD in thousands	**2019**	2018
Investments in affiliated companies	36,672	–
Other investments	2,000	–
Others	39,484	37,683
Total other long-term assets	**78,156**	**37,683**

Investments in Affiliated Companies

Since June 19, 2018 and resulting from the acquisition described in Note 10: 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 March 31, 2019, the carrying amount of the Company's share in Spark was USD 36.7 million.

The Company has elected to record its share of earnings from Spark on a three-month lag. For the financial year ended March 31, 2019, the Company's share of loss from Spark was USD 4.2 million, representing the investee's operations through December 31, 2018, including certain initial transaction costs incurred by the equity investee as part of merger and acquisition activities. The Company included this amount within Net loss from equity investments in the Consolidated Statements of Operations.

Other investments

Since January 16, 2019, the Company has a 3% equity interest in Sense Labs, Inc. ("Sense"). Sense develops and provides electronic devices for analyzing electricity usage in households in the USA, as well as related application software. As of March 31, 2019, the carrying amount of the Company's share in Sense was USD 2.0 million. The Company performed an impairment analysis that included an assessment of certain qualitative indicators. As a result of the assessment performed, no impairment charges were recorded in the financial year ended March 31, 2019.

NOTE 15: OTHER CURRENT LIABILITIES

The components of other current liabilities are as follows:

	MARCH 31,	
USD in thousands	**2019**	2018
Warranty settlement liability	20,784	14,389
Contract liabilities	15,219	27,771
Tax payable	10,321	5,191
Others	35,114	22,304
Total other current liabilities	**81,438**	**69,655**

NOTE 16: LOANS PAYABLE

The components of the loans payable are as follows:

USD in thousands	**March 31, 2019**		March 31, 2018	
	Balance	**Weighted average interest rate**	Balance	Weighted average interest rate
Credit facility	80,000	3.2%	130,000	2.6%
Other borrowings from banks	10,661	9.1%	12,327	7.9%
Loans payable	**90,661**		**142,327**	

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 (see below) 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 or 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 March 31, 2019, and March 31, 2018, the Company has drawn loans for a total amount of USD 80 million and USD 130 million, respectively.

As of March 31, 2019 and 2018, the credit facility's unused portion was USD 160 million and USD 110 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 1.30% 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 USD 40 thousand. In addition, in the financial year ended March 31, 2018, the Company paid USD 840 thousand as an arrangement fee which was capitalized and recognized within Other long-term assets in the Company's Consolidated Balance Sheet. 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 March 31, 2019, the Company has not drawn any loans from the CHF Credit Facility.

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 1.30% 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.

In addition, in the financial year ended March 31, 2019, the Company paid USD 614 thousand as an arrangement fee which was capitalized and recognized within Other long-term assets in the Company's Consolidated Balance Sheet. The Company is amortizing the arrangement fee over the facility's term.

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.

UBS Credit Facility

On June 1, 2017, Landis+Gyr AG entered into an agreement (the "UBS Credit Facility Agreement") for a USD 215.0 million unsecured term loan provided by UBS Switzerland AG (the "UBS Credit Facility") for the repayment of the then existing Shareholder Loan from Toshiba Corporation (see below Note 17: Shareholder Loans).

The UBS Credit Facility was subject to interest payments based on the LIBOR for USD in addition to an interest margin of 0.80%. Interest was payable at the end of each interest period.

During the financial year ended March 31, 2018, the Company had drawn only one term loan (the "UBS Term Loan") under the UBS Credit Facility for the full amount of USD 215.0 million which was repaid on March 1, 2018 using cash and the proceeds from the Credit Facility Agreement.

NOTE 17: SHAREHOLDER LOANS

Upon the acquisition by Toshiba Corporation in 2011, the Company received a loan from Toshiba Corporation in the amount of USD 600.1 million. The loan had a stated interest rate equal to the 6-month LIBOR rate plus a margin of 2.5% per annum. Interest was payable on a semi-annual basis on January 31 and July 31. The principle loan installments were payable on a semi-annual basis on July 31 and January 31, starting on July 31, 2012.

On June 8, 2017, the Company repaid the shareholder loan without any pre-payment penalties.

NOTE 18: OTHER LONG-TERM LIABILITIES

The components of other long-term liabilities are as follows:

	MARCH 31,	
USD in thousands	**2019**	2018
Warranty settlement liability	–	23,142
Contract liabilities	38,507	36,358
Others	29,493	28,603
Total other long-term liabilities	**68,000**	**88,103**

NOTE 19: 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 March 31, 2019 and March 31, 2018 were USD 216.4 million and USD 38.4 million, respectively.

For the financial year ended March 31, 2019 and 2018, the Company recognized gains (losses) from changes in the fair value of forward foreign exchange contracts of USD 0.3 million and USD (0.2) million, respectively. These amounts are included within cost of revenue in the Consolidated Statements of Operations.

The fair values of the outstanding derivatives, included in the Consolidated Balance Sheet as of March 31, 2019 and March 31, 2018, were as follows:

DERIVATIVE FINANCIAL INSTRUMENTS

		Derivative assets		Derivative liabilities	
March 31, 2019 (USD in thousands)	**Notional amount**	**Prepaid expenses and other – current**	**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**	**–**

DERIVATIVE FINANCIAL INSTRUMENTS

		Derivative assets		Derivative liabilities	
March 31, 2018 (USD in thousands)	**Notional amount**	**Prepaid expenses and other – current**	**Other long-term assets**	**Other current liabilities**	**Other long-term liabilities**
Foreign exchange contracts:					
Foreign currency forward contracts in SEK	38,400	–	–	80	83
Total derivative financial instruments		**–**	**–**	**80**	**83**

NOTE 20: 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 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:

FAIR VALUE MEASUREMENTS

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**	**–**

At March 31, 2018, for each of the fair value hierarchy levels, the following assets and liabilities were measured at fair value on a recurring basis:

FAIR VALUE MEASUREMENTS

March 31, 2018 (USD in thousands)	Total	Level 1	Level 2	Level 3
Liabilities				
Foreign currency forward contracts	163	–	163	–
Total	**163**	**–**	**163**	**–**

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 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 March 31, 2019 and 2018, 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

The fair value of the Company's financial instruments approximates carrying value due to their short maturities.

NOTE 21: PENSION AND POST-RETIREMENT BENEFIT PLANS

A large portion of the Company's employees are covered by defined benefit plans which are funded by the Company, the employees, and in certain countries, by state authorities. The Company has pension plans in various countries with the majority of the Company's pension liabilities deriving from Germany, the US and Switzerland. Such plans can be set up as state or company-controlled institutions, as contracts with private insurance companies, as independent trusts or pension funds. The benefits provided by such entities vary by country based on the legal and economic environment and primarily are based on employees' years of service and average compensation, covering the risks of old age, death and disability in accordance with legal requirements and the pension legislation in the respective countries.

Net periodic pension cost and the pension obligation of the Company's defined benefit plans are calculated based on actuarial valuations. Such valuations consider, inter alia, the years of service rendered by employees and assumptions about future salary increases. The latest actuarial valuations were performed for the defined benefit plans as of March 31, 2019 and using that as the measurement date.

The underlying actuarial assumptions are based on the actual local economic circumstances of the countries where the defined benefit plans are situated. The Company contributes to the employee benefit plans in accordance with applicable laws and requirements and the pension plan assets are invested in accordance with applicable regulations.

The following tables summarize the movement of the benefit obligation, plan assets, funded status and amounts recognized in the Consolidated Balance Sheets for the defined benefit pension plans for the periods indicated in the tables below:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Change in benefit obligation:		
Benefit obligation at April 1,	291,929	288,485
Service cost	5,145	7,052
Interest cost	3,249	3,237
Employee contributions	3,233	3,580
Benefits paid	(468)	(1,347)
Assets distributed on settlements	(19,494)	(17,130)
Actuarial (gains) / losses	8,905	(8,312)
Curtailments	–	(34)
Termination benefits (1)	265	1,189
Liabilities extinguished on settlements	–	(169)
Plan amendments	15	–
Effect of changes in exchange rates	(12,287)	15,378
Benefit obligation at March 31,	**280,492**	**291,929**

1) Termination benefits include costs in connection with the restructuring initiatives in Switzerland and Greece.

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Change in plan assets:		
Fair value of plan assets at April 1,	250,346	234,286
Actual return on plan assets	13,636	12,647
Employer contributions	4,740	6,104
Employee contributions	3,233	3,580
Benefits paid	(19,494)	(17,130)
Effect of changes in exchange rates	(9,333)	10,859
Fair value of plan assets at March 31,	**243,128**	**250,346**
Funded status at March 31,	**(37,364)**	**(41,583)**
Accumulated benefit obligation	**275,986**	**287,164**

As of March 31, 2019, the net benefit obligation for the Company's underfunded plans was equal to USD 39.2 million, and net plan assets for the overfunded plans were equal to USD 1.8 million. As of March 31, 2018, the net benefit obligation for the Company's underfunded plans was equal to USD 44.4 million, and net plan assets for the overfunded plans were equal to USD 2.8 million.

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

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Service cost	5,404	7,052
Operational pension cost	**5,404**	**7,052**
Interest cost	3,273	3,237
Termination benefits	265	1,189
Expected return on plan assets	(6,840)	(7,407)
Amortization of prior service costs	(1,005)	(1,027)
Amortization of actuarial loss (gain)	229	383
Settlements and curtailments	–	(176)
Non-operational cost (credit)	**(4,078)**	**(3,801)**
Net periodic benefit cost	**1,326**	**3,251**

Changes in plan assets and benefit obligations recognized in other comprehensive loss (pre-tax) are as follows:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Net actuarial loss (gain)	2,198	(13,649)
Amortization of actuarial (loss) gain	(229)	(383)
Prior service cost	15	–
Amortization of prior service cost	1,005	1,027
Total change recognized in AOCL	**2,989**	**(13,005)**

The following represents the amounts included in accumulated other comprehensive loss related to the Company's defined benefit pension plans:

	MARCH 31,	
USD in thousands	**2019**	2018
Actuarial loss	26,611	24,642
Prior service cost	(7,611)	(8,631)
Deferred tax liability (assets)	(2,693)	(1,931)
Effect of changes in exchange rates	230	230
Total	**16,537**	**14,310**

The actuarial loss and the prior service cost expected to be recognized as components of the net periodic benefit cost over the financial year ending March 31, 2020 are USD 0.5 million cost and USD 1.0 million benefit, respectively. The Company expects to make contributions of USD 4.7 million to the defined benefit pension plans during the financial year ending March 31, 2020.

The weighted average assumptions used in accounting for the defined benefit pension plans are as follows:

	March 31, 2019	March 31, 2018
Weighted average assumptions to determine benefit obligations:		
Discount rate (1)	0.92%	1.18%
Expected rate of increase in future compensation (2)	1.18%	1.18%
Expected rate of increase in future pension benefits (3)	0.11%	0.11%
Weighted average assumptions to determine net periodic pension costs:		
Discount rate (1)	1.18%	1.12%
Expected long-term rate of return on plan assets (4)	2.89%	3.11%

1) The Company determined a discount rate for each individual defined benefit pension plan based on high quality corporate bonds with currency and duration matching the associated liabilities. Where there is no deep market for such bonds, government bonds with an appropriate spread are used.
2) The Company determined the expected rate of increase in future compensation levels based on expectation of expected inflation rates and merit-based increases.
3) The Company determined the expected rate of increase in future pension benefits based on expected inflation in the plans' national markets, if such increase is included in the plan benefits.
4) The expected rate of return on plan assets was determined on the basis of the weighted average expected return on plan assets. The Company's assessment of the expected returns is based on historical return trends for equities, real estate and other assets and analysts' predictions of the market for debt instruments. The assets do not include any financial instruments issued by the Company.

Holding all other assumptions constant, a 0.5-percentage point decrease in the discount rate would have increased the projected benefit obligation ("PBO") related to the defined benefit pension plans by USD 20.6 million while a 0.5-percentage point increase in the discount rate would have decreased the PBO related to the defined benefit pension plans by USD 18.1 million.

Holding all other assumptions constant, a decrease or increase of 0.5 percentage points in the discount rate would have decreased the interest cost in the financial year ended March 31, 2019 by USD 1.3 million or increased the interest cost by USD 1.1 million respectively.

The actual asset allocation for the defined benefit pension plan assets is as follows:

	March 31, 2019	March 31, 2018
Equity Instruments	24%	24%
Debt Instruments	45%	43%
Property	17%	16%
Other	14%	17%

The Company's pension plan assets for each individual plan are invested in accordance with statutory regulations, pension plan rules and decisions of the pension fund trustees. The Company's actual invested positions in various securities change over time based on short and longer-term investment opportunities. Strategic pension plan asset allocations are determined by the objective to achieve an investment return, which together with the contributions paid, is sufficient to maintain reasonable control over the various funding risks of the plans. Based upon current market and economic environments, the actual asset allocation may periodically be permitted to deviate from policy targets. The plan's assets are divided according to asset class. The financial year ending March 31, 2020 targeted allocations are equities (30 percent), debt securities (47 percent), real estate (19 percent) and others (4 percent).

Annual benefit payments, including amounts to be paid from the Company's assets for unfunded plans, and reflecting expected future service, as appropriate, are expected to be as follows:

Fiscal Year ending March 31, (USD in thousands)	
2020	14,426
2021	14,061
2022	13,523
2023	13,478
2024	14,367
2025–2030	75,548

The following tables present, for each of the fair-value hierarchy levels, the Company's defined benefit pension plan assets that are measured at fair value on a recurring basis as at March 31, 2019 and at March 31, 2018:

Fair Value Measurements March 31, 2019 (USD in thousands)	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	–	–	–	–
Equity instruments	58,126	47,030	11,096	–
Debt instruments	110,171	66,699	43,472	–
Real estate	41,740	–	579	41,161
Other	33,091	3,124	29,967	–
Total	**243,128**	**116,853**	**85,114**	**41,161**

Fair Value Measurements March 31, 2018 (USD in thousands)	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	–	–	–	–
Equity instruments	59,374	48,778	10,596	–
Debt instruments	107,647	83,211	24,436	–
Real estate	40,143	–	647	39,496
Other	43,182	3,154	40,028	–
Total	**250,346**	**135,143**	**75,707**	**39,496**

The classification of fair value measurements within the hierarchy is based upon the lowest level of input that is significant to the measurement. Valuation methodologies used for assets and liabilities measured at fair value are as follows:

Debt and equity instruments

Debt and equity instruments classified as Level 1 are valued at the closing price reported on the active market where the individual securities are traded. Equity instruments classified as Level 2 consist of investments in traded institutional funds, which are not actively traded, valued at the repurchase price as calculated by the fund manager on a daily basis and alternative investments valued at their net asset value which is based on the fair value of the underlying assets that are traded in active markets and have quoted market prices.

Real estate

Real estate investments classified as Level 2 are valued at the repurchase price as calculated by the fund manager on a daily basis. Real estate investments classified as Level 3 are valued using a discounted cash-flow approach, the discount rates are based on the age of the real estate and stand at 4.5%.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth a summary of changes in the fair value of the Level 3 assets:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Balance at April 1,	39,496	36,617
Actual return on plan assets	2,698	923
Purchases	676	–
Effect of changes in exchange rates	(1,709)	1,956
Balance at March 31,	**41,161**	**39,496**

In addition to its defined benefit plans, the Company also provides post-retirement health care benefit plans to certain of its employees. As of March 31, 2019, and March 31, 2018, the post-retirement benefit plans had an obligation of USD 0.4 million and USD 0.4 million, respectively.

For the post-retirement plan, the expected premium for financial year ending March 31, 2020 is assumed to be USD 4,877 for retired employees (USD 5,471 for spouse). The medical trend rate is assumed to increase to 5.2% for the financial year ending March 31, 2020 and gradually decrease to 4.3% thereafter.

As an indicator of sensitivity, increasing the assumed health care cost trend rate by 1% would have increased the accumulated post-retirement benefit obligation by USD 5 thousand at March 31, 2019. Decreasing the assumed health care cost trend rate by 1% would have decreased the accumulated post-retirement benefit obligation at March 31, 2019 by USD 9 thousand. Increasing or decreasing the assumed health care cost trend rate by 1% would have not changed the aggregate of the service and interest components of net post-retirement benefit expense.

Furthermore, the Company sponsors various defined contribution plans in which employees of certain subsidiaries are eligible to participate. Total expenses related to such plans for the financial years ended March 31, 2019 and March 31, 2018 were USD 8.4 million and USD 8.2 million, respectively.

NOTE 22: SHARE-BASED COMPENSATION

Long-term incentive plan

In April 2018, the Company introduced a new share-based long-term incentive plan ("LTIP") providing the members of the Group Executive Management and other eligible key managers with a possibility to receive shares in the Company, subject to certain conditions.

Each new award under the LTIP is a contingent entitlement (Performance Stock Unit or "PSU") to receive shares in the Company, provided certain performance targets are achieved during the three-year performance period. In case the performance does not reach certain pre-determined thresholds after three years, no shares of the Company will vest under the LTIP. The LTIP consists of two components that are weighted equally: (i) a component with a market condition, that is based on the total shareholders' return ("TSR") measured over three years relative to the Swiss Performance Index ("SPI"), summarized under the heading PSP-TSR, and (ii) a component with a performance condition that is based on the Company's fully diluted earnings per share ("EPS") performance, summarized under the heading PSP-EPS.

The following table summarizes the number of outstanding nonvested share equivalents allocated to each component of the LTIP as of March 31, 2019 and March 31, 2018:

Maximum outstanding nonvested share equivalents under the LTIP	March 31, 2019	March 31, 2018
Maximum share equivalents under the PSP-TSR	45,405	–
Maximum share equivalents under the PSP-EPS	45,405	–
Total maximum outstanding nonvested share equivalents under the LTIP	**90,810**	**–**
Exercisable	–	–

The number of share equivalents represents the maximum number of shares that can potentially vest and be distributed to employees if the Company will achieve the highest vesting scenario for each component.

Total compensation costs recognized in the Consolidated Statement of Operations with respect to the LTIP were USD 1.1 million for the financial year ended March 31, 2019.

Performance Stock Plan with a Market Condition (PSP-TSR Plan)

The Company allocates annually PSUs of its publicly traded shares to eligible employees, who are employed with the Company at the grant date. These awards are subject to a TSR market condition, which compares the Company's TSR measured over three years relative to the performance of the SPI. The relative TSR condition is calculated considering not only the variations of the closing price over the three-year period but also the dividends distributed in the same period, assuming that those dividends are reinvested at the time of distribution in the shares of the Company.

PSUs granted under the PSP-TSR component will cliff-vest and be converted into the Company's shares in a range of 0% to 200% following the 3-year performance period. None of the PSP-TSR awards will vest if Landis+Gyr's absolute TSR attributable to the relevant three-year performance period is negative, regardless of the Company's performance relative to the SPI.

The following table summarizes the activities under the PSP-TSR component for the financial year ended March 31, 2019:

TSR COMPONENT	FISCAL YEAR ENDED MARCH 31, 2019		
	Number of awards	Maximum number of shares conditionally granted	Weighted-average grant-date fair value per share (Swiss francs)
Nonvested at April 1, 2018	–	–	
Granted	26,743	53,485	56.35
Vested	–	–	–
Forfeited	(4,041)	(8,080)	56.35
Nonvested at March 31, 2019	**22,702**	**45,405**	**56.35**
Exercisable at March 31, 2019	–	–	–

The Company recorded share-based compensation expense for the PSP-TSR Plan of USD 0.4 million for the financial year ended March 31, 2019, which is included within General and administrative expense in the Consolidated Statements of Operations. As of March 31, 2019, total unrecognized compensation costs related to nonvested PSP-TSR awards amount to USD 0.7 million. These costs are expected to be recognized over a weighted-average period of two years.

Equity-settled awards are recorded in the “Additional paid-in capital” component of Shareholders’ equity, with compensation cost recorded in General and administrative expenses over the vesting period, which is from the grant date to the end of the vesting period, including adjustments for actual forfeitures. The PSP-TSR awards are subject to a market condition, which based on the guidance in ASC 718 is reflected in the grant-date fair value. The actual number of PSUs that will vest can range from 0% to 200% of the grant, depending upon actual Company performance below or above the target level. Compensation cost is recognized for the PSP-TSR awards, provided that the requisite service is rendered, regardless of when, if ever, the market condition is satisfied. In case of an outperformance of the PSP-TSR award compared to the targets, there will be no adjustment as long as the employee performs the requisite service period.

The weighted-average exercise price of PSP-TSR awards is zero.

The following assumptions have been applied in the valuation model:

	Fiscal year ended March 31, 2019
Expected term	3 years
Risk free rate	(0.483%)
Expected volatility	20.13%
Expected dividend yield	3%

For the PSUs granted on April 1, 2018, the expected volatility of the share price returns was measured over a historic period of 180 days only, given that the IPO only took place in July 2017.

Performance Stock Plan with an Earnings per Share Condition (PSP-EPS Plan)
The Company allocates annually PSUs of its publicly traded shares to eligible employees, who are employed with the Company at the grant date. These awards are subject to a predefined cumulative diluted earnings per share performance condition, which has to be met over a measurement period of three years. The EPS condition is set based on an outside-in view, taking into account growth expectations, risk profile, investment levels and profitability levels.

PSUs granted under the PSP-EPS Plan will cliff-vest and be converted into the Company’s shares in a range of 0% to 200% following the 3-year performance period, if the performance conditions are met. None of the PSP-EPS awards will vest if a minimum cumulative target on fully diluted EPS has not been achieved over the performance period.

The following table summarizes the activities under the PSP-EPS Plan for the financial year ended March 31, 2019:

EPS COMPONENT

	FISCAL YEAR ENDED MARCH 31, 2019		
	Number of awards	Maximum number of shares conditionally granted	Weighted-average grant-date fair value per share (Swiss francs)
Nonvested at April 1, 2018	–	–	–
Granted	26,743	53,485	73.95
Vested	–	–	–
Forfeited	(4,041)	(8,080)	73.95
Nonvested at March 31, 2019	**22,702**	**45,405**	**73.95**
Exercisable at March 31, 2019	–	–	–

The Company recorded stock-based compensation expense for the PSP-EPS Plan of USD 0.7 million for the financial year ended March 31, 2019, which is included within General and administrative expense in the Consolidated Statements of Operations. As of March 31, 2019, total unrecognized compensation costs related to nonvested PSP-EPS awards amount to USD 1.4 million. These costs are expected to be recognized over a weighted-average period of two years.

Equity-settled awards are recorded in the "Additional paid-in capital" component of Shareholders' equity, with compensation cost recorded in General and administrative expenses over the vesting period, which is from the grant date to the end of the vesting period, including adjustments for actual forfeitures. The PSP-EPS awards are subject to a performance condition, which based on the guidance in ASC 718 is not reflected in the grant-date fair value. The actual number of PSUs that will vest can range from 0% to 200% of the grant, depending upon actual Company performance below or above the target level. The Company estimates performance in relation to the established target when determining the projected number of PSUs that will vest and calculating the compensation cost related to these awards. If it is not probable that the performance target for the EPS component will be achieved, then compensation expense recorded to date will be reversed.

The weighted-average exercise price of PSP-EPS awards is zero. The fair value of performance stock units granted under the PSP-EPS Plan is determined based on the closing price of the Company's shares at the day preceding the grant date less the present value of expected dividends.

Other share-based compensation

Starting from the annual term which commenced with the 2018 Annual General Meeting (June 28, 2018), the remuneration of the members of the Company's Board of Directors is paid 65% in cash and 35% in Company's shares, which are blocked for sale for a period of three years. In the financial year ended March 31, 2019, the Company allotted 5,916 shares, out of the treasury stock, and recorded USD 0.4 million of expense which is included within General and administrative expense in the Consolidated Statements of Operations.

NOTE 23: INCOME TAXES

The components of profit (loss) before income tax expense, are as follows:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Domestic (1)	39,004	32,941
Foreign	129,995	16,028
L+G Group	**168,999**	**48,969**

1) Domestic jurisdiction represents Switzerland, the country where the Company is incorporated.

Income tax benefit (expense) by location of the taxing jurisdiction consisted of the following:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Current income taxes:		
Domestic (1)	(795)	(739)
Foreign	(36,701)	(26,294)
Total current taxes	(37,496)	(27,033)
Deferred taxes:		
Domestic (1)	(5,399)	(134)
Foreign	774	24,992
Total deferred taxes	(4,625)	24,858
Total income taxes	**(42,121)**	**(2,175)**

1) Domestic jurisdiction represents Switzerland, the country where the Company is incorporated.

The reconciliation of tax benefit (expenses) at the statutory tax rate of 7.83% to the provision for income taxes is shown in the table below:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Regular statutory rate benefit (expense)	(13,233)	(3,834)
Items taxed at rates other than the Company's statutory rate	(33,100)	(12,055)
Other permanent adjustments	925	2,208
Provision for uncertain tax positions	(3,099)	3,194
Tax credits	2,095	1,516
Withholding taxes	(796)	(767)
Change in valuation allowance	4,645	(11,774)
Adjustments to prior year	162	1,986
Effects of changes in tax rate, net	367	17,375
Other, net	(87)	(24)
Tax benefit (expense)	**(42,121)**	**(2,175)**

Deferred Taxes

The significant components of the deferred tax assets and liabilities are as follows:

	MARCH 31,	
USD in thousands	**2019**	2018
Deferred tax assets:		
Net operating loss carryforwards	91,800	95,233
Inventories	2,269	2,618
Prepaid expenses and other	690	167
Accrued liabilities	8,947	16,921
Intangible assets	9,482	9,821
Pension and other employee related liabilities	21,642	22,959
Other	23,665	21,871
Total gross deferred tax assets	**158,495**	**169,590**
Deferred tax liabilities:		
Accrued liabilities	(231)	(42)
Property, plant, and equipment	(9,495)	(9,762)
Intangible assets	(61,240)	(71,591)
Other	(22,202)	(12,667)
Total gross deferred tax liabilities	**(93,168)**	**(94,062)**
Net deferred tax assets before valuation allowance	65,327	75,528
Valuation allowance	(86,853)	(92,027)
Net deferred tax liabilities	**(21,526)**	**(16,499)**
Included in:		
Deferred tax assets – non-current	15,821	16,021
Deferred tax liabilities – non-current	(37,347)	(32,520)
Net deferred tax liabilities	**(21,526)**	**(16,499)**

As of March 31, 2019, and March 31, 2018, the Company had total tax losses carried forward in the amount of USD 287.4 million and USD 303.0 million, respectively.

The expiration of the tax losses carried forward as of March 31, 2019 is as follows:

Fiscal year ending March 31, (USD in thousands)	
2020	–
2021	388
2022	13,590
2023	50,252
2024	13,546
Thereafter	6,514
Never expire	203,078
Total	**287,368**

Due to “change in ownership” provisions in certain jurisdictions, the use of a portion of our tax losses may be limited in future periods.

The Company believes that it is more likely than not that the benefit from certain net operating loss carryforwards and other deferred tax assets will not be realized due to insufficient profit projections.

The Company considered all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance.

The valuation allowances are mainly provided against net deferred tax assets in Australia, Brazil, Denmark, France, India, Norway, Sweden, United States and United Kingdom. In the event that all of the deferred tax assets become realizable, the reversal of the valuation allowance would result in a reduction in income tax expense.

Deferred taxes on undistributed earnings of foreign subsidiaries as of March 31, 2019 and March 31, 2018 are USD 0.5 million and USD 0.5 million, respectively.

The Company does not provide deferred taxes on temporary differences related to its foreign subsidiaries that are considered permanent in duration. Determination of the amount of deferred taxes on these temporary differences is not practical.

On December 22, 2017, the U.S. Tax Cuts and Jobs Act was enacted. The U.S. tax reform introduced many changes, including lowering the U.S. corporate tax rate to 21 percent, changes in incentives, provisions to prevent U.S. base erosion and significant changes in the taxation of international income, including provisions which allow for the repatriation of foreign earnings without being subject to U.S. tax. The enactment of U.S. tax reform resulted in a provisional benefit of USD 22 million from the re-measurement of deferred tax balances as of March 31, 2017 to the new U.S. Federal tax rate. Including the impact from the re-measurement of the deferred tax balances arising from the current activity of USD 4.7 million, the provisional net benefit amounts to USD 17.3 million, which was recognized in the financial year ended March 31, 2018. The Company completed the accounting for the income tax effects of the Act and did not make any material adjustments to these provisional amounts for the financial year ended March 31, 2019.

Provisions for Uncertain Tax Positions

ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

A reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits is as follows:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Balance as of April 1,	24,378	27,520
Gross increases to positions in prior years	306	4,640
Gross increases to current period tax positions	3,839	6,443
Audit settlements	(696)	(2,874)
Expiry of statute of limitations	(967)	(1,787)
Gross decreases to prior year positions	(2,003)	(10,162)
Effect on change in exchange rates	(273)	598
Balance as of March 31,	**24,584**	**24,378**

As of March 31, 2019, and March 31, 2018, accrued interest and penalties were USD 7.6 million and USD 6.5 million, respectively.

The Company does not expect any material changes in unrecognized tax benefits within the next 12 months.

The Company is subject to taxation in various states and foreign jurisdictions. As of March 31, 2019, the Company could be subject to income tax examination by the tax authorities in the following major tax jurisdictions:

Tax Jurisdiction	Open tax years
Australia	April 1, 2014–March 31, 2019
Switzerland	April 1, 2017–March 31, 2019
U.S. Federal	January 1, 2008–December 31, 2009 January 1, 2012–March 31, 2012 April 1, 2015–March 31, 2019
Germany	April 1, 2014–March 31, 2019
Greece	April 1, 2013–March 31, 2019
United Kingdom	April 1, 2017–March 31, 2019
Brazil	January 1, 2014–March 31, 2019

NOTE 24: 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:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	2019	2018
Machinery and equipment	5,206	5,277
Less: accumulated amortization	(4,184)	(4,335)
Carrying amount	**1,022**	**942**

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.

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 financial years ended March 31, 2019 and March 31, 2018 was USD 26.0 million and USD 24.5 million, respectively.

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 are:

Fiscal year ending March 31, (USD in thousands)	Capital Leases	Operating Leases
2020	543	18,030
2021	355	15,617
2022	218	11,262
2023	68	4,256
2024	12	2,973
Thereafter	–	4,159
Total minimum lease payments	**1,196**	**56,297**
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**	

Current and non-current portion of capital lease obligations are included as a component of Other current liabilities and Other non-current liabilities, respectively.

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)	March 31, 2019
Performance guarantees obtained from third parties	109.6
Financial guarantees issued in connection with financing activities	356.1
Financial guarantees issued in connection with lease agreements	4.6
Total	**470.4**

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 March 31, 2019, the Company had total outstanding performance bonds and bank and insurance guarantees of USD 109.6 million. In the event any such bank or insurance 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 360.7 million as of March 31, 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

We are 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 we determine 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 7.1 million, converted at the exchange rate as of March 31, 2018). 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 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:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	**2018**
Beginning balance, April 1	73,427	51,734
New product warranties	18,685	48,034
Other changes / adjustments to warranties	(12,808)	(8,856)
Claims activity	(31,971)	(21,516)
Effect of changes in exchange rates	(2,156)	4,031
Ending balance, March 31,	**45,177**	**73,427**
Less: current portion of warranty	(34,257)	(47,870)
Long-term warranty	10,920	25,557

New product warranties for the financial year ended March 31, 2019 primarily consist of additions in line with the ordinary course of business.

New product warranties for the financial year ended March 31, 2018 primarily consist of an increase in the provision related to a legacy component issue in the Americas segment.

NOTE 25: 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 financial year ended March 31, 2019, the Company continued its restructuring 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 total financial year ended March 31, 2019 initiatives represent approximately USD 4.8 million in severance related costs. Some of the severance payments were completed during the financial year ended March 31, 2019 and the remaining payments are expected to be completed during the financial year ending March 31, 2020.

A summary of the Company's restructuring activity, including costs incurred during the financial years ended March 31, 2019 and March 31, 2018 is as follows:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Beginning balance, April 1,	8,460	2,460
Restructuring charges	4,760	14,662
Adjustments	–	129
Cash payments	(7,667)	(9,275)
Effect of changes in exchanges rates	(501)	484
Balance as of March 31,	**5,052**	**8,460**

The outstanding balance at March 31, 2019 and at March 31, 2018, respectively, is included under Accrued liabilities in the Consolidated Balance Sheets.

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

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018
Cost of revenue	770	7,029
Research and development	912	1,438
Sales and marketing	1,635	1,143
General and administrative	1,443	5,052
Total	**4,760**	**14,662**

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

USD in thousands	Cumulative Costs incurred up to March 31, 2019	Total Costs incurred in the Fiscal Year ended March 31, 2019
Americas	4,271	2,128
EMEA	15,781	965
Asia Pacific	1,567	582
Corporate	1,598	1,085
Restructuring Charges	**23,217**	**4,760**

The cumulative costs incurred up to March 31, 2019 represent the Companies ongoing restructuring efforts under various programs over the last three financial years. The expected future costs for the restructuring programs are USD 12.8 million spread over the next four years and are primarily related to EMEA.

NOTE 26: ASSET RETIREMENT OBLIGATIONS

AROs exist in Germany, Switzerland, the UK, Australia and the USA. The following table presents the activity for the AROs, excluding environmental remediation liabilities:

	FISCAL YEAR ENDED MARCH 31,	
USD in thousands	2019	2018
Beginning balance, April 1	2,802	2,499
Additional obligations incurred	152	17
Obligations settled in current period	(629)	–
Accretion expense	36	139
Effect of changes in exchange rates	(125)	147
Obligation balances, March 31,	**2,236**	**2,802**

NOTE 27: RELATED PARTY TRANSACTIONS

Transactions with former Shareholders
In the financial year ended March 31, 2019, Landis+Gyr reported no transaction with former shareholders.

In the financial year ended March 31, 2018, Landis+Gyr and Toshiba were related parties until the mentioned IPO became effective. During the period between April 1, 2017 through July 21, 2017 sales to and purchases from Toshiba affiliated entities were USD 35.6 million and USD 0.3 million, respectively.

Sales of goods to related parties were made at the Company's usual prices. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

As noted in Note 17: Shareholder Loans, on June 8, 2017, the Company repaid the shareholder loan which was received from Toshiba upon the acquisition in 2011.

Transactions with affiliated Companies
Since June 19, 2018 and resulting from the acquisition described in Note 10: Acquisitions and Divestments, the Company has a 20.3% equity interest in Spark Holdco Pty Ltd ("Spark").
In the financial year ended March 31, 2019, revenues from Spark were USD 15.5 million. Sales of goods were made at the Company's usual prices.

As of March 31, 2019, receivables due from Spark were USD 3.0 million. 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 financial year ended March 31, 2019 the Company sold products to and purchased products from LM Ericsson and its group companies of USD 2.1 million and USD 5.4 million, respectively. In the financial year ended March 31, 2018, sales to and purchases from LM Ericsson and its group companies were USD 2.4 million and USD 5.0 million, respectively.

NOTE 28: CONCENTRATIONS

The Company generates the majority of its revenue in the United States and Europe, with the balance in Asia Pacific, Middle East, Africa, South America, and Canada. None of the Company's customers exceeded ten percent of the consolidated revenue for the financial years ended March 31, 2019 and 2018. The majority of the revenue is derived from the sale of energy meters.

Approximately 39% of the Company's workforce is subject to collective bargaining agreements expiring between 2019 and 2029. Approximately 1% of the Company's workforce is subject to collective bargaining agreements expiring within one year.

NOTE 29: SEGMENT INFORMATION

As noted in Note 12: Goodwill, the Company is organized into the following operating segments:

Americas

The Americas generates the 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 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.

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, (vi) change in unrealized gains and losses on derivatives where the underlying hedged transactions have not yet been realized and (vii) special items.

USD in thousands	FINANCIAL YEAR ENDED MARCH 31, 2019	2018
Net revenues		
Americas	989,064	975,031
thereof to external customers	985,982	972,198
thereof to other segments	3,082	2,833
EMEA	714,505	694,662
thereof to external customers	632,460	627,177
thereof to other segments	82,045	67,486
Asia Pacific	150,228	143,047
thereof to external customers	146,717	138,439
thereof to other segments	3,511	4,608
Elimination	(88,638)	(74,927)
Total Company	**1,765,159**	**1,737,814**
Adjusted EBITDA		
Americas	193,655	198,719
EMEA	19,731	(11,980)
Asia Pacific	1,483	(9,556)
Corporate unallocated	23,063	31,046
Total Company	**237,932**	**208,229**
Restructuring charges (1)	(4,760)	(14,662)
Exceptional warranty related expenses (2)	(1,136)	(2,360)
Warranty normalization adjustments (3)	16,054	(24,250)
Timing difference on FX derivatives (4)	2,977	–
Special items (5)	–	(25,644)
Depreciation	(44,068)	(47,528)
Amortization of intangible assets	(48,747)	(49,818)
Interest income	479	877
Interest expense	(6,847)	(6,966)
Non-operational pension (cost) credit	4,078	3,801
Gain on divestments	14,563	–
Income (loss) on foreign exchange, net	(1,526)	7,290
Income before income tax expense	**168,999**	**48,969**

1) Restructuring charges are summarized in note 25 including the line items in the Consolidated Statements of Operations that include the restructuring charges.
2) Exceptional warranty related expense related 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) Timing difference on FX derivatives represents unrealized gains and losses on derivatives where the underlying hedged transactions have not yet been realized.
5) 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 financial year ended March 31, 2018 included, among others, USD 24.2 million costs incurred in connection with the IPO and USD 1.5 million other miscellaneous items.

The following table presents segment depreciation and amortization and capital expenditures for the financial years ended March 31, 2019 and 2018:

	DEPRECIATION AND AMORTIZATION		CAPITAL EXPENDITURE	
	FISCAL YEAR ENDED MARCH 31,		FISCAL YEAR ENDED MARCH 31,	
USD in thousands	**2019**	2018	**2019**	2018
Americas	58,115	62,491	18,597	16,408
EMEA	22,428	21,999	16,983	18,593
Asia Pacific	4,882	5,854	4,518	2,162
Corporate	7,390	7,002	371	814
Total	**92,815**	**97,346**	**40,469**	**37,977**

The Company does not monitor total assets by operating segment and such information is not reviewed by the CODM.

The following tables represent the continuing operations' revenue for the financial years ended March 31, 2019 and 2018:

Fiscal Year ended March 31, 2019 (USD in thousands)	**Total**	**Americas**	**EMEA**	**Asia Pacific**
Total revenue	**1,765,159**	**985,982**	**632,460**	**146,717**
thereof United States	867,440	858,357	9,083	–
thereof United Kingdom	194,812	–	194,812	–
thereof Switzerland	43,578	–	43,578	–
thereof Australia	61,796	–	826	60,970

Fiscal Year ended March 31, 2018 (USD in thousands)	**Total**	**Americas**	**EMEA**	**Asia Pacific**
Total revenue	**1,737,814**	**972,198**	**627,177**	**138,439**
thereof United States	883,535	883,535	–	–
thereof United Kingdom	192,636	–	192,636	–
thereof Switzerland	56,170	–	56,170	–
thereof Australia	56,063	–	–	56,063

The following tables represent the property, plant and equipment, net as of March 31, 2019 and 2018:

March 31, 2019 (USD in thousands)	Total	Americas	EMEA	Asia Pacific
Property, plant and equipment	**142,058**	**75,089**	**56,892**	**10,077**
thereof United States	69,261	69,261	–	–
thereof United Kingdom	25,008	–	25,008	–
thereof Switzerland	1,535	–	1,535	–
thereof Australia	2,596	–	–	2,596

March 31, 2018 (USD in thousands)	Total	Americas	EMEA	Asia Pacific
Property, plant and equipment	**164,400**	**92,892**	**60,798**	**10,710**
thereof United States	85,736	85,736	–	–
thereof United Kingdom	28,872	–	28,872	–
thereof Switzerland	2,088	–	2,088	–
thereof Australia	3,819	–	–	3,819

Sales to external customers are based on the location of the customer (destination). Disclosure of long-lived assets is based on the location of the asset.

NOTE 30: SUBSEQUENT EVENTS

The Company evaluated subsequent events and transactions that occurred after the balance sheet date through May 28, 2019, which is the date that the consolidated financial statements were available to be issued.

No significant events occurred subsequent to the balance sheet date but prior to May 28, 2019 that would have a material impact on the Consolidated Financial Statements.

Statutory Financial Statements of Landis+Gyr Group AG

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Report of the statutory auditor

to the General Meeting of Landis+Gyr Group AG

Zug

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Landis+Gyr Group AG, which comprise the balance sheet, income statement and notes (pages 94 to 101), for the year ended 31 March 2019.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 March 2019 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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pwc

Valuation of investment in and long-term loan receivable from subsidiary

Key audit matter	*How our audit addressed the key audit matter*
At 31 March 2019, the carrying value of the Company's investment in and long-term loan receivable from subsidiary amounts to CHF 1.1 billion and CHF 0.2 billion, respectively. We consider the valuation of investment in and the long-term loan receivable from subsidiary a significant area due to the size of the carrying value (92% of total assets) and judgement involved in determining the enterprise value used to support the recoverability of these assets. Refer to Note 3.2 *Investments* and Note 3.3 *Short-term and long-term loans receivable* of the financial statements.	We assessed whether the combined carrying value of the investment in and long-term loan receivable from subsidiary is recoverable as of 31 March 2019 by performing the following procedures: • We compared the market capitalization of the Company at 31 March 2019 to the combined carrying value of the investment in and long-term loan receivable from subsidiary. • We assessed the reasonableness of the enterprise value of the Company by evaluating the key assumptions used by management in estimating the future cash flows of its reporting units, including projections of future business performance and profitability, terminal growth rates and discount rates, and by assessing the appropriateness of the model used. • We compared the enterprise value of the Company to the combined carrying value of the investment in and long-term loan receivable from subsidiary company. On the basis of work performed, we determined the principles used by management to support the carrying value of the investments in and long-term loan receivable to be reasonable.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of the accumulated profit and statutory capital reserves complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Rolf Johner	Claudia Muhlinghaus
Audit expert Auditor in charge	Audit expert

Zug, 28 May 2019

Balance Sheet

CHF	Notes	March 31, 2019	March 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents		9,325	–
Short-term loans receivable from subsidiary companies		110,442,804	–
Total current assets		**110,452,129**	**–**
NON-CURRENT ASSETS			
Long-term loans receivable from subsidiary companies		176,511,852	352,821,956
Investments	5	1,067,205,088	1,067,205,088
Total non-current assets		**1,243,716,940**	**1,420,027,044**
TOTAL ASSETS		**1,354,169,069**	**1,420,027,044**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade creditors subsidiary companies		8,497,332	12,495,328
Accrued liabilities		38,884	33,806
Total current liabilities		**8,536,216**	**12,529,134**
Non-current liabilities			
Provision for unrealized FX gain		53,840,017	54,459,980
Total non current liabilities		**53,840,017**	**54,459,980**
Total liabilities		**62,376,233**	**66,989,114**
SHAREHOLDERS' EQUITY			
Share capital		295,100,000	295,100,000
Statutory capital reserves	6	994,146,251	1,064,500,869
Reserve for treasury shares held by subsidiary			
- against statutory capital reserves	9	2,481,618	–
Statutory retained earnings		2,952,483	2,952,483
Accumulated profit/(deficit)		6,959,532	(9,515,422)
Accumulated deficit brought forward		(9,515,422)	(10,968,358)
Profit for the year		16,474,954	1,452,936
Treasury shares		–	–
- against statutory capital reserves	9	(9,847,048)	–
Total shareholders' equity		**1,291,792,836**	**1,353,037,930**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,354,169,069**	**1,420,027,044**

See notes to the statutory financial statements.

Income Statement

	FINANCIAL YEAR ENDED MARCH 31,	
CHF	2019	2018
Operating expenses	(8,499,152)	(12,503,421)
OPERATING LOSS	**(8,499,152)**	**(12,503,421)**
Financial income	25,013,738	16,084,940
Financial expense	–	(2,088,542)
PROFIT BEFORE TAXES	**16,514,586**	**1,492,977**
Direct taxes	(39,632)	(40,041)
PROFIT FOR THE YEAR	**16,474,954**	**1,452,936**

See notes to the statutory financial statements.

Notes to the Statutory Financial Statements

NOTE 1: GENERAL
Landis+Gyr Group AG, Zug Switzerland (the Company) is the parent company of the Landis+Gyr Group.

On July 21, 2017 the Company completed an Initial Public Offering ("IPO") whereby its shares began trading on the SIX Swiss Exchange. In connection with the IPO, the Company's former shareholders sold an aggregate of 29,510,000 shares of common stock.

NOTE 2: APPLICABLE ACCOUNTING LAW
These unconsolidated financial statements have been prepared in accordance with the provisions on commercial accounting laid down in articles 957-963b of the Swiss Code of Obligations (CO).

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

3.1 Conversion of foreign currencies
The functional currency is the US Dollar, translated into Swiss Francs for statutory financial reporting purposes. Transactions during the year denominated in foreign currencies are translated and recorded in US Dollars at actual exchange rates prevailing at the dates of the transactions. Profits and losses on exchange are recognized in the income statement, with the exception of unrealized gains, which are deferred until they are realized.

With the exception of investments and equity which are translated at historical rates, all other assets and liabilities are translated into Swiss Francs using the year-end closing rate, whereas income and expenses are translated using the average exchange rate. Foreign currency exchange losses arising from translation are shown as currency translation differences under financial expense. Foreign currency exchange gains arising from translation are deferred on the balance sheet. A foreign exchange translation gain of CHF 53.8 million (Prior Year: CHF 54.5 million) has been deferred on the balance sheet.

During the year a foreign exchange rate gain of CHF 15.7 million was realized, mainly on the reduction in the USD loan to a subsidiary company. These realized exchange rate gains are not taxable as the taxable currency is equivalent to the functional currency which is US Dollar.

3.2 Investments
The investments in subsidiaries are carried at no higher than cost less adjustments for impairment, if any. The investments are reviewed annually for impairment and adjusted to their recoverable amount in instances where the carrying value is determined to be in excess of fair value.

3.3 Short-term and long-term loans receivable
Financial assets are valued at acquisition cost less adjustments for foreign currency losses and any other impairment of value.

NOTE 4: NUMBER OF EMPLOYEES
The Company did not have any employees in the financial years ended March 31, 2019 and 2018.

NOTE 5: INVESTMENTS

As at the balance sheet date, the Company holds the following direct investment:

COMPANY	NOMINAL CAPITAL	OWNERSHIP & VOTING RIGHTS MARCH 31,	
		2019	2018
Landis+Gyr AG, Theilerstrasse 1, Zug	CHF 29,700,000	100%	100%

As at the balance sheet date, the Company holds the following substantial indirect investments:

COMPANY	NOMINAL CAPITAL	OWNERSHIP & VOTING RIGHTS MARCH 31,	
		2019	2018
Landis+Gyr Investments LLC, Lafayette USA	USD 20	100%	100%
Bayard Metering (UK) Unlimited, Peterborough, United Kingdom	GBP 6,986,361	100%	100%

NOTE 6: STATUTORY CAPITAL RESERVES

MOVEMENT IN STATUTORY CAPITAL RESERVES	FINANCIAL YEAR ENDED MARCH 31,	
CHF	2019	2018
Statutory capital reserves as at April 1,	1,064,500,869	1,064,500,869
Dividend payment of CHF 2.30 per share on 29,510,000 shares	(67,873,000)	–
Transfer to reserve for treasury shares held by subsidiary – against		
statutory capital reserves	(2,481,618)	–
Statutory capital reserves carried forward	**994,146,251**	**1,064,500,869**

The statutory capital reserves from additional paid-in capital resulted from a contribution in kind of shares in Landis+Gyr AG, Zug and a loan from Landis+Gyr AG, Zug. The balance per March 31, 2018 has been approved by the tax authorities.

The transfer to the reserve for treasury shares held by subsidiary is outlined in Note 9.

NOTE 7: CONTINGENT LIABILITIES

Landis+Gyr Group AG forms part of the Swiss VAT group of Landis+Gyr and is therefore a liable party for any tax liabilities. The VAT group consists of:
– Landis+Gyr AG and Landis+Gyr Group AG

NOTE 8: SHARE CAPITAL

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

As a result of the Reverse Stock Split, every 10 shares of the Company’s then outstanding common stock were 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.

At March 31, 2019 and 2018, the share capital represents 29,510,000 authorized, registered and issued ordinary shares with restricted transferability with a nominal value of CHF 10 each. 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 dividend.

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.

NOTE 9: TREASURY SHARES AND RESERVE FOR TREASURY SHARES

On January 29, 2019, the Company announced its intention to execute a share Buyback programme amounting to a maximum value of CHF 100,000,000 during a period of up to 36 months for the purpose of a capital reduction (the “Buyback programme”). The implementation of the Buyback programme depends on the market conditions. The Buyback programme lasts from January 30, 2019 to January 28, 2022 at the latest. The Company reserves the right to terminate the Buyback programme at any time and has no obligation to acquire its own registered shares as part of the Buyback programme. The Board of Directors of Landis+Gyr Group AG intends to request one or more capital reductions to future general meetings by cancelling the registered shares repurchased under the Buyback programme.

As of March 31, 2019, the Company held directly 157,842 shares, which were repurchased for the purpose of a capital reduction, which is subject to approval by the Annual General Shareholders’ Meeting. Additional treasury shares were purchased and delivered as compensation-in-kind to the members of the Board of Directors.

The movement in the number of Treasury shares during the year was as follows:

MOVEMENT IN TREASURY SHARES

	FINANCIAL YEAR ENDED MARCH 31,			
	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	–	–	–	–
Purchases for share Buyback programme	157,842	62.39	–	–
Other purchases	5,916	63.24	–	–
Delivery of shares	(5,916)	63.24	–	–
Treasury shares – closing balance as of March 31	**157,842**	**62.39**	**–**	**–**

In addition, a subsidiary company, Landis+Gyr AG, also purchased shares in the Company, and as at March 31, 2019 held 40,832 shares at an average acquisition price of CHF 60.78 per share which are reserved for the employee and board compensation plans. The corresponding value of CHF 2.5 million has been debited to the Statutory capital reserves and credited to the Reserve for treasury shares held by subsidiary.

NOTE 10: THIRD PARTY GUARANTEES

The Company has entered into guarantees that provide financial assurances to certain third parties related to the outstanding lines of credit. The total amount was CHF 354 million and CHF 333 million as of March 31, 2019 and 2018, respectively. The exchange rates used to convert the maximum liability amounts into CHF are USD 0.99 (Prior Year: 0.95) and EUR 1.12 (Prior Year: 1.17).

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.

NOTE 11: SHAREHOLDINGS OF BOARD AND EXECUTIVE MANAGEMENT

At March 31, 2019 and 2018, the members of the Board held the following number of shares in the Company:

NAME	FUNCTION	NUMBER OF SHARES HELD AT MARCH 31,	
		2019	2018
Andreas Umbach	Chairman of the Board	67,999	66,501
Eric Elzvik	Lead Independent Director	3,574	2,564
Dave Geary	Independent Member	558	–
Pierre-Alain Graf	Independent Member	942	385
Andreas Spreiter	Independent Member	7,030	6,410
Christina Stercken	Independent Member	1,208	650
Mary Kipp [(a)]	Independent Member	495	–
Peter Mainz [(a)]	Independent Member	495	–

(a) Mary Kipp and Peter Mainz were elected to the Board at the Landis+Gyr Group AG AGM in 2018.

At March 31, 2019, the members of the Group Executive Management held the following number of shares in the Company and the conditional rights to receive Landis+Gyr Group AG shares under the newly introduced long-term incentive plan ("LTIP"):

NAME	FUNCTION	FINANCIAL YEAR ENDED MARCH 31, 2019	
		NUMBER OF SHARES HELD	NONVESTED SHARE EQUIVALENTS UNDER THE LTIP
Richard Mora	Chief Executive Officer	41,641	5,144
Jonathan Elmer	Chief Financial Officer	9,030	4,372
Prasanna Venkatesan	Head of Americas	22,072	1,929
Roger Amhof [(a)]	Chief Strategy Officer	6,425	–
Ellie Doyle [(b)]	Head of Asia Pacific	3,774	348
Susanne Seitz [(c)]	Head of EMEA	–	–

(a) Active member of GEM until December 2018
(b) Active member of GEM until October 2018
(c) Member of the GEM as of November 19, 2018

At March 31, 2018, the members of the Group Executive Management held the following number of shares in the Company and the conditional rights to receive Landis+Gyr Group AG shares under the newly introduced long-term incentive plan ("LTIP"):

		FINANCIAL YEAR ENDED MARCH 31, 2018	
Name	**Function**	**Number of shares held**	**Nonvested share equivalents under the LTIP**
Richard Mora	Chief Executive Officer	41,641	–
Jonathan Elmer	Chief Financial Officer	9,030	–
Roger Amhof [(a)]	Chief Strategy Officer	6,425	–
Ellie Doyle [(b)]	Head of Asia Pacific	3,774	–
Oliver Iltisberger [(c)]	Head of EMEA	9,143	–
Prasanna Venkatesan	Head of Americas	21,372	–

(a) Active member of GEM until December 2018
(b) Active member of GEM until October 2018
(c) Active member of the GEM until June 1, 2018

NOTE 12: SIGNIFICANT SHAREHOLDERS

At March 31, 2019, the significant shareholders in the Company, holding more than 3% of the total shares, were:

	MARCH 31, 2019	
Name	**Number of Shares**	**Holding %**
KIRKBI Invest A/S	4,445,265	15.06%
Rudolf Maag	3,000,000	10.17%
Franklin Resources Inc	1,825,813	6.19%
Fir Tree Value Master Fund	1,136,000	3.85%
Nordea 1, SICAV	918,351	3.11%
Norges Bank (the Central Bank of Norway)	909,534	3.08%
Credit Suisse Funds AG	907,466	3.08%

At March 31, 2018, the significant shareholders in the Company, holding more than 3% of the total shares, were:

	MARCH 31, 2018	
Name	**Number of Shares**	**Holding %**
Rudolf Maag	3,000,000	10.17%
Franklin Resources Inc	1,852,813	6.19%
KIRKBI AG	1,513,717	5.13%

To the best of the Company's knowledge no other shareholders held 3% or more of Landis+Gyr Group AG's total share capital and voting rights on March 31, 2019 and March 31, 2018.

Proposed Appropriation of the Accumulated Profit / (Deficit) and Statutory Capital Reserves

PROPOSED APPROPRIATION OF THE ACCUMULATED PROFIT/(DEFICIT)

	FINANCIAL YEAR ENDED MARCH 31,	
CHF	2019	2018
Balance carried forward from previous year	(9,515,422)	(10,968,358)
Profit for the year	16,474,954	1,452,936
Accumulated profit/(deficit)	**6,959,532**	**(9,515,422)**

The Board of Directors proposes to the Annual General Meeting to carry forward the accumulated profit.

PROPOSED APPROPRIATION OF STATUTORY CAPITAL RESERVES

	FINANCIAL YEAR ENDED MARCH 31,	
CHF	2019	2018
Statutory capital reserves as at March 31 [(a)]	994,146,251	1,064,500,869
Dividend payment of CHF 2.30 per share on 29,510,000 shares out of statutory capital reserves	–	(67,873,000)
Proposed dividend payment of CHF 3.15 per share on max. 29,510,000 shares out of statutory capital reserves [(b)]	(92,956,500)	–
Statutory capital reserves carried forward [(c)]	**901,189,751**	**996,627,869**

(a) Refer to Note 6 for the movements in statutory capital reserves during the year.
(b) Treasury shares held by Landis+Gyr Group AG or Landis+Gyr AG at the record date will not receive dividends. Accordingly, the total amount distributed will be lower.
(c) Amount depends on the total distribution.

Provided that the proposal of the Board of Directors is approved by the Annual General Meeting, the dividend will amount to CHF 3.15 per share. There is no withholding tax required to be paid. The last trading day with entitlement to receive the dividend is June 26, 2019. The shares will be traded ex-dividend as of June 27, 2019. The dividend is expected to be payable as from July 1, 2019.

Notes

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