Financial Report 2019

Landis+Gyr
manage energy better

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Financial Review of Landis+Gyr Group

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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 53.3% of our total net revenue for the financial year 2019 (FY 2019; April 1, 2019 to March 31, 2020). 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 37.3% of our total net revenue for the financial year 2019. 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 9.4% of our total revenue for the financial year 2019. 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	**2020**	2019	2018	2017	2016
Order Intake	1,371.4	2,079.0	1,574.4	1,325.5	1,998.7
Committed Backlog as of March 31,	2,223.9	2,603.1	2,389.0	2,491.4	2,887.9
Net revenue	**1,699.0**	**1,765.2**	**1,737.8**	**1,659.2**	**1,573.5**
Cost of revenue	1,166.2	1,188.8	1,227.7	1,117.0	1,087.7
Gross profit	**532.8**	**576.3**	**510.1**	**542.2**	**485.7**
Operating expenses (*)					
Research and development	157.7	156.8	163.8	162.8	148.3
Sales and marketing	88.2	95.4	104.9	104.7	99.7
General and administrative	113.5	130.9	161.6	186.2	146.2
Amortization of intangible assets	34.5	34.9	35.7	35.1	42.4
Impairment of intangible assets	–	–	–	60.0	34.1
Operating income (loss)	**139.0**	**158.3**	**44.0**	**(6.6)**	**15.1**
Net interest and other finance expense	(4.2)	(7.9)	1.2	(25.0)	(16.9)
Non-operational pension (cost) credit (*)	3.6	4.1	3.8	1.4	0.8
Gain on divestments	–	14.6	–	–	–
Income (loss) before income tax expense	**138.4**	**169.0**	**49.0**	**(30.3)**	**(1.0)**
Income tax benefit (expense)	(19.5)	(42.1)	(2.2)	(31.8)	(12.5)
Net income (loss) before noncontrolling interests and equity method investments	**119.0**	**126.9**	**46.8**	**(62.1)**	**(13.5)**
Net loss from equity investments	(5.8)	(4.3)	–	–	–
Net income before noncontrolling interests	**113.2**	**122.6**	**46.8**	**(62.1)**	**(13.5)**
Net income attributable to noncontrolling interests, net of tax	(0.6)	0.4	0.4	0.5	0.2
Net income (loss) attributable to Landis+Gyr Group AG Shareholders	**113.7**	**122.2**	**46.4**	**(62.6)**	**(13.7)**
Earnings per share (basic)	3.90	4.15	1.57	(2.12)	(0.46)
Earnings per share (diluted)	3.90	4.15	1.57	(2.12)	(0.46)
Adjusted Gross Profit	584.3	609.3	597.3	620.2	601.9
Adjusted Operating Expenses	347.2	371.4	389.1	409.6	381.7
Adjusted EBITDA	**237.2**	**237.9**	**208.2**	**210.6**	**220.2**
Free Cash Flow (excluding M&A)	**120.4**	**123.5**	**87.5**	**53.1**	**84.6**

* 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 and 2016 presented above.

SUMMARY CONSOLIDATED BALANCE SHEETS

USD in millions(*)	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
ASSETS					
Current assets					
Cash and cash equivalents	319.4	73.4	101.8	101.0	22.1
Accounts receivable, net	335.8	367.9	315.8	301.4	302.4
Inventories, net	147.5	133.7	121.4	115.7	117.0
Prepaid expenses and other current assets	59.7	54.8	50.4	44.4	136.7
Total current assets	**862.3**	**629.8**	**589.3**	**562.5**	**578.1**
Property, plant and equipment, net	117.5	142.1	164.4	188.8	199.8
Goodwill and other Intangible assets, net	1,642.4	1,686.1	1,743.3	1,786.6	1,895.6
Deferred tax assets	17.0	15.8	16.0	12.9	28.1
Other long-term assets	145.1	78.2	37.7	34.2	35.1
TOTAL ASSETS	**2,784.3**	**2,551.9**	**2,550.7**	**2,585.1**	**2,736.7**
LIABILITIES AND EQUITY					
Current liabilities					
Trade accounts payable	175.9	220.3	150.2	139.3	147.3
Accrued liabilities	28.4	31.2	40.0	37.0	45.2
Warranty provision – current	31.6	34.3	47.9	43.8	32.9
Payroll and benefits payable	55.5	66.8	65.2	76.6	73.9
Loans and current portion of shareholder loans	352.2	90.7	142.3	227.9	113.8
Operating lease liabilities – current	13.2	–	–	–	–
Other current liabilities	84.6	81.4	69.7	87.6	73.3
Total current liabilities	**741.3**	**524.7**	**515.2**	**612.2**	**486.4**
Shareholder loans	–	–	–	–	215.0
Warranty provision – non current	30.4	10.9	25.6	8.0	58.8
Pension and other employee liabilities	46.1	48.4	55.7	65.2	101.1
Deferred tax liabilities	25.0	37.3	32.5	55.0	95.1
Tax provision	20.6	29.2	25.5	28.7	21.1
Operating lease liabilities – non current	59.5	–	–	–	–
Other long-term liabilities	63.8	68.0	88.1	83.5	29.4
Total liabilities	**986.6**	**718.6**	**742.7**	**852.5**	**1,006.8**
Shareholders' equity					
Total Landis+Gyr Group AG shareholders' equity	**1,796.3**	**1,830.7**	**1,804.6**	**1,730.1**	**1,728.0**
Noncontrolling interests	1.4	2.7	3.4	2.6	1.8
Total shareholders' equity	**1,797.6**	**1,833.4**	**1,808.0**	**1,732.6**	**1,729.9**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,784.3**	**2,551.9**	**2,550.7**	**2,585.1**	**2,736.7**

* 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 decreased by USD 707.6 million, or 34.0%, from USD 2,079.0 million in the year ended March 31, 2019 (FY 2018) to USD 1,371.4 million in the year ended March 31, 2020 (FY 2019), on a reported currency basis (32.9% on a constant currency basis). The decrease in order intake was predominantly driven by a lack of bookings due to regulatory delays in the USA.

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, 2020, in the Americas, committed backlog related to products, services and solutions was USD 1,480.3 million compared to USD 1,754.9 million as of March 31, 2019. In EMEA, as of March 31, 2020, committed backlog was USD 649.4 million compared to USD 754.6 million as of March 31, 2019. More than half of the committed backlog in EMEA relates to contracts in the UK. In Asia Pacific, as of March 31, 2020, committed backlog was USD 94.3 million compared to USD 93.6 million as of March 31, 2019.

Net Revenue
Net revenue decreased by USD 66.2 million, or 3.8%, from USD 1,765.2 million in the year ended March 31, 2019 to USD 1,699.0 million in the year ended March 31, 2020, on a reported currency basis (decrease of 2.0% on a constant currency basis). The decrease in net revenue was predominantly driven by lower sales in the Americas segment of USD 75.4 million in constant currency as compared to the previous period, while the EMEA and APAC segments showed a constant currency growth of USD 23.5 million and USD 18.0 million, respectively. In the Americas segment, the decrease in net revenue was driven by delays in regulatory approvals in the US and the roll-off of two full-scale deployments previously underway in the US in FY 2018. The EMEA segment experienced a reasonable growth as major planned AMI rollouts continued (predominantly in the UK). Meanwhile, the Asia Pacific segment net revenue recorded an increase of 12.7% on a constant currency basis driven by sales in Australia and in Hong Kong. The COVID-19 crisis impact lowered net revenue by approximately 1% in FY 2019.

Cost of Revenue and Gross Profit
Cost of revenue decreased by USD 22.7 million, or 1.9%, from USD 1,188.8 million in the year ended March 31, 2019 to USD 1,166.2 million in the year ended March 31, 2020. This decrease reflects the lower sales and the improvement in the supply chain cost structure due to the successful product cost down initiatives combined with Project Lightfoot in EMEA that delivered in excess of USD 20 million of annual savings in FY 2019, partly offset by higher warranty expenses of USD 28.0 million. Warranty expenses increased to USD 42.0 million for the year ended March 31, 2020 from USD 18.7 million in the previous period, due to an increase to the legacy component warranty provision in the Americas of USD 28.2 million, net of the related insurance proceeds. In addition, there was a consequent flow through of approximately 1% of net revenue reduction attributable to the COVID-19 crisis. As a result, gross profit decreased by USD 43.5 million, or 7.5%, from USD 576.3 million (or 32.7% in percentage of revenue) in the financial year 2018 to USD 532.8 million (or 31.4% as a percentage of revenue) in the financial year 2019.

OPERATING EXPENSES

USD in millions	FINANCIAL YEAR ENDED MARCH 31, 2020	2019
Research and development	157.7	156.8
Sales and marketing	88.2	95.4
General and administrative	113.5	130.9
Amortization of intangible assets	34.5	34.9
Total operating expenses	**393.8**	**418.1**

Research and Development

Research and development expenses remained flat with a slight increase of USD 0.9 million, or 0.5%, from USD 156.8 million in the year ended March 31, 2019 to USD 157.7 million in the year ended March 31, 2020.

Sales and Marketing

Sales and marketing expenses decreased by USD 7.2 million, or 7.6%, from USD 95.4 million in the year ended March 31, 2019 to USD 88.2 million in the year ended March 31, 2020. This decrease in sales and marketing expenses is a result of tighter cost control measures.

General and Administrative

General and administrative expenses decreased by USD 17.4 million, or 13.3%, from USD 130.9 million in the year ended March 31, 2019, to USD 113.5 million in the year ended March 31, 2020. The decrease in general and administrative expenses was driven by the continuous effort worldwide to reduce expenses and a one-off benefit of a court ruling relating to overpaid VAT in Brazil for USD 5.6 million.

Amortization of Intangible Assets

Certain amortization charges were included in cost of revenue in the amount of USD 12.6 million and USD 13.8 million for the years ended March 31, 2020 and 2019, respectively; amortization of intangible assets included under operating expenses decreased by USD 0.4 million, or 1.2%, from USD 34.9 million in the year ended March 31, 2019 to USD 34.5 million in the year ended March 31, 2020.

Operating Income

Operating income decreased by USD 19.3 million to USD 139.0 million for the year ended March 31, 2020 from USD 158.3 million for the year ended March 31, 2019 largely as a result of lower sales. Operating income included depreciation and amortization of USD 86.4 million for the year ended March 31, 2020 and USD 92.8 million for the year ended March 31, 2019, which are included in various line items in the Consolidated Statement of Operations.

Operating income before depreciation and amortization, which corresponds to EBITDA, decreased by USD 25.8 million, or 10.2%, to USD 225.3 million for the year ended March 31, 2020 from USD 251.1 million for the year ended March 31, 2019. EBITDA included non-recurring and other items in the financial year ended March 31, 2020, which amounted to USD 11.9 million. These non-recurring and other items included (i) restructuring expenses in the amount of USD 6.7 million relating to costs associated with restructuring programs in all segments, (ii) warranty normalization adjustments of USD 13.1 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 claims and (iii) change in unrealized gains and losses on derivatives where the underlying hedged transactions have not yet been realized amounting to USD (7.9) million. 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 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.

In the year ended March 31, 2020, 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 237.2 million, compared to USD 237.9 million in the year ended March 31, 2019. The consistent Adjusted EBITDA was driven by lower operating expenses and the impact of the court ruling on VAT in Brazil. For further details, refer to the next chapter Segment Information.

OTHER INCOME (EXPENSE) AND INCOME TAXES

	FINANCIAL YEAR ENDED MARCH 31,	
USD in millions	**2020**	2019
Other income (expense)		
Interest income	5.2	0.5
Interest expense	(6.8)	(6.8)
Non-operational pension (cost) credit	3.6	4.1
Gain on divestments	–	14.6
Income (loss) on foreign exchange, net	(2.6)	(1.5)
Income before income tax expense	**138.4**	**169.0**
Income tax benefit (expense)	(19.5)	(42.1)

Interest Income
Interest income increased by USD 4.7 million, from USD 0.5 million in the year ended March 31, 2019 to USD 5.2 million in the year ended March 31, 2020 attributable to the expected interest income from the VAT ruling in Brazil of approximately USD 4.7 million.

Interest Expense
Interest expense was USD 6.8 million in each of the years ended March 31, 2019 and 2020, respectively.

Non-operational pensions (cost) credit
Non-operational pension credit decreased by USD 0.5 million, from USD 4.1 million in the year ended March 31, 2019 to USD 3.6 million in the year ended March 31, 2020.

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.

Income (Loss) on Foreign Exchange, Net
Net loss on foreign exchange, increased by USD 1.1 million, from a loss of USD (1.5) million in the year ended March 31, 2019 to a loss of USD (2.6) million in the year ended March 31, 2020. Both losses in FY 2019 and in FY 2018 were primarily driven by the stronger USD against other major currencies.

Provision for Taxes
Income tax expense decreased by USD 22.6 million, from USD 42.1 million in the year ended March 31, 2019 to USD 19.5 million in the year ended March 31, 2020. The variance in total income tax expenses is impacted by recurring items such as tax rates in the different jurisdictions where the company operates and the income mix within jurisdictions. The significant decrease of income tax expense was driven by movements in non-recurring items such as the decrease of unrecognized tax benefits related to the expiration of the statute of limitations in the Americas and EMEA, combined with certain non-taxable benefits in Americas during the current financial year.

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, 2020 and 2019.

	FINANCIAL YEAR ENDED MARCH 31,		CHANGE	
USD in millions, unless otherwise indicated	**2020**	2019	**USD**	**Constant Currency**
Committed Backlog				
Americas	1,480.3	1,754.9	(15.6%)	(14.6%)
EMEA	649.4	754.6	(13.9%)	(10.4%)
Asia Pacific	94.3	93.6	0.7%	3.6%
Total	**2,223.9**	**2,603.1**	**(14.6%)**	**(12.8%)**
Net revenue to external customers				
Americas	906.3	986.0	(8.1%)	(7.7%)
EMEA	633.5	632.5	0.2%	3.9%
Asia Pacific	159.2	146.7	8.5%	12.7%
Total	**1,699.0**	**1,765.2**	**(3.8%)**	**(2.0%)**
Adjusted Gross Profit				
Americas	344.7	392.8	(12.2%)	
EMEA	200.5	186.9	7.3%	
Asia Pacific	36.7	30.0	22.3%	
Inter-segment eliminations	2.4	(0.4)		
Total	**584.3**	**609.3**	**(4.1%)**	
Adjusted EBITDA				
Americas	163.1	193.7	(15.8%)	
EMEA	40.1	19.7	103.6%	
Asia Pacific	9.9	1.5	560.0%	
Corporate unallocated	24.1	23.0		
Total	**237.2**	**237.9**	**(0.3%)**	
Adjusted EBITDA % of net revenue to external customers				
Americas	18.0%	19.6%		
EMEA	6.3%	3.1%		
Asia Pacific	6.2%	1.0%		
Group	**14.0%**	**13.5%**		

Americas

Segment Revenue
Net revenue to external customers in the Americas segment decreased by USD 79.7 million, or 8.1%, from USD 986.0 million in the year ended March 31, 2019 to USD 906.3 million in the year ended March 31, 2020, on a reported currency basis (7.7% on a constant currency basis). The decrease in revenue in the Americas segment was primarily driven by two large projects that rolled off coupled with delays in regulatory approvals of customer projects.

Segment Adjusted EBITDA
Adjusted EBITDA in the Americas segment decreased by USD 30.6 million, or 15.8%, from USD 193.7 million in the year ended March 31, 2019 to USD 163.1 million in the year ended March 31, 2020. The decrease in Adjusted EBITDA is largely the result of a lower Adjusted Gross Profit of USD 48.1 million driven by the combination of lower sales and higher normalized warranty expense. Offsetting these negative trends, Americas showed lower Adjusted operating expenses of USD 17.5 million as a result of the lower variable personnel remuneration, the benefit of restructuring measures taken and the one-off impact of a court ruling on overpaid VAT in Brazil for USD 5.6 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.

EMEA

Segment Revenue
Net revenue to external customers in the EMEA segment increased by USD 1.0 million, or 0.2%, from USD 632.5 million in the year ended March 31, 2019 to USD 633.5 million in the year ended March 31, 2020, on a reported currency basis (3.9% on a constant currency basis). The increase in revenue to external customers in the EMEA segment was mainly driven by the UK roll-out.

Segment Adjusted EBITDA
Adjusted EBITDA in the EMEA segment increased by USD 20.4 million, from USD 19.7 million in the year ended March 31, 2019 to USD 40.1 million in the year ended March 31, 2020. The increase in Adjusted EBITDA is largely the result of the lower cost of goods sold attributable to product cost reductions and the benefit of the Project Lightfoot, which translated into an improved Adjusted Gross Profit (USD 13.6 million increase), and lower Adjusted operating expenses (of USD 6.8 million, driven by efficiency measures undertaken). 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 12.5 million, or 8.5%, from USD 146.7 million in the year ended March 31, 2019 to USD 159.2 million in the year ended March 31, 2020, on a reported currency basis (12.7% on a constant currency basis). The increase in revenue in the Asia Pacific segment was primarily driven by higher revenue in Australia and in Southeast Asia.

Segment Adjusted EBITDA
Adjusted EBITDA in the Asia Pacific segment increased by USD 8.4 million, from USD 1.5 million in the year ended March 31, 2019 to USD 9.9 million in the year ended March 31, 2020. The increase in profitability in the Asia Pacific segment was driven by an improved Adjusted Gross Profit (increase of USD 6.8 million) and overall lower Adjusted operating expenses (mainly the results of prior year restructuring). 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 unfavorable 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, 2020	Total Costs incurred in the Financial year ended March 31, 2020
Americas	7.0	4.4
EMEA	15.9	1.3
Asia Pacific	0.8	0.3
Corporate	2.3	0.7
Restructuring Charges	**26.1**	**6.7**

During the financial year 2019, the Company continued its effort on rightsizing its operations and has introduced a program in the Americas to align the cost base with the lower revenue in FY 2019 attributable to the roll-off of two large projects and the delays in regulatory approvals in the United States. A similar program was introduced in EMEA to respond to market changes in certain countries.

The Company continued its effort on maximizing the efficiency of its 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. In FY 2019, Project Lightfoot delivered in excess of USD 20 million of annual savings.

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.

CASH FLOWS

	FINANCIAL YEAR ENDED MARCH 31,	
USD in millions	**2020**	2019
Cash flows provided by operating activities	148.9	162.9
Cash flows used in investing activities	(28.5)	(60.6)
Business acquisitions	–	21.1
Free Cash Flow (excluding M&A)	**120.4**	**123.5**
Cash flows provided by (used in) financing activities	129.3	(132.7)

Operating Activities
Cash flow provided by operating activities decreased by USD 14.0 million, or –8.6%, from USD 162.9 million in financial year 2018 to USD 148.9 million in the financial year 2019, as a result of lower EBITDA and unfavorable operating working capital development.

Investing Activities
Cash flow used in investing activities decreased by USD 32.1 million, or 52.9%, from USD(60.6) million in the financial year 2018 to USD(28.5) million in the financial year 2019, reflecting our asset light approach and the nonrecurrence of the business acquisitions in prior year (USD 19.1 million paid to establish a joint venture for the acquisition of Acumen, an Australian metering service provider, 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, Business acquisitions were excluded in the computation of Free Cash Flow, excluding mergers and acquisition activities.

Financing Activities
Cash flow provided by (used in) financing activities increased by USD 262 million, from USD(132.7) million in the financial year 2018 to USD 129.3 million in the financial year 2019. In the year ended March 31, 2020, the inflow from financing activities was driven mainly by the full utilization of the existing corporate credit facilities as a precautionary measure against the uncertainties brought by the COVID-19 pandemic with net proceeds of USD 263.7 million, reduced by the dividend payment of USD (94.0) million and USD (38.9) million used to purchase treasury shares under the Company's share Buyback program and the share-based compensation schemes. As a further precautionary action, the share Buyback program was suspended on March 27, 2020. 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 Buyback program and the share-based compensation schemes, as well as the decrease by USD (50.0) million of the borrowings under the corporate credit facility agreements.

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, 2020 and 2019.

NET OPERATING WORKING CAPITAL

USD in millions, except percentages	March 31, 2020	March 31, 2019
Accounts receivable, net	335.8	367.9
Inventories, net	147.5	133.7
Trade accounts payable	(175.9)	(220.3)
Operating Working Capital	**307.4**	**281.3**
Operating Working Capital as a percentage of Net Revenue	18.1%	15.9%

During the periods under review, the main changes to the Group's OWC arose from higher inventory in the Americas, combined with phasing effects on trade accounts receivable and 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 decreased relative to sales and in absolute terms during the periods under review and amounted to 1.7%, and 2.3% of net revenue for the financial years 2019 and 2018, respectively. Capex has been fully funded by cash flow from operating activities.

CAPITAL EXPENDITURES

	FINANCIAL YEAR ENDED MARCH 31,	
USD in millions, except percentages	2020	2019
Service contracts	1.0	5.4
Expansion	8.9	15.4
Replacement	18.7	19.7
CapEx	**28.6**	**40.5**
CapEx as a percentage of Net Revenue	1.7%	2.3%

Capital expenditures decreased by USD (11.9) million, or 29.4%, from USD 40.5 million in the financial year 2018 to USD 28.6 million in the financial year 2019, primarily driven by the phasing effect of deployment projects in the Americas segment.

Net Debt

The table below presents the components of net debt as of March 31, 2020 and 2019.

NET DEBT

USD in millions	**March 31, 2020**	March 31, 2019
Cash and cash equivalents	(319.4)	(73.4)
Credit facilities	343.5	80.0
Other borrowings from banks	8.6	10.7
Other financial liabilities (assets), net	(0.2)	(0.1)
Net Debt	**32.6**	**17.2**

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, 2020**	March 31, 2019
Credit Facilities	343.5	80.0
Other borrowings from banks	8.6	10.7

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
- Leases

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, 2020 and 2019:

	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	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Operating income	**139.0**	**158.3**	**92.6**	**148.8**	**25.3**	**1.0**	**4.9**	**(4.0)**	**16.2**	**12.5**
Amortization of intangible assets	47.1	48.7	32.4	33.0	6.5	7.3	1.4	1.6	6.8	6.8
Depreciation	39.2	44.1	21.4	25.1	14.5	15.1	2.9	3.3	0.4	0.6
EBITDA	**225.3**	**251.1**	**146.4**	**206.9**	**46.3**	**23.4**	**9.2**	**0.9**	**23.4**	**19.9**
Restructuring charges	6.7	4.8	4.4	2.1	1.3	1.0	0.3	0.6	0.7	1.1
Exceptional warranty related expenses (1)	–	1.1	–	–	–	(1.0)	–	–	–	2.1
Warranty normalization adjustments (2)	13.1	(16.1)	12.3	(15.3)	0.4	(0.7)	0.4	–	0.0	(0.1)
Timing difference on FX derivatives (3)	(7.9)	(3.0)	–	–	(7.9)	(3.0)	–	–	–	–
Adjusted EBITDA	**237.2**	**237.9**	**163.1**	**193.7**	**40.1**	**19.7**	**9.9**	**1.5**	**24.1**	**23.0**
Adjusted EBITDA margin (%)	14.0%	13.5%	18.0%	19.6%	6.3%	3.1%	6.2%	1.0%		

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 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 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.

Adjusted Gross Profit

The reconciliation of Gross Profit to Adjusted Gross Profit is as follows for the financial years ended March 31, 2020 and 2019:

	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	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Gross Profit	**532.8**	**576.3**	**307.8**	**380.4**	**189.2**	**171.6**	**33.4**	**26.7**	**2.4**	**(2.4)**
Amortization of intangible assets	12.6	13.8	5.1	5.4	6.2	7.0	1.3	1.4	–	–
Depreciation	32.0	36.4	18.1	21.5	12.6	13.3	1.3	1.7	–	(0.1)
Restructuring charges	1.7	0.8	1.4	0.9	–	(0.3)	0.3	0.2	–	–
Exceptional warranty related expenses	–	1.1	–	–	–	(1.0)	–	–	–	2.1
Warranty normalization adjustments	13.1	(16.1)	12.3	(15.4)	0.4	(0.7)	0.4	–	–	–
Timing difference on FX derivatives	(7.9)	(3.0)	–	–	(7.9)	(3.0)	–	–	–	–
Adjusted Gross Profit	**584.3**	**609.3**	**344.7**	**392.8**	**200.5**	**186.9**	**36.7**	**30.0**	**2.4**	**(0.4)**
Adjusted Gross Profit margin (%)	34.4%	34.5%	38.0%	39.8%	31.6%	29.5%	23.1%	20.4%		

Adjusted Operating Expense

The reconciliation of Operating Expenses to Adjusted Operating Expenses is as follows for the financial years ended March 31, 2020 and 2019:

	FINANCIAL YEAR ENDED MARCH 31,	
USD in millions	**2020**	2019
Research and development	**157.7**	**156.8**
Depreciation	(3.8)	(4.0)
Restructuring charges	(1.7)	(0.9)
Adjusted Research and Development	**152.2**	**151.9**
Sales and Marketing	88.2	95.4
General and administrative	113.5	130.9
Depreciation	(3.4)	(3.7)
Restructuring charges	(3.3)	(3.1)
Adjusted Sales, General and Administrative	**195.0**	**219.5**
Adjusted Operating Expenses	**347.2**	**371.4**

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.

Warranty accruals represent our estimate of the cost of projected warranty 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 releases of, or other adjustments to these accruals, offset by insurance proceeds, received or receivable, if any.

For the financial years ended March 31, 2020 and 2019, our Consolidated Statements of Operations include net changes to the warranty accruals, which we recorded in cost of goods sold, of USD 38.5 million and USD 5.8 million, respectively, comprising additions to and releases of, or other adjustments to, accruals in respect of such claims.

In the financial years 2019 and 2018, net changes to warranty accruals were impacted by additional accruals net of insurance proceeds received of USD 28.2 million and USD (1.1) million related to a legacy component issue 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 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, 2020, 2019 and 2018, the outflow (in cash or the value of other compensation paid out to customers) in respect of warranty claims (excluding X2) amounted to USD 25.0 million, USD 30.8 million and USD 20.5 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 25.4 million. For the year ended March 31, 2019, the three-year average actual warranty costs incurred (in cash or the value of other compensation paid out to customers) amounted to USD 22.3 million. The main part of the outflow (in cash or the value of other compensation paid out to customers) in respect of warranty in the years ended March 31, 2020 and March 31, 2019 was related to the legacy component issue in the Americas.

Management presents Adjusted EBITDA in this Financial Report 2019 as an alternative performance measure (both at the Group and at the segment level). With regards to warranty, Adjusted EBITDA excludes the accruals associated with the X2 claim (as well as the associated legal expenses) and, with respect to other warranty claims, includes only the average actual warranty costs incurred over the last 3 years (in cash or the value of other compensation paid out to customers) in respect of such claims, which amounted to USD 25.4 million and USD 22.3 million for the years ended March 31, 2020 and 2019. For the years ended March 31, 2020 and 2019, the warranty normalization adjustments made in calculating Adjusted EBITDA amounted to USD 13.1 million and USD (16.1) million, respectively.

The following table provides information on our accruals in respect of warranty 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	**2020**	2019	2018	**Average**
Beginning of the year	**45.2**	**73.4**	**51.7**	
Additions [1]	46.7	18.7	48.0	
Other changes / adjustments to warranties [2]	(3.5)	(12.8)	(7.3)	
Outflow in respect of X2 matter	–	(1.2)	(1.0)	
Outflow in respect of other warranty	(25.0)	(30.8)	(20.5)	(25.4)
Total outflow in respect of X2 matter and other warranty	(25.0)	(32.0)	(21.5)	
Effect of changes in exchange rates	(1.4)	(2.2)	2.6	
Ending balance	**62.0**	**45.2**	**73.4**	

1 "Additions" reflects new product warranty amounts included in warranty provisions.
2 Other changes/adjustments to warranties reflects amounts included in warranty provisions as a result of releases or other adjustments resulting from settlement of claims for which accruals had previously been recorded.

The following table provides further information on our warranty 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	**2020**	2019
Additions		
Additions (including X2)[1]	46.7	18.7
X2 Additions	–	–
Additions (excluding X2)	**46.7**	**18.7**
Other changes / adjustments to warranties		
Releases (including X2)	(3.5)	(12.8)
X2 Reclassification	–	–
X2 Releases	–	0.4
Releases (excluding X2)	**(3.5)**	**(12.4)**
Insurance proceeds		
Expected proceeds from insurance receivable[2]	(4.7)	–
Expected proceeds from insurance receivable	**(4.7)**	**–**
Net changes to warranty accruals (including X2)	38.5	5.8
Net changes to warranty accruals relating to X2	–	0.4
Net changes to warranty accruals (excluding X2)	**38.5**	**6.2**
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)	(25.4)	(22.3)
Warranty normalization adjustments	**13.1**	**(16.1)**

1 "Additions (including X2)" reflects new product warranty amounts included in warranty provisions (USD 46.7 million and USD 18.7 million for the years ended March 31, 2020 and 2019, respectively).
2 Expected proceeds from insurance receivable represents the expected cash inflow over several years from an insurance receivable.

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	**2020**	2019	**31.03.2020**	31.03.2019
Euro countries – EUR	1.1113	1.1580	1.0971	1.1221
United Kingdom – GBP	1.2704	1.3126	1.2398	1.2993
Switzerland – CHF	1.0135	1.0098	1.0353	1.0043
Brazil – BRL	0.2431	0.2645	0.1923	0.2564
Australia – AUD	0.6813	0.7293	0.6102	0.7097

Glossary

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

Term	Definition
Adjusted EBITDA	Operating income (loss) excluding depreciation and amortization, impairment of intangible assets, restructuring charges, exceptional warranty related expenses, warranty normalization adjustments and timing difference on FX derivatives
Adjusted Gross Profit	Total revenue minus the cost of revenue, adjusted for depreciation, amortization, restructuring charges, exceptional warranty related expenses, warranty normalization adjustments and timing difference on FX derivatives
Adjusted Operating Expense	Research and development expense (net of research and development related income), plus sales and marketing expense, plus general and administrative expense, adjusted for depreciation and restructuring charges
Committed Backlog	Cumulative sum of the awarded contracts, with firm volume and price commitments, that are not fulfilled as of the end of the reporting period
Cost of Revenue	Cost of manufacturing and delivering the products or services sold during the period
EBITDA	Earnings before Interest, Taxes, Depreciation & Amortization and Impairment of intangible assets
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 34 to 91), for the year ended March 31, 2020.

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 March 31, 2020 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.

PricewaterhouseCoopers AG, Dammstrasse 21, Postfach, CH-6302 Zug, Switzerland
Telephone: +41 58 792 68 00, Telefax: +41 58 792 68 10, www.pwc.ch

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 – Europe, Middle East and Africa ("EMEA")

Key audit matter	How our audit addressed the key audit matter
As of March 31, 2020, the Company's carrying value of goodwill assigned to the EMEA reporting unit was USD 197 million. The Company tests goodwill for impairment annually, or more frequently if events or changes in circumstances indicate a potential impairment. When evaluating goodwill for impairment, the Company uses either a qualitative or quantitative assessment method for each reporting unit. If, based on the qualitative assessment, it is determined to be more likely than not that a reporting unit's fair value is less than its carrying value or if the Company elects not to perform the qualitative assessment for a reporting unit, the Company proceeds to perform a quantitative impairment assessment. The quantitative impairment test involves comparing the fair value of the reporting unit to its carrying value. If the carrying value exceeds its fair value, the Company records an impairment charge equal to the difference. The determination of the fair value of the EMEA reporting unit involves significant estimation and judgment, including determining key assumptions used in estimating the future cash flows to support the fair value of the EMEA reporting unit, such as the projections of future business performance and profitability, terminal growth rates and discount rates. Due to the estimation uncertainty and judgement pertaining to the estimate, we view the matter as a key audit matter. Refer to Note 2.14 *Goodwill,* Note 12 *Goodwill,* and Note 13 *Impairment of intangible assets* of the consolidated financial statements.	We assessed management's identification of the Company's EMEA reporting unit and the related assets, liabilities and goodwill assigned to it. We obtained management's fair value calculation for the EMEA reporting unit and assessed the consistency of the methodology applied with prior years. We tested the mathematical accuracy of the model and agreed inputs to supporting documentation. We agreed the FY 2020-FY 2024 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 model for the EMEA reporting unit 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 assess whether these would result in an impairment. On the basis of procedures performed, we determined that the approach taken, and the conclusions reached by management with regards to the recoverability of EMEA reporting unit's goodwill were reasonable.

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Warranty provision – legacy component issue in the Americas segment

Key audit matter	How our audit addressed the key audit matter
As of March 31, 2020, a significant portion of the Company's warranty provision relates to a legacy component issue in the Americas segment. This warranty provision is an estimate that involves management's judgement on key assumptions, namely projected failure rates, costs incurred to repair or replace each unit, and affected units in service. Due to the estimation uncertainty 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 methodology in determining the warranty provision. We assessed the historical failure rates for major customers to ensure the projected failure rates were reasonable. We tested the cost incurred to repair or replace each unit used in the provision calculation and agreed the costs 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 approach taken and judgments made by management in relation to the warranty provision related to the legacy component issue in the 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, May 27, 2020

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Consolidated Statements of Operations

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands, except per share data	**2020**	2019
Net revenue	**1,698,999**	**1,765,159**
Cost of revenue	1,166,174	1,188,824
Gross profit	**532,825**	**576,335**
Operating expenses		
Research and development	157,705	156,847
Sales and marketing	88,158	95,407
General and administrative	113,468	130,892
Amortization of intangible assets	34,503	34,937
Operating income	**138,991**	**158,252**
Other income (expense)		
Interest income	5,217	479
Interest expense	(6,784)	(6,847)
Non-operational pension (cost) credit	3,624	4,078
Gain on divestments	–	14,563
Income (loss) on foreign exchange, net	(2,626)	(1,526)
Income before income tax expense	**138,422**	**168,999**
Income tax expense	(19,469)	(42,121)
Net income before noncontrolling interests and equity method investments	**118,953**	**126,878**
Net loss from equity investments	(5,788)	(4,250)
Net income before noncontrolling interests	**113,165**	**122,628**
Net income attributable to noncontrolling interests, net of tax	(583)	383
Net income attributable to Landis+Gyr Group AG Shareholders	**113,748**	**122,245**
Earnings per share:		
Basic	3.90	4.15
Diluted	3.90	4.15
Weighted-average number of shares used in computing earnings per share:		
Basic	29,169,434	29,489,321
Diluted	29,201,789	29,489,321

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	**2020**	2019
Net income before noncontrolling interests	**113,165**	**122,628**
Other comprehensive (loss) income:		
Foreign currency translation adjustments, net of income tax expense	(12,232)	(14,930)
Pension plan benefits liability adjustments, net of income tax expense	(4,853)	(2,227)
Comprehensive income	**96,080**	**105,471**
Net income attributable to noncontrolling interests, net of tax	583	(383)
Foreign currency translation adjustments attributable to the noncontrolling interests	305	566
Comprehensive income attributable to Landis+Gyr Group AG Shareholders	**96,968**	**105,654**

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

Consolidated Balance Sheets

USD in thousands, except share data	March 31, 2020	March 31, 2019
ASSETS		
Current assets		
Cash and cash equivalents	319,379	73,381
Accounts receivable, net of allowance for doubtful accounts of USD 9.7 million and USD 9.9 million	335,761	367,943
Inventories, net	147,456	133,659
Prepaid expenses and other current assets	59,695	54,798
Total current assets	**862,291**	**629,781**
Property, plant and equipment, net	117,532	142,058
Intangible assets, net	288,279	332,030
Goodwill	1,354,094	1,354,094
Deferred tax assets	17,017	15,821
Other long-term assets	145,059	78,156
TOTAL ASSETS	**2,784,272**	**2,551,940**
LIABILITIES AND EQUITY		
Current liabilities		
Trade accounts payable	175,859	220,314
Accrued liabilities	28,357	31,232
Warranty provision – current	31,628	34,257
Payroll and benefits payable	55,542	66,842
Loans payable	352,171	90,661
Operating lease liabilities – current	13,212	–
Other current liabilities	84,569	81,438
Total current liabilities	**741,338**	**524,744**
Warranty provision – non current	30,352	10,920
Pension and other employee liabilities	46,054	48,382
Deferred tax liabilities	25,034	37,347
Tax provision	20,598	29,172
Operating lease liabilities – non current	59,482	–
Other long-term liabilities	63,769	68,000
Total liabilities	**986,627**	**718,565**
Commitments and contingencies – Note 24		
Shareholders' equity		
Landis+Gyr Group AG shareholders' equity Registered ordinary shares (29,251,249 and 29,510,000 issued shares at March 31, 2020 and March 31, 2019, respectively)	306,341	309,050
Additional paid-in capital	1,303,799	1,408,122
Retained earnings	289,393	177,966
Accumulated other comprehensive loss	(68,925)	(52,145)
Treasury shares, at cost (431,205 and 198,674 shares at March 31, 2020 and March 31, 2019, respectively)	(34,338)	(12,332)
Total Landis+Gyr Group AG shareholders' equity	**1,796,270**	**1,830,661**
Noncontrolling interests	1,375	2,714
Total shareholders' equity	**1,797,645**	**1,833,375**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,784,272**	**2,551,940**

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		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury shares	Total Landis+Gyr Group AG equity	Noncontrolling interests	Total shareholders' equity
Balance at March 31, 2018	**29,510,000**	**309,050**	**1,475,421**	**55,721**	**(35,554)**	**–**	**1,804,638**	**3,383**	**1,808,021**
Net income	–	–	–	122,245	–	–	122,245	383	122,628
Foreign currency translation 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**
Net income	–	–	–	113,748	–	–	113,748	(583)	113,165
Foreign currency translation adjustments, net of income tax expense	–	–	–	–	(11,927)	–	(11,927)	(305)	(12,232)
Pension plan benefits liability adjustment, net of income tax expense	–	–	–	–	(4,853)	–	(4,853)	–	(4,853)
Dividends paid (CHF 3.15 per share)	–	–	(93,968)	–	–	–	(93,968)	–	(93,968)
Dividends paid to noncontrolling interest	–	–	–	–	–	–	–	(451)	(451)
Share based compensation	–	–	1,529	–	–	–	1,529	–	1,529
Purchase of treasury shares	–	–	–	–	–	(38,920)	(38,920)	–	(38,920)
Delivery of shares	–	–	(370)	–	–	370	–	–	–
Retirement of shares	(258,751)	(2,709)	(11,514)	(2,321)	–	16,544	–	–	–
Balance at March 31, 2020	**29,251,249**	**306,341**	**1,303,799**	**289,393**	**(68,925)**	**(34,338)**	**1,796,270**	**1,375**	**1,797,645**

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	**2020**	2019
Cash flow from operating activities		
Net income	113,165	122,628
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	86,357	92,815
Net loss from equity investments	5,788	4,250
Share-based compensation	1,529	1,461
Gain on divestments	–	(14,563)
Gain on disposal of property, plant and equipment	1,025	526
Effect of foreign currencies translation on non-operating items, net	(539)	(4,203)
Change in allowance for doubtful accounts	(158)	3,633
Deferred income tax	(13,161)	4,625
Change in operating assets and liabilities, net of effect of businesses acquired and effect of changes in exchange rates:		
Accounts receivable	19,001	(77,040)
Inventories	(7,629)	(10,818)
Trade accounts payable	(32,648)	89,271
Other assets and liabilities	(23,795)	(49,647)
Net cash provided by operating activities	**148,935**	**162,938**
Cash flow from investing activities		
Payments for property, plant and equipment	(28,524)	(40,328)
Payments for intangible assets	(79)	(141)
Proceeds from the sale of property, plant and equipment	84	1,016
Business acquisitions	–	(21,101)
Net cash used in investing activities	**(28,519)**	**(60,554)**
Cash flow from financing activities		
Proceeds from third party facility	507,707	195,073
Repayment of borrowings to third party facility	(245,088)	(245,620)
Dividends paid to noncontrolling interests	(451)	(486)
Debt issuance cost	–	(614)
Dividends paid	(93,968)	(68,383)
Purchase of treasury shares	(38,920)	(12,709)
Net cash provided by (used in) financing activities	**129,280**	**(132,739)**
Net increase (decrease) in cash and cash equivalents	**249,696**	**(30,355)**
Cash and cash equivalents at beginning of period, including restricted cash	73,381	106,763
Effects of foreign exchange rate changes on cash and cash equivalents	(3,698)	(3,027)
Cash and cash equivalents at end of period, including restricted cash	**319,379**	**73,381**
Supplemental cash flow information		
Cash paid for income tax	31,369	32,569
Cash paid for interest	5,995	5,912

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.

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

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.

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, 2020, and at March 31, 2019, 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. The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations and financial condition, will depend on future developments that are highly uncertain, including as a result of new information that may emerge concerning COVID-19 and the actions taken to contain it or treat COVID-19, as well as the economic impact on local, regional, national and international customers and markets. We have made estimates of the impact of COVID-19 within our financial statements and there may be changes to those estimates in future periods. Actual results may 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 consider 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.

The Company applies the simplified quantitative impairment test, which 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, 2021 to 2027, 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 intercompany 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 determines if an arrangement is a lease at inception. A lease exists when a contract conveys to the customer the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. The definition of a lease embodies two conditions: (1) there is an identified asset in the contract that is land or a depreciable asset (i.e. property, plant, and equipment), and (2) the customer has the right to control the use of the identified asset.

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

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

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

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

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

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

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 5.0 million and USD 5.1 million, respectively, for the financial years ended March 31, 2020 and March 31, 2019.

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, 2020 and 2019, the Company had 32,355 and nil dilutive shares outstanding, respectively.

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"), or the SPI Industrials Index ("SPI Industrials"), 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 21: Share-based compensation).

2.27 Recent Accounting Pronouncements

Applicable for future periods

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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. In November 2018, the FASB issued ASU 2018-19 – Codification Improvements to Topic 326, Financial Instruments – Credit Losses to clarify, improve, and correct various aspects of ASU 2016-13. In May 2019, the FASB issued ASU 2019-05 – Financial Instruments – Credit Losses (Topic 326): Targeted Transition Relief, to simplify transition requirements. In November 2019, the FASB issued ASU 2019-11 – Codification Improvements to Topic 326, Financial Instruments – Credit Losses to clarify, improve, and correct various aspects of ASU 2016-13. The effective date and transition requirements in ASU 2018-19, ASU 2019-05 and ASU 2019-11 are the same as the effective date and transition requirements of ASU 2016-13. In November 2019, the FASB issued ASU 2019-10, – Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates, deferring the effective dates for certain major Updates. As a result, 2016-13 is effective for the Company for annual and interim periods beginning on April 1, 2023, with early adoption in any interim period 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, 2023 and is currently in the process of evaluating the effect that the amendments will have on its Consolidated Financial Statements and related disclosures.

In December 2019, the FASB issued ASU 2019-12 – Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which simplifies the accounting for income taxes by removing certain exceptions to the general principles in this topic. The amendments also improve consistent application of existing guidance by clarifying certain aspects. This update is effective for the Company for annual and interim periods beginning April 1, 2021, with early adoption in any interim period permitted. Depending on the amendment, adoption may be applied on a retrospective, modified retrospective or prospective basis. The Company is currently evaluating the impact of this update on its Consolidated Financial Statements.

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.

In January 2020, the FASB issued ASU 2020-01 – Investments – Equity Securities (Topic 321), Investments – Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) – Clarifying the Interactions between Topic 321, Topic 323, and Topic 815, which improves the accounting for certain equity securities when the equity method of accounting is applied or discontinued and clarifies that, for the purpose of applying paragraph 815-10-15-141(a), an entity should not consider whether, upon the settlement of the forward contract or exercise of the purchased option, individually or with existing investments, the underlying securities would be accounted for under the equity method in Topic 323 or the fair value option in accordance with the financial instruments guidance in Topic 825. This update is effective for the Company on April 1, 2021, with early adoption in any interim period permitted. The Company is currently evaluating the impact of this update but does not expect that it will have a material effect on its Consolidated Financial Statements.

In March 2020, the FASB issued ASU 2020-03 – Codification Improvements to Financial Instruments, which improves the financial instruments guidance, including the current expected credit losses guidance. Certain conforming amendments are effective for the Company immediately but don't have a material effect on its Consolidated Financial Statements. The effective dates and the transition requirements for the amendments to the current expected credit losses guidance are the same as the effective date and transition requirements in ASU 2016-13 (see above).

Recently Adopted Accounting Pronouncements
In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which required substantially all leases to be recognized by lessees on their balance sheet as a right-of-use asset and corresponding lease liability, including leases previously accounted for as operating leases. The new standard also resulted in enhanced quantitative and qualitative disclosures, including significant judgments made by management, to provide greater insight into the extent of expense recognized and expected to be recognized from existing leases. The standard required modified retrospective adoption and was effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted. In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842, Leases, to clarify, improve, and correct various aspects of ASU 2016-02, and also issued ASU 2018-11, Targeted Improvements to Topic 842, Leases, to simplify transition requirements and, for lessors, provide a practical expedient for the separation of nonlease components from lease components. In March 2019, the FASB issued a second Codification Improvements to Topic 842, Leases (ASU 2019-01) to provide further guidance and clarity on several topics of ASU 2016-02. The effective date and transition requirements in ASU 2018-10, ASU 2018-11, and ASU 2019-01 are the same as the effective date and transition requirements of ASU 2016-02. The Company adopted Accounting Standards Codification (ASC) 842 on April 1, 2019 on a modified retrospective basis. It has elected to apply the package of practical expedients which permits the Company to not reassess under the new standard prior conclusions about lease identification, lease classification and initial direct cost. The adoption of this standard resulted in an increase of Other long-term assets, Operating lease liabilities – current, and Operating lease liabilities – non-current of USD 47.2 million, USD 17.3 million, and USD 31.4 million, respectively, and a decrease in Other current assets and Other current liabilities of USD 0.7 million and USD 2.2 million, respectively. Comparable information has not been restated to reflect the adoption of this new standard and continues to be measured and reported under ASC 840. Refer to the updated Leases accounting policy described above and Note 23: Leases for additional disclosure regarding the Company's leases and the adoption of ASC 842.

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

In March 2020, the FASB issued ASU 2020-04 – Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, to provide temporary optional expedients and exceptions to the US GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates, such as SOFR. The guidance is effective upon issuance and generally can be applied through December 31, 2022. The guidance on contract modifications is applied prospectively from any date beginning March 12, 2020. This update was applied as of March 12, 2020 and had no impact on the Consolidated Financial Statements.

Note 3: Shareholder's equity

At March 31, 2020 and 2019, the capital structure reflected 29,251,249 and 29,510,000, respectively, 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, 2020, and March 31, 2019 no shares were issued from this conditional share capital.

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

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

As a precautionary measure to reflect current uncertainties related to the financial impact from the COVID-19 pandemic, the Company has decided to temporarily suspend the Buyback program, effective March 27, 2020.

The changes in Treasury shares during the financial years ended March 31, 2020 and 2019 were as follows:

MOVEMENT IN TREASURY SHARES	FINANCIAL YEAR ENDED MARCH 31,			
	2020	**2020**	2019	2019
	Number of shares	**Average acquisition price per share (in CHF)**	Number of shares	Average acquisition price per share (in CHF)
Treasury shares – opening balance as of April 1,	198,674	62.05	–	–
Purchases for share Buyback program	443,214	75.27	157,842	62.39
Other purchases	53,994	93.75	46,748	61.09
Delivery of shares	(5,926)	62.28	(5,916)	63.24
Retirement of shares	(258,751)	64.15	–	–
Treasury shares – closing balance as of March 31,	**431,205**	**78.35**	**198,674**	**62.05**

Share capital reduction

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

Dividend

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

At the Annual General Meeting of Shareholders on June 28, 2018, shareholders approved the proposal of the Board of Directors to distribute 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	**2020**	2019
Foreign currency translation adjustments, net of tax	(47,535)	(35,608)
Pension plan benefits liability adjustments, net of taxes of USD 3,784 and USD 2,693 as of March 31, 2020 and March 31, 2019, respectively	(21,390)	(16,537)
Accumulated other comprehensive income (loss)	**(68,925)**	**(52,145)**

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, 2019	**(16,537)**	**(35,608)**	**(52,145)**
Other comprehensive income (loss) before reclassifications	(4,537)	(11,927)	(16,464)
Amounts reclassified from accumulated other comprehensive income	(316)	–	(316)
Net current-period other comprehensive income (loss)	(4,853)	(11,927)	(16,780)
Ending balance, March 31, 2020	**(21,390)**	**(47,535)**	**(68,925)**

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)**

The pension plan benefits liability adjustment, net of taxes, in the AOCL changed by USD (4.9) million and USD (2.2) million in the financial years ended March 31, 2020 and March 31, 2019, 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	**2020**	2019
Amortization of actuarial loss	694	229
Amortization of prior service cost	(1,010)	(1,005)
Amounts reclassified from other comprehensive income to net income [1]	(316)	(776)
Net actuarial loss	(5,629)	(2,198)
Prior service cost	–	(15)
Total before tax	**(5,945)**	**(2,989)**
Tax benefit	1,092	762
Total other comprehensive income (loss) from defined benefit pension plans (net of tax) for the fiscal year ended March 31,	**(4,853)**	**(2,227)**

1) These accumulated other comprehensive income components are included in the computation of net periodic pension costs (see Note 20: 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 21: 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	**2020**	2019
Basic earnings per share		
Net income attributable to Landis+Gyr Group AG Shareholders	113,748	122,245
Weighted-average number of shares used in computing earnings per share	**29,169,434**	**29,489,321**
Basic earnings per share attributable to Landis+Gyr Group AG shareholders	**3.90**	**4.15**
Diluted earnings per share		
Net income attributable to Landis+Gyr Group AG Shareholders	113,748	122,245
Weighted-average number of shares used in computing earnings per share	**29,169,434**	**29,489,321**
Effect of dilutive securities	32,355	–
Adjusted weighted-average number of shares outstanding	**29,201,789**	**29,489,321**
Diluted earnings per share attributable to Landis+Gyr Group AG shareholders	**3.90**	**4.15**

There were 199,016 potentially dilutive securities for the financial year ended March 31, 2020. For the financial year ended March 31, 2020, 32,355 incremental potentially dilutive securities were included in the computation of the adjusted weighted-average number of shares outstanding. The remaining 166,661 stock-based awards could be dilutive in future periods.

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 was nil and no incremental potentially dilutive securities were included in the computation of the adjusted weighted-average number of shares outstanding.

Note 5: Revenue

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

USD in thousands	March 31, 2020	March 31, 2019
Contract assets	**–**	**1,259**
Advances from customers	6,766	4,789
Deferred revenue	58,020	48,937
Contract liabilities	**64,786**	**53,726**

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

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

Of the contract liabilities as of March 31, 2019, the Company recognized revenue of USD 20.5 million during the financial year ended March 31, 2020.

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 receives 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 520.4 million for the next twelve months and approximately USD 1,703.4 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, 2020 and 2019, the carrying balances of assets recognized from the cost incurred to obtain a contract were USD 1.9 million and USD 1.5 million, respectively. These amounts are included in Other long-term assets in the Consolidated Balance Sheets.

For the financial years ended March 31, 2020 and 2019, the Company recognized USD 0.5 million and USD 0.3 million, respectively, amortization of capitalized cost incurred to obtain a contract. These amounts are 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	**2020**	2019
Trade accounts receivable	314,798	342,729
Contract receivable	33,049	36,766
Allowance for doubtful accounts	(9,696)	(9,854)
Total trade accounts receivable, net	**338,151**	**369,641**
Less: current portion of accounts receivable, net	335,761	367,943
Long-term accounts receivable, net	**2,390**	**1,698**

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:

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands	**2020**	2019
Beginning balance	(9,854)	(6,221)
Provisions for doubtful accounts	(5,244)	(5,446)
Deductions, net of recoveries	5,402	1,813
Balance at March 31,	**(9,696)**	**(9,854)**

Note 7: Inventories, net

Inventories, net consist of the following:

	MARCH 31,	
USD in thousands	**2020**	2019
Raw material and supplies	96,705	94,852
Work in progress	7,921	7,739
Finished goods	56,646	40,611
Total inventories gross	**161,272**	**143,202**
Inventory reserve	(13,816)	(9,543)
Total inventories, net	**147,456**	**133,659**

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	**2020**	2019
Prepaid expenses	15,457	10,866
Other tax receivables	9,003	8,514
Income tax receivables/advances	9,033	14,917
Others	26,202	20,501
Total prepaid expenses and other current assets	**59,695**	**54,798**

Note 9: Property, Plant & Equipment

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

	MARCH 31,	
USD in thousands	**2020**	2019
Land	3,101	3,342
Buildings	18,846	16,613
Network equipment (1)	119,792	147,309
Machinery and equipment	135,475	132,048
Vehicles and other equipment	77,110	70,109
Construction in progress	19,725	20,515
Total cost	**374,049**	**389,936**
Less accumulated depreciation	(256,517)	(247,878)
Property, plant and equipment, net	**117,532**	**142,058**

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, 2020 and March 31, 2019 was USD 39.2 million and USD 44.1 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, 2020 (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	(59,432)	–	54,528	9
Order backlog	40,264	(40,264)	–	–	–
Customer contracts & relationships	418,315	(227,580)	–	190,735	9
Developed technologies	183,985	(129,803)	(11,166)	43,016	3
Total finite lived intangibles	**756,524**	**(457,079)**	**(11,166)**	**288,279**	

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**	

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

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands	**2020**	2019
Cost of revenue	12,609	13,810
Operating expenses	34,503	34,937
Total	**47,112**	**48,747**

Estimated future annual amortization expense related to identified intangible assets for each of the five years, to March 31, 2025 and thereafter is as follows:

Financial year ending March 31, (USD in thousands)	**Estimated annual amortization**
2021	46,540
2022	44,981
2023	44,361
2024	32,176
2025	32,093
Thereafter	88,128
Total identifiable intangibles, net	**288,279**

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 2018 and 2019, after the completion of the annual forecasting process.

The changes in the carrying amount of goodwill for the year ended March 31, 2020 and 2019, are as follows:

USD in thousands	**Americas**	**EMEA**	**Asia Pacific**	**Total**
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**
Changes in current year	–	–	–	–
Balance as of March 31, 2020	**1,133,350**	**197,241**	**23,503**	**1,354,094**

Note 13: Impairment of intangible assets

At March 31, 2020 and 2019, the Company performed a goodwill impairment analysis that included an assessment of certain qualitative factors, the overall financial performance, macroeconomic and industry conditions, as well as determining and comparing the fair value of the reporting unit to the carrying value of the reporting unit when performing a quantitative impairment test.

As a result of the assessment performed, no impairment charges were recorded in the financial years ended March 31, 2020 and March 31, 2019.

The Company's assessments considered the current and expected future economic and market conditions surrounding COVID-19 pandemic and its impact on each of the reporting units and intangible assets. The assumptions used within the impairment assessments represent the Company's best estimate. The Company's assessment that no impairment is required for its reporting units assumes the trading conditions develop as forecasted. The ability to achieve its forecasts could be materially impacted by the duration, severity, and geographic spread, as well as government actions to address or mitigate the impact, of the COVID-19 pandemic.

Note 14: Other long-term assets

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

	MARCH 31,	
USD in thousands	**2020**	2019
Investments in affiliated companies	26,344	36,672
Other investments	2,000	2,000
Operating lease right-of-use assets [1]	70,210	–
Others	46,505	39,484
Total other long-term assets	**145,059**	**78,156**

1) See Note 23: Leases.

Investments in Affiliated Companies

The Company owns a 20.3% equity interest in Spark Holdco Pty Ltd ("Spark") since June 19, 2018, see Note 10: Acquisitions and Divestments. Spark, together with its subsidiaries, provides energy data management services in Australia. As of March 31, 2020 and 2019, the carrying amount of the Company's share in Spark was USD 26.3 million and USD 36.7 million, respectively.

The Company has elected to record its share of earnings from Spark on a three-month lag. For the financial year ended March 31, 2020, the Company's share of loss from Spark was USD 5.8 million, representing the investee's operations through December 31, 2019. 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 these amounts within Net loss from equity investments in the Consolidated Statements of Operations.

Other investments

The Company owns a 3% equity interest in Sense Labs, Inc. ("Sense") that was acquired on January 16, 2019. 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, 2020 and 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 years ended March 31, 2020 and 2019.

Note 15: Other current liabilities

The components of other current liabilities are as follows:

	MARCH 31,	
USD in thousands	**2020**	2019
Warranty settlement liability	–	20,784
Contract liabilities	30,769	15,219
Tax payable	13,744	10,321
Others	40,056	35,114
Total other current liabilities	**84,569**	**81,438**

Note 16: Loans payable

The components of the loans payable are as follows:

USD in thousands	**March 31, 2020**		March 31, 2019	
	Balance	**Weighted average interest rate**	Balance	Weighted average interest rate
Multicurrency Credit Facility	240,000	1.6%	80,000	3.2%
CHF Credit Facility	103,528	0.6%	–	na
Other borrowings from banks	8,643	7.5%	10,661	9.1%
Loans payable	**352,171**		**90,661**	

At March 31, 2020, the Company had in place two Credit Facility agreements, provided by a bank syndicate led by UBS Switzerland AG, to be used for general corporate purposes: a USD 240 million Credit Facility (the “Multicurrency Credit Facility”), thereof USD 40 million maturing in February 2024 with the remaining balance maturing in February 2025 and a CHF 100 million Credit Facility (the “CHF Credit Facility”) maturing in February 2025.

As a precautionary measure against the uncertainties brought by the COVID-19 pandemic, at March 31, 2020 the Company was utilizing the maximum available amount under both facilities.

In general, borrowings under the Credit Facility agreements 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 Credit Facility agreements contain 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 agreements restrict, 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 agreements also contain 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 agreements contain 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 agreement may be voluntarily prepaid in whole or in part, subject to notice, minimum amounts and break costs.

Multicurrency Credit Facility
Under the Multicurrency Credit 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, 2020 and March 31, 2019, the Company has drawn loans for a total amount of USD 240 million and USD 80 million, respectively.

As of March 31, 2020 and 2019, the Multicurrency Credit Facility's unused portion was nil and USD 160 million, respectively.

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.

CHF Credit Facility
Under the CHF Credit 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, 2020, and March 31, 2019, the Company has drawn loans for a total amount of CHF 100 million, or USD 103.5 million at the exchange rate prevailing at the balance sheet date, and nil, respectively.

As of March 31, 2020, and 2019, the CHF Credit Facility's unused portion was nil and CHF 100 million, respectively.

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.

Note 17: Other long-term liabilities

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

	MARCH 31,	
USD in thousands	2020	2019
Contract liabilities	34,017	38,507
Others	29,752	29,493
Total other long-term liabilities	**63,769**	**68,000**

Note 18: 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, 2020 and March 31, 2019 were USD 383.9 million and USD 216.4 million, respectively.

For the financial year ended March 31, 2020 and 2019, the Company recognized gains from changes in the fair value of forward foreign exchange contracts of USD 14 million and USD 0.3 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, 2020 and March 31, 2019, were as follows:

DERIVATIVE FINANCIAL INSTRUMENTS

		Derivative assets		Derivative liabilities	
March 31, 2020 (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	333,180	10,902	4,935	1,685	1,631
Foreign currency forward contracts in SEK	11,459	454	282	–	–
Foreign currency forward contracts in AUD	8,237	856	–	–	–
Foreign currency forward contracts in CHF	31,058	–	–	20	–
Total derivative financial instruments		**12,212**	**5,217**	**1,705**	**1,631**

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**	**–**

Note 19: 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, 2020, 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, 2020 (USD in thousands)	Total	Level 1	Level 2	Level 3
Assets				
Foreign currency forward contracts	17,429	–	17,429	–
Total	**17,429**	**–**	**17,429**	**–**
Liabilities				
Foreign currency forward contracts	3,336	–	3,336	–
Total	**3,336**	**–**	**3,336**	**–**

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**	**–**

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, 2020 and 2019, the Company had no asset or liability measured at fair value on a recurring basis using significant unobservable inputs (Level 3).

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

Note 20: 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, 2020 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:

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands	**2020**	2019
Change in benefit obligation:		
Benefit obligation at April 1,	280,492	291,929
Service cost	4,925	5,145
Interest cost	2,488	3,249
Employee contributions	3,173	3,233
Benefits paid	(480)	(468)
Assets distributed on settlements	(16,211)	(19,494)
Actuarial (gains) / losses	(419)	8,905
Curtailments	(3)	–
Termination benefits (1)	259	265
Liabilities extinguished on settlements	(17)	–
Plan amendments	–	15
Effect of changes in exchange rates	6,018	(12,287)
Benefit obligation at March 31,	**280,225**	**280,492**

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

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands	**2020**	2019
Change in plan assets:		
Fair value of plan assets at April 1,	243,128	250,346
Actual return on plan assets	262	13,636
Employer contributions	4,185	4,740
Employee contributions	3,173	3,233
Benefits paid	(16,211)	(19,494)
Effect of changes in exchange rates	6,128	(9,333)
Fair value of plan assets at March 31,	**240,665**	**243,128**
Funded status at March 31,	**(39,560)**	**(37,364)**
Accumulated benefit obligation	**275,396**	**275,986**

As of March 31, 2020, the net benefit obligation for the Company's underfunded plans was equal to USD 39.6 million. There were no net plan assets for overfunded plans to be reported. 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.

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

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands	**2020**	2019
Service cost	4,925	5,404
Operational pension cost	**4,925**	**5,404**
Interest cost	2,510	3,273
Termination benefits	259	265
Expected return on plan assets	(6,063)	(6,840)
Amortization of prior service costs	(1,010)	(1,005)
Amortization of actuarial loss (gain)	694	229
Settlements and curtailments	(14)	–
Non-operational cost (credit)	**(3,624)**	**(4,078)**
Net periodic benefit cost	**1,301**	**1,326**

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

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands	**2020**	2019
Net actuarial loss (gain)	5,629	2,198
Amortization of actuarial (loss) gain	(694)	(229)
Prior service cost	–	15
Amortization of prior service cost	1,010	1,005
Total change recognized in AOCL	**5,945**	**2,989**

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	**2020**	2019
Actuarial loss	31,546	26,611
Prior service cost	(6,601)	(7,611)
Deferred tax liability (assets)	(3,784)	(2,693)
Effect of changes in exchange rates	229	230
Total	**21,390**	**16,537**

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, 2021 are USD 1.0 million cost and USD 1.0 million benefit, respectively. The Company expects to make contributions of USD 4.2 million to the defined benefit pension plans during the financial year ending March 31, 2021.

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

	March 31, 2020	March 31, 2019
Weighted average assumptions to determine benefit obligations:		
Discount rate (1)	0.93%	0.92%
Expected rate of increase in future compensation (2)	1.18%	1.18%
Expected rate of increase in future pension benefits (3)	0.10%	0.11%
Weighted average assumptions to determine net periodic pension costs:		
Discount rate (1)	0.92%	1.18%
Expected long-term rate of return on plan assets (4)	2.65%	2.89%

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 20.2 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 18.0 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, 2020 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, 2020	March 31, 2019
Equity Instruments	19%	24%
Debt Instruments	52%	45%
Property	21%	17%
Other	8%	14%

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, 2021 targeted allocations are equities (21 percent), debt securities (50 percent), real estate (24 percent) and others (5 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:

Financial year ending March 31, (USD in thousands)	
2021	14,970
2022	14,173
2023	13,685
2024	14,365
2025	14,423
2026–2031	73,763

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, 2020 and at March 31, 2019:

Fair Value Measurements March 31, 2020 (USD in thousands)	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	–	–	–	–
Equity instruments	46,416	40,388	6,028	–
Debt instruments	124,364	97,829	26,535	–
Real estate	50,354	–	6,558	43,796
Other	19,531	2,957	16,574	–
Total	**240,665**	**141,174**	**55,695**	**43,796**

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**

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:

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands	**2020**	2019
Balance at April 1,	41,161	39,496
Actual return on plan assets	1,962	2,698
Purchases	–	676
Sales	(615)	–
Effect of changes in exchange rates	1,288	(1,709)
Balance at March 31,	**43,796**	**41,161**

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, 2020, and March 31, 2019, the post-retirement benefit plans had an obligation of USD 0.3 million and USD 0.4 million, respectively.

For the post-retirement plan, the expected premium for financial year ending March 31, 2021 is assumed to be USD 2,695 for retired employees (USD 6,548 for spouse). The medical trend rate is assumed to increase to 5.2% for the financial year ending March 31, 2021 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, 2020. Decreasing the assumed health care cost trend rate by 1% would have decreased the accumulated post-retirement benefit obligation at March 31, 2020 by USD 5 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, 2020 and March 31, 2019 were USD 8.8 million and USD 8.4 million, respectively.

Note 21: 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"), for the award cycle started on April 1, 2018, or the SPI Industrials Index ("SPI Industrials"), for the award cycle started on April 1, 2019, 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, 2020 and March 31, 2019:

Maximum outstanding nonvested share equivalents under the LTIP	March 31, 2020	March 31, 2019
Maximum share equivalents under the PSP-TSR	99,508	45,405
Maximum share equivalents under the PSP-EPS	99,508	45,405
Total maximum outstanding nonvested share equivalents under the LTIP	**199,016**	**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 for the financial years ended March 31, 2020 and 2019 were USD 1.1 million and USD 1.1 million, respectively.

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 or the SPI Industrials. 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 or the SPI Industrials.

The following tables summarize the activities under the PSP-TSR component for the financial year ended March 31, 2020 and 2019:

TSR COMPONENT	FISCAL YEAR ENDED MARCH 31, 2020		
	Number of awards	**Maximum number of shares conditionally granted**	**Weighted-average grant-date fair value per share (Swiss francs)**
Nonvested at April 1, 2019	22,702	45,405	56.35
Granted	34,470	68,940	51.14
Vested	–	–	
Forfeited	(7,419)	(14,837)	52.99
Nonvested at March 31, 2020	**49,753**	**99,508**	**53.24**
Exercisable at March 31, 2020	–	–	–

TSR COMPONENT	FINANCIAL 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 0.8 million and USD 0.4 million, respectively, for the financial years ended March 31, 2020 and 2019, which is included within General and administrative expense in the Consolidated Statements of Operations. As of March 31, 2020, total unrecognized compensation costs related to nonvested PSP-TSR awards amount to USD 1.2 million. These costs are expected to be recognized over a weighted-average period of 1.7 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:

	FINANCIAL YEAR ENDED MARCH 31,	
	2020	2019
Expected term	3 years	3 years
Risk free rate	(0.683%)	(0.483%)
Expected volatility	24.24%	20.13%
Expected dividend yield	4%	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 tables summarize the activities under the PSP-EPS Plan for the financial years ended March 31, 2020 and 2019:

EPS COMPONENT	FINANCIAL YEAR ENDED MARCH 31, 2020		
	Number of awards	Maximum number of shares conditionally granted	Weighted-average grant-date fair value per share (Swiss francs)
Nonvested at April 1, 2019	22,702	45,405	73.95
Granted	34,470	68,940	56.32
Vested	–	–	–
Forfeited	(7,419)	(14,837)	60.36
Nonvested at March 31, 2020	**49,753**	**99,508**	**60.86**
Exercisable at March 31, 2020	–	–	–

EPS COMPONENT	FINANCIAL 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 0.3 million and USD 0.7 million, respectively, for the financial years ended March 31, 2020 and 2019, which is included within General and administrative expense in the Consolidated Statements of Operations. As of March 31, 2020, total unrecognized compensation costs related to nonvested PSP-EPS awards amount to USD 0.9 million. These costs are expected to be recognized over a weighted-average period of 1.7 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 years ended March 31, 2020 and 2019, the Company allotted 5,926 and 5,916 shares, respectively, out of the treasury stock, and recorded USD 0.5 million and USD 0.4 million, respectively, of expense which is included within General and administrative expense in the Consolidated Statements of Operations.

Note 22: Income Taxes

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

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands	**2020**	2019
Domestic [(1)]	8,950	39,004
Foreign	129,472	129,995
L+G Group	**138,422**	**168,999**

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:

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands	**2020**	2019
Current income taxes:		
Domestic [(1)]	(939)	(795)
Foreign	(31,691)	(36,701)
Total current taxes	(32,630)	(37,496)
Deferred taxes:		
Domestic [(1)]	(2,203)	(5,399)
Foreign	15,364	774
Total deferred taxes	13,161	(4,625)
Total income taxes	**(19,469)**	**(42,121)**

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

The reconciliation of tax expense at the statutory federal tax rate of 7.83% to the provision for income taxes is shown in the table below:

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands	**2020**	2019
Regular statutory rate expense	(10,838)	(13,233)
Items taxed at rates other than the Company's statutory rate	(21,767)	(33,100)
Other permanent adjustments	4,408	925
Provision for uncertain tax positions	8,261	(3,099)
Tax credits	1,805	2,095
Withholding taxes	(1,008)	(796)
Change in valuation allowance	818	4,645
Adjustments to prior year	(2,121)	162
Effects of changes in tax rate, net	965	367
Other, net	8	(87)
Tax expense	**(19,469)**	**(42,121)**

Deferred Taxes

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

USD in thousands	MARCH 31, 2020	2019
Deferred tax assets:		
Net operating loss carryforwards	76,185	91,800
Inventories	3,558	2,269
Prepaid expenses and other	–	690
Accrued liabilities	13,084	8,947
Intangible assets	9,589	9,482
Operating leases	14,499	–
Pension and other employee related liabilities	18,533	21,642
Other	25,794	23,665
Total gross deferred tax assets	**161,242**	**158,495**
Deferred tax liabilities:		
Accrued liabilities	(50)	(231)
Property, plant, and equipment	(4,920)	(9,495)
Intangible assets	(54,210)	(61,240)
Operating leases	(13,979)	–
Other	(18,738)	(22,202)
Total gross deferred tax liabilities	**(91,897)**	**(93,168)**
Net deferred tax assets before valuation allowance	**69,345**	**65,327**
Valuation allowance	(77,362)	(86,853)
Net deferred tax liabilities	**(8,017)**	**(21,526)**
Included in:		
Deferred tax assets – non-current	17,017	15,821
Deferred tax liabilities – non-current	(25,034)	(37,347)
Net deferred tax liabilities	**(8,017)**	**(21,526)**

As of March 31, 2020, and March 31, 2019, the Company had total tax losses carried forward in the amount of USD 232.5 million and USD 287.4 million, respectively.

The expiration of the tax losses carried forward as of March 31, 2020 is as follows:

Financial year ending March 31, (USD in thousands)	
2021	–
2022	357
2023	28,096
2024	17,653
2025	9,523
Thereafter	8,756
Never expire	168,129
Total	**232,514**

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, Denmark, France, 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, 2020 and March 31, 2019 are USD 0.3 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.

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:

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands	**2020**	2019
Balance as of April 1,	24,584	24,378
Gross increases to positions in prior years	1,210	306
Gross increases to current period tax positions	4,551	3,839
Audit settlements	–	(696)
Expiry of statute of limitations	(7,599)	(967)
Gross decreases to prior year positions	(2,887)	(2,003)
Effect on change in exchange rates	(428)	(273)
Balance as of March 31,	**19,431**	**24,584**

As of March 31, 2020, and March 31, 2019, accrued interest and penalties were USD 4.9 million and USD 7.6 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, 2020, 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, 2020
Switzerland	April 1, 2018–March 31, 2020
U.S. Federal	April 1, 2017–March 31, 2020
Germany	April 1, 2014–March 31, 2020
Greece	April 1, 2014–March 31, 2020
United Kingdom	April 1, 2018–March 31, 2020
Brazil	January 1, 2015–March 31, 2020

Note 23: Leases

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

The components of lease expense are as follows:

USD in thousands	Financial year ended March 31, 2020
Finance lease cost – Right of use assets amortization	535
Finance lease cost – Interest on lease liabilities	93
Operating lease cost	17,811
Variable lease cost	67
Short-term lease cost	9,069
Total lease cost	**27,575**

Supplemental cash flow information related to leases are as follows:

	FINANCIAL YEAR ENDED MARCH 31, 2020	
USD in thousands	Finance Leases	Operating Leases
Cash paid for amounts included in the measurement of lease liabilities	482	16,851
Right-of-use assets obtained in exchange for lease liabilities	210	40,313

Supplemental balance sheet information related to leases are as follows:

	MARCH 31, 2020	
USD in thousands, unless otherwise stated	Finance Leases	Operating Leases
Right-of-use assets, net	687	70,210
Lease liabilities	2,751	72,694
Weighted-average remaining lease term (Years)	2.5	9.2
Weighted-average discount rate	4.5%	2.9%

Remaining maturities of lease liabilities as of March 31, 2020 are as follows:

Financial year ending March 31, (USD in thousands)	Finance Leases	Operating Leases
March 31, 2021	1,437	14,748
March 31, 2022	1,126	11,484
March 31, 2023	284	7,447
March 31, 2024	29	6,451
March 31, 2025	–	5,932
Thereafter	–	38,180
Total lease payments	**2,876**	**84,242**
Less: Imputed interest	(125)	(11,548)
Total lease liabilities	**2,751**	**72,694**

As of March 31, 2020, the Company has additional operating lease commitments, primarily for office space, that have not yet commenced of USD 42 million. These operating leases will commence in the following financial year with lease terms ranging from 2 to 15 years.

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

Fiscal year ending March 31, 2019 (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**	

Note 24: Commitments & Contingencies

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

Maximum potential payments (USD in million)	March 31, 2020
Performance guarantees obtained from third parties	139.7
Financial guarantees issued in connection with financing activities	560.8
Financial guarantees issued in connection with lease agreements	6.9
Total	**707.4**

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, 2020, the Company had total outstanding performance bonds and bank and insurance guarantees of USD 139.7 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 567.7 million as of March 31, 2020.

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.

The Washington Department of Revenue ("Department") has conducted an audit of business & occupation tax, sales tax and other taxes in one of our US subsidiaries for the period between January 1, 2010 through March 31, 2016. The Company received a non-income tax assessment from the Department for approximately USD 22 million, including penalties and interest. The Company strongly disagrees with this assessment and believes it to be contradictory to applicable statutes and court rulings in similar cases. Although the Company cannot predict the ultimate outcome of this case, it believes that it is probable that the tax authority's assessment will be overturned on appeal, and therefore, the Company has not established an accrual. An unfavorable ruling will result in a charge of approximately USD 22 million. In addition, the Company has estimated that the exposure for the period from April 1, 2016 to March 31, 2020 would increase the charge by USD 7 million to USD 29 million, should there be an unfavorable ruling.

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

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

Additionally, Landis+Gyr provided the Council evidence demonstrating that it had not engaged in any of the alleged anti-competitive conduct. Landis+Gyr is not materially active in the Romanian metering market nor was it materially active during the period under investigation. On January 4, 2018, the Plenum of the Competition Council issued its preliminary decision against Landis+Gyr and five other companies and imposed a fine of RON 27.4 million (or USD 6.2 million, converted at the exchange rate as of March 31, 2020). The full written decision was received on April 30, 2018. In May 2018, Landis+Gyr filed an appeal of the decision on the basis that it is significantly flawed and incorrect under the law. The appeal remains under consideration.

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

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

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

Due to the nature of the Company's business, it may be subject to claims alleging infringement of intellectual property rights belonging to third parties in connection with various of the Company's products and technologies. In this context, the Company may also be exposed to allegations of patent infringement relating to communication or other technologies from time to time, for example, where the Company purchases components or technology from vendors, which may incorporate technology belonging to third parties. In these instances, the Company relies on the contractual indemnification from such vendors against the infringement of such third party intellectual property rights. However, where such contractual rights prove unenforceable or non-collectible, the Company may need to bear the full responsibility for damages, fees, and costs resulting from such allegations of infringement. It could also be necessary for the Company to enter into direct licenses from third parties with regard to technologies incorporated into products supplied to the Company from such vendors. As of the date of these financial statements there is no active or ongoing litigation related to such allegations of infringement and associated indemnification from vendors.

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:

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands	**2020**	**2019**
Beginning balance, April 1	45,177	73,427
New product warranties	46,704	18,685
Other changes / adjustments to warranties	(3,574)	(12,808)
Claims activity	(25,032)	(31,971)
Effect of changes in exchange rates	(1,295)	(2,156)
Ending balance, March 31,	**61,980**	**45,177**
Less: current portion of warranty	(31,628)	(34,257)
Long-term warranty	30,352	10,920

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

During the financial year ended March 31, 2020, the Company determined that the provision for product warranties for a legacy component issue in the Americas was no longer sufficient to cover expected warranty costs in the remaining warranty period. Accordingly, the previously estimated product warranty provision was increased by a total of USD 28.2 million, net of related insurance proceeds. The corresponding increase was included in Cost of revenue.

The additional provision of USD 28.2 million increases the accrual related to the legacy component issue to USD 39.6 million as of March 31, 2020, of which the current and non-current portions are USD 12.6 million and USD 27.0 million, respectively. The Company expects that the noncurrent portion will mainly be paid out after one year and within eight years of March 31, 2020.

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

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, 2020, 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, 2020 initiatives represent approximately USD 6.7 million in severance related costs. Some of the severance payments were completed during the financial year ended March 31, 2020 and the remaining payments are expected to be completed during the financial year ending March 31, 2021.

A summary of the Company's restructuring activity, including costs incurred during the financial years ended March 31, 2020 and March 31, 2019 is as follows:

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands	**2020**	2019
Beginning balance, April 1,	5,052	8,460
Restructuring charges	6,727	4,760
Cash payments	(5,895)	(7,667)
Effect of changes in exchanges rates	(167)	(501)
Balance as of March 31,	**5,717**	**5,052**

The outstanding balance at March 31, 2020 and at March 31, 2019, 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:

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands	**2020**	2019
Cost of revenue	1,744	770
Research and development	1,647	912
Sales and marketing	1,702	1,635
General and administrative	1,634	1,443
Total	**6,727**	**4,760**

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, 2020	Total costs incurred in the financial year ended March 31, 2020
Americas	7,050	4,358
EMEA	15,929	1,332
Asia Pacific	827	293
Corporate	2,343	744
Restructuring Charges	**26,149**	**6,727**

The cumulative costs incurred up to March 31, 2020 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 12.3 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 New Zealand. The following table presents the activity for the AROs, excluding environmental remediation liabilities:

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands	**2020**	2019
Beginning balance, April 1	2,236	2,802
Additional obligations incurred	58	152
Obligations settled in current period	–	(629)
Changes in estimates, including timing	1,155	–
Accretion expense	10	36
Effect of changes in exchange rates	(63)	(125)
Obligation balances, March 31,	**3,396**	**2,236**

Note 27: Related Party Transactions

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 years ended March 31, 2020 and 2019, revenues from Spark were USD 24.4 million and USD 15.5 million, respectively. Sales of goods were made at the Company's usual prices.

As of March 31, 2020, and 2019, receivables due from Spark were USD 1.8 million and USD 3.0 million, respectively. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties.

Transactions with other related parties
The Company conducts business with certain companies where members of the Company's Board of Directors or Executive Committee act, or in recent years have acted, as directors or senior executives. Eric A. Elzvik is a board member of LM Ericsson, Sweden. In the financial year ended March 31, 2020, sales to and purchases from LM Ericsson and its group companies were USD 2.4 million and USD 1.1 million, respectively. 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.

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, 2020 and 2019. The majority of the revenue is derived from the sale of energy meters.

Approximately 43% of the Company's workforce is subject to collective bargaining agreements expiring between 2020 and 2037. Approximately 11% 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 and (vi) change in unrealized gains and losses on derivatives where the underlying hedged transactions have not yet been realized.

	FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands	**2020**	2019
Net revenues		
Americas	914,025	989,064
thereof to external customers	906,256	985,982
thereof to other segments	7,769	3,082
EMEA	712,065	714,505
thereof to external customers	633,493	632,460
thereof to other segments	78,572	82,045
Asia Pacific	162,463	150,228
thereof to external customers	159,250	146,717
thereof to other segments	3,213	3,511
Elimination	(89,554)	(88,638)
Total Company	**1,698,999**	**1,765,159**
Adjusted EBITDA		
Americas	163,139	193,655
EMEA	40,102	19,731
Asia Pacific	9,882	1,483
Corporate unallocated	24,042	23,063
Total Company	**237,165**	**237,932**
Restructuring charges (1)	(6,727)	(4,760)
Exceptional warranty related expenses (2)	–	(1,136)
Warranty normalization adjustments (3)	(12,995)	16,054
Timing difference on FX derivatives (4)	7,905	2,977
Depreciation	(39,245)	(44,068)
Amortization of intangible assets	(47,112)	(48,747)
Interest income	5,217	479
Interest expense	(6,784)	(6,847)
Non-operational pension (cost) credit	3,624	4,078
Gain on divestments	–	14,563
Income (loss) on foreign exchange, net	(2,626)	(1,526)
Income before income tax expense	**138,422**	**168,999**

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 claims.
4) Timing difference on FX derivatives represents unrealized gains and losses on derivatives where the underlying hedged transactions have not yet been realized.

The following table presents segment depreciation and amortization and capital expenditures for the financial years ended March 31, 2020 and 2019:

	DEPRECIATION AND AMORTIZATION		CAPITAL EXPENDITURE	
	FINANCIAL YEAR ENDED MARCH 31,		FINANCIAL YEAR ENDED MARCH 31,	
USD in thousands	**2020**	2019	**2020**	2019
Americas	53,839	58,115	8,334	18,597
EMEA	20,996	22,428	11,739	16,983
Asia Pacific	4,276	4,882	4,172	4,518
Corporate	7,246	7,390	4,358	371
Total	**86,357**	**92,815**	**28,603**	**40,469**

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, 2020 and 2019:

Financial year ended March 31, 2020 (USD in thousands)	**Total**	**Americas**	**EMEA**	**Asia Pacific**
Total revenue	**1,698,999**	**906,256**	**633,493**	**159,250**
thereof United States	803,730	795,116	8,614	–
thereof United Kingdom	258,614	–	258,614	–
thereof Switzerland	42,169	–	42,169	–
thereof Australia	69,740	–	856	68,884

Financial 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

The following tables represent the property, plant and equipment, net as of March 31, 2020 and 2019:

March 31, 2020 (USD in thousands)	Total	Americas	EMEA	Asia Pacific
Property, plant and equipment	**117,532**	**50,900**	**56,304**	**10,328**
thereof United States	46,739	46,739	–	–
thereof United Kingdom	19,481	–	19,481	–
thereof Switzerland	5,226	–	5,226	–
thereof Australia	1,863	–	–	1,863

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

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 27, 2020, 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 27, 2020 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 (the "Company"), which comprise the balance sheet, income statement and notes (pages 96 to 103), for the year ended March 31, 2020.

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 Company'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 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 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 March 31, 2020 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 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.

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

Key audit matter	How our audit addressed the key audit matter
At March 31, 2020, the carrying value of the Company's investment in and long-term loan receivable from subsidiary amounts to CHF 1.1 billion and CHF 0.3 billion, respectively. We consider the valuation of investment in and the long-term loan receivable from subsidiary a key audit matter due to the estimation uncertainty 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 March 31, 2020 by performing the following procedures: • We compared the market capitalization of the Company at March 31, 2020 to the combined carrying value of the investment in and long-term loan receivable from subsidiary. • We considered the reasonableness of the enterprise value of the Company by assessing management's impairment analyses. • 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 deficit 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
Audit expert
Auditor in charge

Claudia Muhlinghaus
Audit expert

Zug, May 27, 2020

pwc

Balance Sheet

CHF	Notes	March 31, 2020	March 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents		1,017	9,325
Short-term loans receivable from subsidiary companies		–	110,442,804
Total current assets		**1,017**	**110,452,129**
NON-CURRENT ASSETS			
Long-term loans receivable from subsidiary companies		286,669,865	176,511,852
Investments	5	1,067,205,088	1,067,205,088
Total non-current assets		**1,353,874,953**	**1,243,716,940**
TOTAL ASSETS		**1,353,875,970**	**1,354,169,069**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade accounts payable to subsidiary companies		12,554,551	8,497,332
Accrued liabilities		40,045	38,884
Total current liabilities		**12,594,596**	**8,536,216**
Non-current liabilities			
Long-term loans payable to subsidiary companies		133,912,336	–
Provision for unrealized FX gain		47,913,645	53,840,017
Total non current liabilities		**181,825,981**	**53,840,017**
Total liabilities		**194,420,577**	**62,376,233**
SHAREHOLDERS' EQUITY			
Share capital	6	292,512,490	295,100,000
Statutory capital reserves	7	883,728,858	994,146,251
Reserve for treasury shares held by subsidiary			
- against statutory capital reserves	8	7,174,729	2,481,618
Statutory retained earnings		2,952,483	2,952,483
Accumulated (deficit)/profit		(303,462)	6,959,532
Accumulated profit/(deficit) brought forward		6,959,532	(9,515,422)
(Loss)/profit for the year		(7,262,994)	16,474,954
Treasury shares		–	–
- against statutory capital reserves	8	(26,609,706)	(9,847,048)
Total shareholders’ equity		**1,159,455,393**	**1,291,792,836**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,353,875,970**	**1,354,169,069**

See notes to the statutory financial statements.

Income Statement

	FINANCIAL YEAR ENDED MARCH 31,	
CHF	**2020**	2019
Operating expenses	(12,796,958)	(8,499,152)
OPERATING LOSS	**(12,796,958)**	**(8,499,152)**
Financial income	8,849,425	25,013,738
Financial expense	(3,274,303)	–
PROFIT BEFORE TAXES	**(7,221,836)**	**16,514,586**
Direct taxes	(41,158)	(39,632)
PROFIT FOR THE YEAR	**(7,262,994)**	**16,474,954**

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 which is a leading global provider of energy metering products and solutions to utilities.

Since July, 2017, the Company's registered ordinary shares have been listed on the SIX Swiss Exchange.

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 47.9 million (Prior Year: CHF 53.8 million) has been deferred on the balance sheet.

The current year foreign exchange rate gain is CHF 0.45 million. In the prior 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.

The Company's assessments considered the current and expected future economic and market conditions surrounding COVID-19 pandemic and its impact on each of the investments. The assumptions used within the impairment assessments represent the Company's best estimate. The Company's assessment that no impairment is required for its investments assumes the trading conditions develop as forecasted. The ability to achieve its forecasts could be materially impacted by the duration, severity, and geographic spread, as well as government actions to address or mitigate the impact, of the COVID-19 pandemic.

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, 2020 and 2019.

Note 5: Investments

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

COMPANY	NOMINAL CAPITAL	OWNERSHIP & VOTING RIGHTS MARCH 31,	
		2020	2019
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,	
		2020	2019
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: Share capital

At March 31, 2020 the share capital represents 29,251,249 (Prior Year: 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.

At the Annual General Meeting of Shareholders on June 25, 2019, shareholders approved the proposal of the Board of Directors to reduce the share capital of the Company by cancelling 258,751 treasury shares which were acquired under the Buyback program outlined in Note 9. This cancellation was completed in September 2019, resulting in a decrease in Treasury shares of USD 16.6 million and a corresponding decrease in Registered ordinary shares and Additional paid-in 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.

Note 7: Statutory capital reserves

MOVEMENT IN STATUTORY CAPITAL RESERVES

	FINANCIAL YEAR ENDED MARCH 31,	
CHF	**2020**	2019
Statutory capital reserves as at April 1,	994,146,251	1,064,500,869
Dividend payment of CHF 3.15 (PY: CHF 2.30) per share	(91,712,477)	(67,873,000)
Retirement of shares	(14,011,806)	–
Transfer to reserve for treasury shares held by subsidiary – against statutory capital reserves	(4,693,111)	(2,481,618)
Statutory capital reserves carried forward	**883,728,857**	**994,146,251**

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 8.

Note 8: Treasury Shares and reserve for Treasury shares held by subsidiary

On January 29, 2019, the Company announced its intention to execute a share Buyback program 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 program”). The implementation of the Buyback program depends on the market conditions. The Buyback program lasts from January 30, 2019 to January 28, 2022 at the latest. The Company reserves the right to terminate the Buyback program at any time and has no obligation to acquire its own registered shares as part of the Buyback program. The Board of Directors of Landis+Gyr Group AG intends to request one or more capital reductions to future general meetings by cancelling the registered shares repurchased under the Buyback program.

As a precautionary measure to reflect current uncertainties related to the financial impact from COVID-19, Landis+Gyr Group AG decided to suspend the share Buyback program on March 27, 2020.

As of March 31, 2020, the Company held directly 342,305 shares (Prior Year: 157,842), 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:

	FINANCIAL YEAR ENDED MARCH 31,			
	2020	**2020**	2019	2019
	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,	157,842	62.39	–	–
Purchases for share Buyback program	443,214	75.27	157,842	62.39
Other purchases	5,926	62.28	5,916	63.24
Delivery of shares	(5,926)	62.28	(5,916)	63.24
Retirement of shares	(258,751)	64.15	–	–
Treasury shares – closing balance as of March 31,	**342,305**	**77.74**	**157,842**	**62.39**

In addition, a subsidiary company, Landis+Gyr AG, also purchased shares in the Company, and as at March 31, 2020 held 88,900 shares (Prior Year: 40,832) at an average acquisition price of CHF 80.71 per share (Prior Year: CHF 60.78) which are reserved for the employee and board compensation plans.

During the year the number of shares purchased was 53,994 at an average acquisition price of CHF 93.75 and the number of shares transferred to the Company for distribution to Board members was 5,926 at an average acquisition price of CHF 62.28.

The value of the movement during the year of shares held by Landis+Gyr AG, amounting to CHF 4.7 million (Prior Year: CHF 2.5 million) has been debited to the Statutory capital reserves and credited to the Reserve for treasury shares held by subsidiary.

Note 9: 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 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 488 million and CHF 354 million as of March 31, 2020 and 2019, respectively. The exchange rates used to convert the maximum liability amounts into CHF are USD 0.96 (Prior Year: 0.99) and EUR 1.06 (Prior Year: 1.12).

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 Group Executive Management

At March 31, 2020 and 2019, the members of the Board held the following number of shares in the Company:

NAME	FUNCTION	NUMBER OF SHARES HELD AT MARCH 31,	
		2020	2019
Andreas Umbach	Chairman of the Board	69,589	67,999
Eric Elzvik	Lead Independent Director	4,779	3,574
Dave Geary	Independent Member	1,150	558
Pierre-Alain Graf	Independent Member	1,534	942
Andreas Spreiter	Independent Member	7,689	7,030
Christina Stercken	Independent Member	1,800	1,208
Peter Mainz	Independent Member	1,022	495
Mary Kipp [(a)]	Independent Member	n/a	495
Søren Thorup Sørensen [(b)]	Not independent; representative of biggest shareholder	–	n/a

(a) Did not stand for re-election at 2019 AGM held on June 25, 2019.
(b) Newly appointed at 2019 AGM held on June 25, 2019, representative of the Company's biggest shareholder KIRKBI Invest A/S.

At March 31, 2020 and 2019, respectively, 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 long-term incentive plan ("LTIP"):

		FINANCIAL YEAR ENDED MARCH 31, 2020	
Name	Function	Number of shares held	Nonvested share equivalents under the LTIP
Richard Mora	Chief Executive Officer	41,641	5,573
Jonathan Elmer	Chief Financial Officer	9,030	9,598
Prasanna Venkatesan	Head of Americas	22,072	5,143
Susanne Seitz	Head of EMEA	–	3,216

		FINANCIAL YEAR ENDED MARCH 31, 2019	
Name	Function	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
Roger Amhof [(a)]	Chief Strategy Officer	6,425	–
Ellie Doyle [(b)]	Head of Asia Pacific	3,774	348
Prasanna Venkatesan	Head of Americas	22,072	1,929
Susanne Seitz [(c)]	Head of EMEA	–	–

(a) Active member of GEM until December 31, 2018; employment ended on September 30, 2019.
(b) Active member of GEM until October 31, 2018; employment ended on October 31, 2019.
(c) Member of GEM as of November 19, 2018

Note 12: Significant Shareholders

At March 31, 2020 and 2019, respectively, the significant shareholders in the Company, holding more than 3% of the total shares, were:

	MARCH 31, 2020	
Name	**Number of Shares**	**Holding %**
KIRKBI Invest A/S	4,445,265	15.20%
Rudolf Maag	3,000,000	10.26%

	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%

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, 2020 and March 31, 2019.

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

PROPOSED APPROPRIATION OF THE ACCUMULATED (DEFICIT)/PROFIT

	FINANCIAL YEAR ENDED MARCH 31,	
CHF	**2020**	2019
Balance carried forward from previous year	6,959,532	(9,515,422)
(Loss)/Profit for the year	(7,262,994)	16,474,954
Accumulated (deficit)/profit	**(303,462)**	**6,959,532**

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

PROPOSED APPROPRIATION OF STATUTORY CAPITAL RESERVES

	FINANCIAL YEAR ENDED MARCH 31,	
CHF	**2020**	2019
Statutory capital reserves as at March 31 [(a)]	883,728,858	994,146,251
Dividend payment of CHF 3.15 per share on 29,115,072 shares out of statutory capital reserves	–	(91,712,477)
Statutory capital reserves carried forward	**883,728,858**	**901,189,751**

(a) Refer to Note 7 for the movements in statutory capital reserves during the year.

The Board of Directors proposes to the Annual General Meeting to carry forward the accumulated statutory capital reserves.

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